

The Writings
of F. A. Harper
Volume 2:
Shorter Essays



F. A. HARPER

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INSTITUTE FOR HUMANE STUDIES, INC.

Library of Congress Cataloging in Publication Data (Revised)

Harper, Floyd Arthur, 1905-1973.

The writings of F. A. Harper.

Includes bibliographical references.

CONTENTS: v. 1. The major works: The crisis of the free market. High prices. Liberty. Why wages rise —v. 2. Shorter essays.

1. Economics—Collected works. 2. Laissez-faire—Collected works. 3. Liberty—Collected works. 4. Inflation (Finance)—Collected works. I. Title.

HB171.H276 1978 330.15'3 78-8590

ISBN 0-89617-000-4

The Writings of F. A. Harper

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ISBN 0-89617-000-4 (Set)

ISBN 0-89617-001-2 (Volume 1)

ISBN 0-89617-002-0 (Volume 2)

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I Economics

I Economics

The Free Market

Perils of the Free Market, National and International

My grandfather grew up as a member of a pioneer family in the wilderness of Michigan, among the Indians. He used to tell me many interesting boyhood experiences, full of sage advice.

“If you want to be a successful hunter, my boy,” he said, “you must first learn to recognize the tracks of the animal you wish to hunt. Then learn to recognize the animal itself.”

That advice was good for hunting wolverines in 1847. And it is equally good for hunting the economic fallacies and perils to the free market in 1947.

Most of the world’s economic aches and pains are merely surface symptoms for lack of freedom in the market. Many people do not understand the connection between market freedom and a healthy economy. They have not learned how to recognize the processes by which freedom of the market is destroyed.

I shall discuss them briefly.

The free market is founded on one simple rule. I firmly believe it to be a basic rule for human conduct, without which an orderly, voluntary society cannot possibly continue to exist. The rule is this: *A person has a right to the product of his own labor, either in kind or in other forms that are its equivalent in trade.*

My grandfather’s family could not easily have become con-

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fused on this point. They were practically self-sufficient. What they produced was largely consumed by them, because the nearest market, Detroit, was 150 miles away by ox-cart and wilderness trails. What they produced was their own, to do with as they wished. They had to guard it, however, from raids by wild and predatory men and beasts who knew not the Golden Rule and the golden harvest of betterment which it makes possible for people.

A second family of settlers finally arrived in that Michigan wilderness, then a third and, finally, a large number of others. Today, the grandsons of those early settlers, if they are farmers, sell most of what they produce in order to buy all sorts of other things which they prefer. Other grandsons of those settlers work in auto factories at a money wage which they spend for whatever they want among the goods and services of our complex present-day economy.

In a complex exchange economy, such as that of any leading nation today, most of what the people produce is sold or traded for a variety of other things. I once "guesstimated" that individuals in the United States, as an average, consume only 10%, or less, of what they themselves produce. The other 90%, or more, is sold or traded for other things. This means that the market has grown in importance from near zero to at least 90% in a few generations.

This great change has resulted in much material betterment, but it has apparently spawned much economic confusion. The seeds of miseducation have been planted in the soil of economic illiteracy. We have been led to think that this change, from a self-sufficient economy to one wherein exchange dominates the scene, has necessitated changes in the basic rules of a sound society. But not so. The same rules that were sound in the wilderness of Michigan, or in the Garden of Eden, are just as sound today. What has changed is the *importance* of the market. The design of what is sound and just has not changed, any more than did the law of gravity when man developed the airplane.

What Constitutes Free Marketing?

What is freedom in the market process? And what is its importance?

Freedom in the market is merely another way of expressing the right of a person to the products of his own labor. If you have that right, it means that the bushel of wheat you have grown is yours—to eat, to store for later use, to feed to your chickens, to trade for some corn, to sell for money at any price agreeable to both you and the buyer, to give away, or to dump in the ocean. Your rights of ownership give you this range of choice.

Does freedom of the market mean that you can dispose of your wheat as you wish, without any limits whatsoever? No. You cannot dump it on your neighbor's flowerbed as a nuisance of "retaliation;" you cannot scatter it on your neighbor's field in order to harm him by contaminating another of his crops; you cannot use it to throw at your neighbor in order to injure his person. Acts such as these are violations of other rules of an orderly, voluntary society. They should be outlawed for that reason, and not as abuses of freedom of the market—which they are not, because none of them arises as a part of the exchange process. They are not problems of the market and, therefore, let no one convince you that freedom of the market should be curbed in order to regulate such abuses. There is a clear distinction, from the standpoint of rights, between dumping your wheat on your neighbor's flowerbed and selling it in a market where he also sells wheat, at a price different from what he would like to have you sell it for.

If the free market concept is to be fully comprehended, it must be viewed from both directions.

The one side, previously mentioned, is the right of a person to the product of his own labor, with the associated right of its disposal in whatever proper and lawful manner he may choose. The corollary of this is that no other person shall be allowed to violate this right. One shall not be allowed to deprive another of the product of his labor against his will, in part or in whole, by any device whatsoever. To allow one to do so would cancel out

the basic right of ownership, because two conflicting rights cannot exist at the same time any more than two objects can occupy the same space at the same time. One is a basic law of economics and the other a basic law of physics. Both are outside the rights of man to violate, even legislative or bureaucratic man.

This, quite briefly, describes the reason for the economic and social justice of the free market. It is founded on the concept of the Golden Rule in universal application. It describes a voluntary cooperative society which is the highest order of social attainment. It allows for voluntary contract between any two parties on terms mutually agreeable to them. It prohibits another individual from interfering with this mechanism of free and voluntary exchange; no matter what his title may be; no matter whether a crown is on his head, a row of decorations on his chest, or a majority of the ballots in his hand; no matter how enticing a name or however seemingly benign the objectives of the scheme by which he claims the right to dictate either the price or the terms of the exchange.

Freedom of the market means freedom of action to the two individuals in the exchange, the one selling his ownership and the one buying it, or, to their properly designated representatives. It does not mean the giving to others, who neither produced the commodity, own it, nor propose to buy it themselves, any rights of predation or control.

Perils to Free Market

I shall mention four perils to the free market. Two of them are national in character and the other two are international.

(1) *The Growth of Government, as a Drain on Our Private Enterprise Economy*—The most important peril to the free market, by all odds, is the overgrowth of our government.

Government activities are mostly monopolies. Of all the separate governmental activities, how many allow any competition from private enterprise? A century and a half ago, when the national government took less than a cent from each dollar of income (“national income”), most of the activities which now

make up the total of governmental expenditures were private and competitive. They were then a part of the free market.

Whether or not a certain activity should be a monopoly of government is an interesting question, but one outside the scope of this topic. For present purposes, let it be noted that when any activity is taken over by government, it will probably move from the free market into the controlled market of a non-competitive monopoly. Having the monopoly “publicly owned” does not alter this fact. Britain is offering us many interesting illustrations these days of how this transformation takes place.

In addition to its monopolistic, non-competitive feature, governmental activity usually violates the free market in another respect. Note the contrast between governmental activity and the free market as found in a grocery store. You walk into the store, observe the prices of the items on the shelves, go across the street to another store and observe what they have and at what prices, and appraise the contents of your pocketbook; then you decide which items to buy from each store; you pick up your purchases and pay your bill for what you have bought. This is the process of the free market.

Now go into the “store of governmental activities.” The operation is quite different. The store manager and his clerks allocate to the people the items from its shelves, including cash, on the basis of their “needs,” or “rights,” or special privilege, or friendly acquaintance and political loyalty, or whatnot. Their shelves are stocked by sending bills to people, but not on the basis of what each person gets off the shelves of the store. Other bases are used.

In the main, each person is billed for the costs of government on the basis of how successful he is in making goods or performing services efficiently and in large volume. The billing is, in part, on the basis of ownership of property, or the exchange of property, or certain habits of consumption, etc. At times the people object to the large bills under these methods of billing; then the manager simply manufactures some money for his use which is exactly like that which the people have earned for use in

their personal spending; this method amounts to the same thing as sending tax bills direct to the people, but it avoids the embarrassment of sending people these objectionable bills. The point is, briefly, that in the “store of government” individuals do not have to pay directly for what they get off the shelves; it is a procedure quite distinct from the free market process.

This explanation has been more detailed than would be necessary if I thought it was generally understood how the growth of a government, beyond its basic functions of preventing fraud, violence, predatory practices and monopolistic abuses, involves abandonment of the free market process. Only by realizing this can one understand the seriousness of our present plight.

In 1946, the expenses of government in this country took an average of 31 cents of each dollar of individual incomes. The large amount and the upward trend are both alarming. As recently as two decades ago only 12 cents were taken out of the dollar for the expenses of government.

It would seem by this reasoning then, that the market in this country is about one-third *not* free. But this is only a rough measure and doubtless an understatement. We know that in a country with complete Communism, where the government takes all of people’s incomes and grants them, in return, whatever they see fit, there is no market freedom, legally, whatsoever. That is the ultimate of loss of market freedom which this country and Britain are approaching at an alarming rate. In a country where control is less than complete, precise measurement is difficult.

A country where one-third of the people’s income is taken by government—is taken away from spending in the free market—may have lost more than one-third of its market freedom. This is because government expenditures for control may not parallel the degree of control. A country may, for instance, pass comprehensive price-control laws, thus making every marketable item in the nation unfree and do so at only a nominal expense for passing the law.

It is generally believed that practically all controls have been abandoned in this country since the end of the war. But they

have not. Direct and indirect controls still operate over many parts of the economy which are not fully reflected in this 31% figure for government expense. Note, as one of the many illustrations, the creation, under governmental encouragement and support, of monopoly controls over the laboring man by much of "organized labor." Note also the present controls over transportation rates and operating costs, in an industry nominally in private hands. Many others could be listed.

In my opinion, the essence of a voluntary society, of private enterprise and free markets, cannot long be preserved if the economy of the nation does not rapidly abandon a sizable part of its present burden of government.

(2) *An Unstable Money System*—A thoroughly free market, as we know it, is not likely to be preserved if money is highly unstable.

Money is as essential to an exchange economy as is the conducting wire for the transmittal of electric current. In many respects the two are similar. The exchange process is conducted on the transmittal belt of money. The goods of exchange, not the money, is what people really want, just as it is the electricity rather than the electric wires which they want.

Neither transmittal process works well on faulty conveyors. If the conveyor is faulty, the flow of electricity or of goods is interfered with and, if faulty enough, it will stop the flow completely. In the case of exchange, one should say almost completely. If people lose all confidence in the money, they can exchange goods only by the awkward device of barter. Barter is a free market operation, but it could not sustain a very large portion of the exchange of goods and services in an advanced economy. For this reason, one may say that loss of the money aid to exchange would eliminate most free market trading in our economy.

We all know that our money has become highly unstable. I mention it here merely to list its instability as one of the greatest perils to the free market, with only brief evidence of its degree of instability.

If you had sold commodities at wholesale in 1939 and put the

dollar received therefrom into your sock, and if you were to take the dollar out now and buy back the same types of commodities, you would find that you had been short-changed in the process by nearly half. Even that does not fully reflect the dilution of our money that has occurred since 1939. Money in circulation, for instance, has been diluted four times since then.

The continuance of a free market is seriously endangered by such an unstable money. The danger comes in part from the reluctance of people to engage in exchange if there is a threat that the value of the money will change rapidly one way or the other.

More serious as a threat to free markets, however, is the damage done to the exchange process when misguided individuals attempt to control the *effects* of an unstable money. That is how price control and other similar schemes come into being and destroy the legality of the free market.

As prices continue to rise, with further rises in wage rates and as people try to spend the sterile dollars "saved" during the war, the cries of "inflation" and demands for all sorts of government controls may be expected to increase. There will then be an important test of whether even the essence of the free market is to be preserved. The only effective way to meet the issue is to first have a correct diagnosis of what causes the trouble in order to be able to avoid suffering from the wrong treatment.

* * *

The two perils to the free market which have been mentioned may be considered "national" perils. Most other nations suffer the same perils in even greater degree than we do. But these are national perils in the sense that each nation can, if it chooses, avoid them.

International Perils to Free Market

Then there are two important types of "international" perils.

(3) *International Commodity Controls*—Most people think that the idea of controlled prices, with which we had such vivid

wartime experience, has been effectively buried—with a few exceptions like rents and sugar. More accurately, I believe, the idea still strongly persists although it seems to have moved into prominence in the international sphere. Some might say that the idea of controls has merely “grown up,” which I would accept as a description of the situation, remembering that a mistake is still a mistake after it has grown into long pants.

The program for elimination of free markets on the international level marches under many labels. It appears as a component of plans for “international wartime relief,” “reconstruction aids,” “permanent relief of the poorer nations,” “orderly international trade,” “allocation of limited supplies,” “settlement of debts between nations,” “meeting the dollar shortage,” and many others.

The entering wedge for control in world markets appears harmless enough to those not discerning in such matters. In a blueprint plan, drawn up in this country, the “general purposes” provide that the nations agreeing to the plan shall solve their economic problems by neighborly collaboration. It provides that fences hindering greater welfare through exchange are to be reduced, trade is to be set free, and discriminatory practices of favor between nations are to be abhorred and later forbidden. As fruits of the plan in action, there is promised great increases in welfare, full employment and peace.

These are the stated objectives. They sound enticing and reminds one of some of the internal rules of economic conduct by means of which this nation acquired its greatness. It is only when looking behind the mask of these general objectives, into the stated or implied aspects of the plan, that one can fairly appraise it.

It is proposed that an international council table be set up to solve such problems as the allocation of surpluses and deficits. Does that sound like the description of a free or of a controlled market? Such a council, like the administrative body of OPA, is not designed to spend all its time playing chess. Their function is intended to be the control of something.

So we study it further. No nation is to be allowed to engage in “exporting its unemployment” to other nations. Through this world organization, it shall be compelled to retard its production and carry its share of the then-existing world unemployment, as an obligation under the Charter. Think this one over. What does it mean? It amounts to someone with power of control sitting in judgment on matters of production and price for the participating nations. It is like a factory that is working full time while an inefficient competitor, working only half-time, suffers partial unemployment; the more efficient producer would not be allowed to continue to “export his unemployment” to the market; he would be compelled to reduce his operations to that of his less able competitor. Does that describe a free or a controlled market? Is it descriptive of our traditional system in this country, which brought such phenomenal progress, or is it reminiscent of the controlled economies of other nations?

Time does not allow me to go further into the analysis of this plan; you can do it for yourself—always having in mind as your test of its wisdom the characteristics of a free market, as I have attempted to set them forth. You will then see why I list such schemes as an important peril to free markets throughout the world.

It is strange that this nation, still perhaps the world leader in a free economy, however much battered, should take leadership in a plan having as its essential features various forms of control of the markets of its participating members. It is easy to see why other nations, with opposite ideologies from ours, should favor it. But why the United States?

National planning, it should be noted, does not force international planning on other nations. While one nation chooses to go completely totalitarian, another may pursue economic liberalism as this nation did during the last century. But once international planning is agreed to, controls are thereby forced on all participating nations in the same manner as OPA was imposed on every person down the road.

Where would that leave the free market and our traditional

system of a voluntary, competitive economy?

(4) *Control of Exchange Rates*—Lastly, I wish to mention briefly the control of exchange rates between currencies. It operates in international trade, as a result both of national policy and of international agreements.

The idea of controlling exchange rates is based on the same economic fallacy that argues for price control of commodities within a nation. It is precisely the same basic idea, though this one is a little more obscure to our view.

We are familiar with the way commodity price control works, and its tragic effects. Suppose that the price of wheat in a free market is \$1 a bushel. That means that the consensus of opinion reports (1) \$1 and (2) 60 pounds of wheat, to be of equal worth in trade. Suppose that the currency becomes diluted by pouring into the exchange system counterfeit or worthless dollars, until the consensus of opinion fixes \$1 as worth only 30 pounds of wheat. If the government, “to stop inflation,” steps in with a law that prohibits wheat prices from rising above the former level of \$1, legitimate trade will be stopped, as was so well illustrated by meat and other products under OPA. If law thus flies in the face of reality, and if it is enforced, trade will stop and force production for sale to stop too.

The effects of exchange control are exactly the same. By merely substituting a foreign currency for either the money or the wheat, the rest of the story will remain the same. What happened in the wheat illustration was that the money lost worth because of its counterfeit dilution. Suppose in this exchange question that the currency of one or two nations loses worth for the same reason. The idea of control is to attempt to conceal its reduced worth by fixing its exchange value out of line with its true market value. As a result, legitimate trade will be shut off between the two countries.

We are now under the spell of worldwide attempts to conceal the true degree of worthlessness of many national currencies. The control method of meeting the situation might be called an “international currency OPA.” Just as under our OPA the results

were called a "meat shortage," etc., under the exchange control schemes the results are called "dollar shortage," etc.

These currency controls are raising unbelievable havoc with world trade and recovery. They are a serious threat to the reestablishment of free world markets.

* * *

I have listed what seem to me to be the four principal perils to free markets, national and international. In summary, they are:

1. The Growth of Government, as a Drain on our Private Enterprise Economy.
2. An Unstable Money System.
3. International Commodity Controls.
4. Control of Exchange Rates.

If the nature of these perils do not promptly become known through education, so that sound action will follow, future historians may write of the economic marvels and progress that was once America, just as they have written of the past glories of other famous civilizations.

At the heart of the problem of re-education is an understanding of the functioning of the free market and its result in economic and social justice.

Let's not abandon the free market without even understanding it. I am confident that if it is understood it will not be abandoned.

Gaining the Free Market

When your Program Committee invited my views on the freedom of persons to work and to trade their wares, I was tempted beyond my power to resist. The subject is a vital one to me, not only as a member of this Association but also as a member of mankind which today faces one of its gravest issues.

In the United States, the high level of economic welfare we have long enjoyed is in immediate and serious danger. What is more, I believe that the only moral base on which any high civilization can be sustained is being subverted. As one looks around with a detachment of historical perspective, it is clear that the last vestiges of economic freedom are fast crumbling and that if the trend is not reversed, the demise of all our other hallowed freedoms will follow in the immediate wake of this lost economic freedom.

I propose to speak with what some persons may call a bias. But I offer no apologies for having a viewpoint. Why is the holding of certain specific beliefs in social science scorned as “bias,” “prejudice,” and “lack of objectivity?” This attitude is not taken toward other fields of contemplation—arithmetic (2 plus 2), geography (the shape of the world), chemistry (the composition of water). Why treat social science differently? True, the views one holds in either social science or chemistry may be wrong, but it should be evident that a person’s opinion on any subject can’t possibly be right if he holds no opinion at all.

So I should like first to offer some basic assumptions as a working hypothesis and then, with them as a background, discuss the present plight of the free market and what can be done about its reestablishment.

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The Right to Life

If I should, at this instant, draw a gun from my pocket and shoot our esteemed Chairman, everyone here would be duly shocked. Furthermore, newsmen would photograph the corpse and the culprit and spread the shocking story across the land.

Why would people be shocked by the murder? It must be because they accept my first assumption: *A person has the right to life.*

I am here using the term “right” in the sense of a person’s natural or inherent right as opposed to statute law or social custom; in the sense of having divine origin rather than of stemming from a permit or prohibition designed by one’s fellow-men; in the sense of a recognition that sovereignty rests with God rather than with any collective of humanity, and that the individual person is therefore directly responsible to God rather than to any collective of humanity which may presume to grant him rights. This concept of rights assumes the existence of a divine law that controls the consequences of men’s acts in a manner which no one of them, nor any group of them, can alter at will. Man can break divine law and suffer the consequences, but he cannot rewrite divine law in any degree. The nature of rights, as I use the word, is reflected in what one means when he says: “This above all *I* believe to be right in the eyes of God.” One is bound under this concept of moral rights to proclaim for others the same rights that he claims for himself.

Each of us was born with a right to life and a right to continued life. And why do I believe that? Because I think it is logical to assume that the event of birth is itself purposeful—that a purpose is implied in the very fact of birth. We see this innate right to life reflected even in the infant’s instinctive struggle for continued life. As the infant grows into adulthood in a free society, his every act of planning and building toward a better future for himself and for those he loves and

respects seems predicated on the glorious fulfillment of this right to life.

It is this same right to life that underlies the Commandment, *Thou shalt not kill*, and its likeness in other moral codes which have guided civilized man.

The founding fathers, in the early history of this nation, incorporated this concept of the right to life into the Declaration of Independence by proclaiming the rights to "Life, Liberty and the pursuit of Happiness." They declared these rights to be self-evident. But time seems to have blurred their self-evidentness, or it would not now be necessary for us to be concerned about them.

Means of Sustaining Life

My second assumption is: *A person has the right to all proper means of sustaining his life.* Life is sustained only if, in addition to agents of health like the inborn antibodies of the blood, one has sufficient food and protection. These are economic goods and services with which we are concerned in marketing.

Now how can a person obtain these economic means of sustaining his life? And what is meant by *proper* means?

If a person existed alone, rather than as a part of society, there would be only one way:

1. He would have to produce them himself.

But, since he is a person in a society of persons, these three additional ways are possible:

2. He may receive them in free exchange from someone who has produced them.
3. He may receive them as a gift from someone who has produced them.
4. He may steal them from someone who has produced them.

The last of these—theft—must be eliminated, along with cannibalism, as a proper means of sustaining one's life in society. If,

for instance, our Chairman and I constituted a society, we could not sustain our lives on the fruits of theft from one another, any more than we could do so by eating each other in cannibalism. It is improper, then, to exist on either the *life* or the *livelihood* of another against his will.

When the founding fathers spoke of rights to life, liberty, and the pursuit of happiness, were they not speaking of life and livelihood as being essentially the same? If I were to murder our Chairman, you might be more shocked than if I were to pick his pocket. But you would still be shocked at the thievery, for the reason that the two are closely similar in the sense of the rights which have been violated.

Martin Luther aptly expressed the connection between theft and murder by saying that whosoever eats up, robs, and steals the nourishment of another commits as great a murder as he who carves a man or utterly undoes him. That, as I see it, is the logical and moral basis for the Commandment: *Thou shalt not steal*. It is why theft as well as murder must be ruled out, leaving only production, exchange, and gifts as proper economic means of sustaining one's life in society.

I have retained gifts, in contrast to theft, as a proper source of sustenance because giving is voluntary and derives from the will of the one who has produced the gift. The spigot controlling the volume of voluntary gifts is self-regulating, in the sense that the producer himself decides the rate of flow. Voluntary giving does not have the suicidal effect on production that theft has. In fact, production is stimulated by the urge to give—witness the stimulus from the desire to care for the members of one's family.

The Right to One's Own Product

The right to sustain one's life would be meaningless without the right to a source of sustenance, for to deprive a man of his sustenance is to deprive him of his life. If we add the specification that sustenance must be from a *proper* source—a source other than theft in any of its forms—my third as-

sumption follows: *A person has the right to what he has produced.*

The contribution of this right to the peaceful relations of mankind can be perceived if one will reverse it and assume that nobody has any right to what he has produced, which is the concept of socialism or communism. One immediately wonders why—to what end—anyone would then produce anything at all. But let us assume that a person would go on producing, even though he has no right to what he has produced. To use it himself would, by this code, be improper. How, then, could one subsist? Only by theft—only by taking what others have produced—would it be possible for him to continue to live. Fantastic? Yes, so fantastic that such a state of affairs is difficult to visualize. But that is the meaning of the absence of the right to what one has produced. That is the meaning of socialism-communism, which denies these rights of man. And it shows how theft—the only alternative of this third right—is immoral and therefore destructive of the very person who practices it.

Once a thing has been produced and has acquired worth in the market place, it becomes the property of *someone* until it has been consumed or loses its worth for some other reason. Under the right to have what one has produced, it is the producer who becomes its rightful owner initially, at the instant of production. He may keep it for a minute or a month or longer before consuming it or disposing of it to some other person who then becomes its rightful owner. The producer may have sold it or given it away, but each of the three proper types of private property which sustain life—(1) what one has produced for his own consumption, (2) what he has received in exchange for what he has produced, and (3) what others have given him from what they have produced—is founded in the right to have what one has produced.

The Right to Property

If a person is entitled to what he has produced, he is also entitled to keep it. So, closely akin to the right of a person to

what he has produced, but different in an important respect, is my fourth assumption: *A person has the right to private property.*

I would make a definite distinction between the right to what one has produced and the right to private property although the latter is clearly founded on the former. The distinction arises from the fact that ownership may pass from one person to another, and I shall speak further of that in a moment. So whatever is obtained through free exchange and voluntary giving, as well as what one has himself produced, is properly the object of private ownership of property.

How about ownership of things in the name of a corporation? Does not this type of ownership violate personal rights to property? No. This is not a violation of private property rights because corporation officials, under a revocable grant of consent, act as agents for the individuals who own the corporation.

What, then, about government ownership? Is it not like corporate ownership? No. Ownership by government is a violation of private property rights because, although seemingly acting as agent for the individual persons, government is in this respect quite different from a corporation. A person can sell his share of a corporation whenever he desires, sever his participation, and buy oatmeal with the proceeds. But he cannot do so with what is owned by the government. Can a person in Russia or anywhere else sell his "share of ownership in common" in the collective? No. After being forced against his will to invest the fruits of his labor in what the government owns, he is then prohibited from withdrawing his contribution at will. If one is not free to sell a thing, he really does not own it. That is the test of ownership which should be applied; and by this test, government ownership fails to meet our requirements of personal rights to property.

So, we must conclude that private ownership of property is the only moral basis for ownership in society. As Dr. D. Elton Trueblood has aptly said: "Stealing is evil because ownership

is good.” The right of private property and the right to have what one has produced are clearly implied in the Commandments about thievery and coveting. They are also implied, though less directly, in the Commandment about taking the life of another person. Just as I could not kill you if you did not have life, neither could I steal from you nor covet what is yours if you did not have private property.

Based on this concept of the right to private property and the sources of things which may be owned, this definition of theft evolves: *Morally, theft is the taking from another person, against his will, of anything which he has produced and has chosen to keep, or which has come into his possession by voluntary exchange or voluntary giving.* That is the test of theft to be applied in any instance under survey by any person who really believes in private property and in the chain of rights from which it is derived. And it allows of no modification without renouncing belief in these rights.

The Right To Dispose of Property

My fifth assumption is: *Inherent in the right to private ownership of property is the right of the owner to dispose of it at will—to sell it, trade it, or give it away.*

And if this right is to be admitted, it requires the existence and operation of a free market. A market, as I understand it, is any place where owners sell or exchange their private property at will. And it is this selling or exchanging in a free market that comprises marketing.

Marketing is not to be confused with production. The two are not synonymous. One widely used marketing text says: “Marketing is the business of buying and selling.” Production is the bringing about of any change that will command a price—that can be bought or sold. It is true that if there were no production, there could be no marketing. But that does not make them the same. Similarly, there could be no electricity from a water-power generator unless there were a waterfall, but that does not make the electricity and the

waterfall the same thing. Marketing—willing exchange—can take place only *after* production has occurred.

The free exchange of goods and services—the essence of marketing—should not be confused with some of the devices commonly used to move goods from one place to another, or otherwise to better fit them to the wishes of a buyer. Let me illustrate.

If you were to visit all the markets of the world, you would find a variety of transportation aids—jinrikishas, camels, trucks, and the like. But the use of these, in and of itself, does not comprise marketing; they are only facilities which may be used where trading—marketing—is being carried on. They may also be used where no marketing is being done—by a farmer hauling his product from the field to his own barn, or by slaves performing some task on a plantation or slaving at the salt mines as political prisoners in a completely communized state. In none of these latter instances was any marketing involved because all vestiges of a free market and willing exchange between private owners were lacking.

As another illustration, I do not consider the constant repainting of the George Washington Bridge to be marketing, even though it helps maintain transportation of persons and things. This occupation might be continued with labor under orders of a dictator, if the United States were to become completely communized. The presence or absence of marketing is to be judged solely by whether or not there is free exchange of goods and services, not by the motions people may be going through.

If we do not want to contribute to the destruction of marketing, it is necessary to see clearly what is marketing and what is not and to understand why freedom is as essential to marketing as apples are to apple pie.

* * *

So, I offer you these five assumptions: (1) the right to life, (2) the right to sustain life by means consistent with moral conduct in a society, (3) the right to what one has produced, (4) the right to private ownership of property, and (5) the

right to sell or trade or give away whatever one owns without restraint or interference from non-owners. These are the rights spoken of 175 years ago as the rights to “Life, Liberty and the pursuit of Happiness”—which phrase, incidentally, was originally written in this form: “Life, liberty and property.” Anyone who rejects these assumptions may also reject everything else I have to say. But anyone who accepts them as “self-evident truths” should then be willing to test the present plight of the free market against this background of rights by considering a few significant figures.

The Present Plight of the Free Market

About 35 cents of every dollar of personal income, as nearly as I can derive the figure, is now being taken by the government. What is more, the funds appropriated by the government to be spent during the current year—if all spent—would amount to over 40 cents out of every dollar of personal income. This figure represents the proportion of the productive effort of this nation that is being removed by direct means from the area of free choice. Those who produced it and earned it—like the slaves in our earlier history and the present victims of Stalin’s rule—are denied free choice in its use to whatever extent their product and property are taken from them against their wills. A test of whether or not you have lost your freedom of choice would be to refuse to pay your taxes—in whole or in any part.

If these figures of 35 to 40 cents lack meaning as to their full import, they may be compared with some similar figures for other countries in 1929-30, at a time when a comparable figure for the United States was only about 14 cents out of the dollar:

	Taxes as per cent ¹ of national income
USSR	29
Germany	22
France	21
United Kingdom	21

This means that government in the United States is now removing free choice from a far higher percentage of the livelihood of the people of this country than were the governments of Russia, Germany, France, and the United Kingdom two decades ago. And the proportion in the United States today is more than double what it was two decades ago. If the tide cannot be turned, may not the present plight of citizens in those four countries foreshadow our future here?

Let me interpret the meaning of these figures in another way. I spoke of the popular resentment that would be aroused by my murdering our esteemed Chairman or by my picking his pocket. But this taking of about one-third of the average life (livelihood) of 150 million persons is equivalent to taking in full the economic life of upwards of 50 million persons each year.

Upwards of 50 Million Slaves

In speaking of upwards of 50 million persons each year, I mean an uncertain number up to a possible maximum of 50 million persons each year. It will be said that in return for these taxes, we get back certain services we need or want. True. But included in one's tax bill are many things he would not buy at any price—for instance, the use of subsidies to bribe some persons to refrain from producing what other persons are willing to buy. Also included are many things which, though appealing to him at some price, are forced upon him by the governmental monopoly at excessive prices—prices higher than he would pay for those services in a free and competitive market. Say, for instance, that you would willingly pay, in a free market, one-tenth of your yearly income—and no more—for all the services of government, and that the average of all the other citizens valued them the same. This would mean that, by the test of the free market, the present tax-cost for these services is an overpricing by more than three times the worth. The only way to de-

termine the degree of overpricing would be to put these services to the test of appraisal by citizens in a free market.

My reason for speaking of life and livelihood as equivalents to be thus compared is that whatever one produces, and his property, can quite appropriately be called the economic extensions of the individual. A person who is totally a slave—a person who enjoys no powers of free choice, who has no liberty to develop his own potential and to do what he thinks is best according to his own wisdom and conscience, who is prohibited from having what he has produced for his own use or for whatever trade or charity he deems wise—such a person should be considered dead economically, politically, and morally, even though he seems still to be alive by the test of a stethoscope. He is dead so far as the free market and marketing are concerned. I have already quoted Martin Luther's excellent statement on this point of similarity between lost economic liberties and murder. And Hamilton once said that control over a man's subsistence amounts to control over his will. Most certainly!

This is not just a theory of Luther's and Hamilton's; it stands also as a legal interpretation of the United States Supreme Court: "The power to dispose of income is the equivalent of ownership of it."² One who is deprived of the right to spend his "income" as he wishes never really owned it. And to deprive him of it is to deprive him of his livelihood—his economic life—to that extent.

Yet, in contrast to the indignation caused by the outright physical murder of one person, this taking of upwards of 50 million economic lives each year frequently is lauded as a public service, and the persons in charge of the operation are generally honored and revered.

If I have given anyone a new feeling of partial economic rigor mortis, I have accomplished one of my purposes. And if you don't yet sense that feeling clearly, please try it again when you fill out your next tax return.

Indirect Losses

But that is not the only loss of a free market. In addition to the income taken from citizens by government in the form of taxes, nearly all of the remaining two-thirds is now either actively under wage and price controls—as well as other controls—or is daily threatened under latent powers of control. For instance, the one-third of your income taken by the government includes only certain costs of administering wage and price controls. Your personal budget must carry all the added costs of meeting their burdensome requirements—to say nothing of the adverse affect on your income of the controls themselves.

Then there are many other long-standing controls, such as those on railroad fares and freight rates, and the “emergency control” by which the government recently took over the railroads for nearly two years. Yet the budget for running the railroads of the nation during these periods is thought of as private business and free choice when, in fact, it is not.

And, then, there are innumerable other laws and licenses. The United States Department of Commerce itself has said:

Practically every business, large or small, is affected by some form of governmental licensing control. A license is a permit or authorization to engage in some business or activity.³

Licenses are power; otherwise, they might as well be dispensed with.

Controls that are at the moment inactive—“stand-by”—are no less controls in the sense of power over the person. When the power is there but inoperative, it is like a noose around the victim’s neck that has not yet been drawn tight by the person holding the other end of the rope. The victim must not confuse the slackness of the rope with its absence. He should bend his every effort toward its removal rather than let his attention be diverted by the “freedom of choice” of who shall hold the rope and serve as his hangman later.

Now I ask you, in view of all this: What is the status of the free market and marketing in the United States today? This important aspect of freedom seems to me to be practically nonexistent. Unless things are changed drastically, I say in all seriousness that we might as well abandon the American Marketing Association and join the American Historical Association—or perhaps even better yet, join either the American Foundation for the Blind or the American Prison Association.

The Great Hypocrisy

When, at the start of my discussion, I spoke of how shocking it would be if I were to draw a gun and shoot our Chairman, I was not merely trying to be dramatic. My purpose was to focus one side of this professional hypocrisy: The taking of only one life in a certain manner causes a rightful upsurge of resentment against the murderer, whereas if the same person were to administer an infinitely greater crime of a similar nature, he would be called a public servant, lauded as a hero, honored and revered.

We all recall that during World War II a leading advertising executive became the administrator of price controls, and that in World War II½ a former top executive in the communications and transportation equipment field participated in the attempt to force all his countrymen to abandon the free market.

Such positions of power are probably accepted with good intentions, but intentions do not determine the consequences of one's acts. One who professes a faith in the free market while engaging in its destruction is like one who murders a person while claiming to be his friend. He is engaging in sheer hypocrisy. Perhaps he did not know that the gun was loaded; but one who cannot tell, or will not take the care to find out, is not to be entrusted with a weapon of power because no plea of ignorance nor carelessness will bring the victim back to life.

Realizing this, it is one's individual obligation to refrain

from “honor” and “public service” in this sort of hypocrisy and to refrain from doing homage to those who are practicing it. If homage there must be, let it be showered, instead, on persons like Donald R. Richberg who in the early thirties was engaged in a tremendous effort to control prices, and who now says: “In retrospect I can only explain, as did the man who threw a champagne bottle into the chandelier, that it seemed to be a good thing to do at that time.”

Emergencies Not the Time for Weakness

I realize full well the contention that there seem to be times of emergency when the free market seems unable to take care of the situation. In answer, I would only repeat my earlier assumptions and observe that if these are truly our rights, they are likewise justice; that justice is strength, not weakness; that it is during an emergency, of all times, when the strength of justice is most needed. What is good should not be rationed. There is no more sense in our substituting weakness for the rules of justice in an emergency than for an engineer to lay aside the rules of strength when he is constructing a bridge to be used for the emergency of heavy loads. One who believes that there is strength in violating the free market must believe that control will yield strength and justice. And if he believes that, why does he not advocate the same measures for all time, not merely in emergencies?

It must be that the proposal of abandoning the free market during emergencies really stems from the belief that the free market is a sort of immoral luxury—that whatever may be said economically for the free market in the course of normal events, there is somehow a moral virtue in its violation during emergencies. On the contrary, the free market is both economic and moral. Its abandonment is both uneconomic and immoral and, therefore, constitutes a weakness when strength is most needed.

If the consumer is to be king in a free market, nobody else can be crowned king over prices and the market—*nobody*, at

any time, because duplicate rule by overlapping ownership is impossible even in an emergency.

Gaining the Free Market

Our chairman earlier today spoke of the free market as being the world's greatest democracy. Isn't it, then, an empty pride that espouses political freedom when it means only the right to vote for who shall have the dishonor of administering the destruction of what he spoke of as the greatest democracy—the free market?

How, then, is freedom of the market to be brought about?

I like very much the concept in Patrick Henry's famous remark: "I know not what course others may take, but as for me. . . ." It is my clear responsibility to so conduct myself that there is no avoidable conflict between what I profess to believe and how I conduct myself. And if anyone should care to know the reasons for my beliefs and my conduct, I would try to explain them as best I can.

If we are engaged in some national error—such as violating the rights of free men in the market place—it is because of our individual errors. A nation does not err; it is people who err. And the collective error is no more or no less than the summation of individual errors. My part of that problem, then, is my own conduct.

First, in order to erase from view all these confusing details of the problems that confront us, I must understand that freedom is not a thing to be created because the disposition toward freedom is something inherent in man. Along with the basic rights listed at the beginning of my remarks, it may also be assumed that man is created in harmony with these rights. Even the small child evidences this innate harmony with freedom, as all of us know who have watched children assert their individuality.

Freedom exists naturally in the absence of man-made restrictions or violations of rights. In this sense, it is like the force of gravity moving water along an incline unless barriers

are placed in its way. All that need be done is to let freedom reign.

Viewed in this light, then, my part of the task of regaining the free market is simply to do everything within my power to remove the barriers to free exchange of property at a rate of exchange mutually agreeable to the two parties to the deal. No third person has the right to intercede in the exchange nor to prohibit it nor to dictate its terms; if he does so, he is practicing the moral equivalent of theft and murder and deserves to be dealt with accordingly. If one would feel more comfortable with some Biblical reference for these charges of theft and murder, it can be found in Matthew 20:15, which proclaims: "Is it not lawful for me to do what I will with mine own?" The answer is to be found among the Commandments.

Two Types of Catalogue

But just where shall I take hold of this tremendous problem? What, specifically, are the obstacles to a free market in the form of laws, of administrative rulings that have the power of law, of practices condoned and protected by lawmakers and their hired agents? Just what can I do?

I hesitate on this occasion even to begin to deal with specifics. To illustrate the reason for this hesitancy, I have brought with me two sources of information which portray the nature of the problem:

Exhibit A. Here are two mail order catalogues representing the free market. Together, these two companies last year handled nearly \$4 billion in orders. You are familiar with the use of these catalogues. In them, you will find almost any item you want, from pins to insurance—and soon, automobiles. If you don't want something they offer for sale, the solution is simple—you don't order it.

Exhibit B. Here are some "catalogues" of another sort, which are outside the free market. They are the budgets of various governmental units. Their goods and services are

supplied under a monopoly granted by the government to itself, with bills for the cost being sent to users and nonusers alike—bills payable under compulsion of law.

If there is something in the governmental kit of offerings that you do not want, its rejection is not so simple. You must arrange to have it removed from the catalogue completely, so that not even those who want it can get it from that source. This requires power enough to control government—you must be able to plead your case well enough so that a controlling majority becomes convinced. Immediately after you have succeeded in doing this, the defeated minority has before it the same task to accomplish—reversing *your* action. Always minorities to do battle! Always a struggle! And there is no escape from this sort of conflict so long as there is prohibition of free choice by individuals in a competitive market. This is what happens when the design of social affairs is one of a monopoly power forcing its offerings on the citizens at its own price.

Clue to Battle

Here is the clue to the cause of the everpresence of battle over the affairs of government, in contrast to competitive business where free choice prevails—as among the grocery stores in any town. It is not customary for a citizen to throw bricks through the window of the grocery store at which he does not choose to trade, nor at his neighbor who does choose to trade there; but there seems to be a temptation toward violence wherever there is a “monopoly grocery” where everyone must trade and where everyone’s business thereby becomes the business of everyone else.

Assume that you start the task of redesigning the offerings of government. You must first study the whole “catalogue” to learn the business and its parts. Suppose you were to start with the federal budget. Devoting one working hour to each \$1,000,000 of this budget (which is far less careful scrutiny than your wife gives to her spending), you would finish the

study of this one year's federal government appropriations in about the year 2000. Then you would be ready to start studying the other governmental budgets which affect you—state, city, county, etc. There are some 120,000 other governmental units in the United States.

This illustrates, I believe, why I hesitate here to even start listing details. The governmental budgets which affect me comprise about 3,000 pages of detailed figures.

No Easy Choice

So, what I am confronted with in the present situation in the United States is a matter of choosing between moral law and statute law—a choice which not one of us can escape. Isn't it a strange paradox that when government—the presumed servant of the people and guardian of their liberty—removes the right of free choice from the citizens, it automatically creates another unavoidable choice between being immoral and being illegal? If I choose the one, I can be at peace with my conscience and my God, but I shall be at war with my political ruler. If, on the other hand, I throw my choice the other way, I may be at peace with my political ruler, but I shall be at war with my conscience and with what I believe to be right and good. Since, to many of us, the political ruler seems closer than God—at least for today—we bow to the law rather than follow the moral course when the two are in conflict. And we call it expediency. I wonder if eternal justice will excuse our acts on this basis.

The choice is not an easy one, but it is the price we must now pay for our past sins in relinquishing the rights of free men. Perhaps this is what Emerson had in mind when prophetically he said in his famous essay on *Politics*: "Every actual State is corrupt. Good men must not obey the laws too well."

Perhaps this is what Patrick Henry had in mind when he questioned the bargaining away of one's freedom.

Perhaps this is what our forefathers had in mind when

they dumped tea into the ocean and otherwise openly defied an unjust and immoral rulership. We are faced with an equally serious plight now.

An Epidemic Needed

I believe it is inadvisable to seek the solution by a highly organized and bloody violence. History tells us that the outcome of such an attempt on behalf of freedom, even though seemingly successful in overthrowing a tyrant, has often been merely to crown another tyrant. The danger inherent in trying to use force to wrest freedom from the grip of power is that victory goes to whoever is most adept in the use of violence; it does not necessarily go to whoever is right on the issue over which the battles are fought—because victory is judged according to the use of the weapons chosen. The advocates of freedom are certainly not assured of being superior in the use of violence. And even though their side wins the battles, its leaders are liable to choose, for personal reasons, to retain the power that has been given them—as happened after the French Revolution—leaving the cause of freedom still the loser in the end.

People fight only when they have something to fight against. When they find out what it is, and if it be an idea, physical force and bodily battle can be avoided. In fact, the use of force to battle an idea tends to generate it rather than to kill it. I doubt if an idea has ever been killed by means of force. The enemy of the free market is an idea—the belief that controls can serve the freedom of man.

No, the educational approach is not only the safest road to success, but the only sure one to lasting success. This may seem like cowardice, but is it cowardice for one to choose the best weapons for victory in any cause? This we know: Any law or regulation will be nullified whenever enough persons judge it to be unwise and improper, and not until then. Not every person needs to become convinced that it is unwise. Not even 51 per cent of them need to become convinced. All

that is necessary is for a few thought leaders in all walks of life to become convinced because they are the ones to whom many others turn for guidance and advice. It is this understanding among the thought leaders that we now lack and that we must have for success in regaining freedom to trade.

Each of us can, to this end, dedicate himself to the task of convincing several thought leaders among his friends of the reasons why this freedom is morally just and why the free market is the most efficient source of economic livelihood, liberty, and happiness. If this view of the justice and purpose of free exchange is right and if each of us becomes sufficiently well informed as to why it is right, we should then be able to convince others. And they, in turn, would become able to convince still others in an ever-widening circle. The question is: Do we have the intelligence to master the understanding required of teachers, as well as the patience necessary to allow an educational epidemic to develop? If we do have enough intelligence and patience, the free market—a vital bastion defending our right to life—can in that way be gained.

NOTES

1. Edmund E. Lincoln, "Sobering Realities Regarding Tax Burdens," *The Commercial and Financial Chronicle*, April 1, 1948. Figures expressed as nearest per cent.
2. *Helvering v. Horst*, CCH—U.S. Tax Cases 40-2, p. 10,959.
3. *Small Business and Government Licenses*, U.S. Department of Commerce (U.S. Government Printing Office, 1950) p. 1.

Fighting Fires Privately

A spectacular fire broke out in the city of New York on Valentine's Day [1958], and six fire fighters were killed. Two were members of the City Fire Department, and the other four were members of the Fire Patrol.

Who are these Fire Patrolmen? They are men privately employed to fight water damage to property while the City Firemen are fighting fire with water. A group of nearly 200 fire insurance companies hire 180 patrolmen under an organization called the New York Board of Fire Underwriters. Responding to fire calls from four points of departure and using their own trucks and equipment, patrolmen answer all fire alarms—which number about 20,000 yearly in New York. About \$25,000,000 in water damage is said to be prevented each year by their efforts—about \$140,000 per patrolman.

Despite the hazards of such work, the Fire Patrol's honor roll shows only thirty-two dead during the last hundred years. So four deaths in this one fire is a tragedy of note in their annals.

As frequently happens, the private Fire Patrol on Valentine's Day arrived at the scene of the fire before the City Firemen did. In fact, twelve minutes after the first fire alarm sounded there was a cave-in which killed the four patrolmen.

But the main point of this story has to do with the processes of self-interest, self-reliance, and private enterprise. The advocates of more and more governmental services frequently cite fire fighting as a sure-fire justification for more and more governmental operations. They deny that private processes could possibly do such work.

"What about fire protection?" they ask. "You wouldn't dare risk that social hazard to the whims and selfish convenience of private citizens, would you? For once a fire broke out, it

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would spread from house to house because private citizens would not concern themselves about it until their own house became endangered. So whenever any O'Leary cow kicked over a lantern, entire communities would burn."

The work of the New York Fire Patrol shows how a voluntary system of dealing with fires can operate under private endeavor.

1. Persons who want to insure against fire losses rather than to carry their own risks take out policies in insurance companies and pool their risks with others.
2. Insurance companies, banding together under a mutual interest, hire fire patrolmen to serve them all, thereby reducing the cost of damage claims they would otherwise all have to pay.

It is self-interest that motivates persons to join voluntarily in the mutual insurance plan. It is self-interest that induces the insurance companies to join voluntarily in a fire patrol system. No outsiders are compelled to carry any of the costs involved. In fact, as we shall see, outsiders also benefit.

It would be foolishly expensive for each person to maintain his own fire patrol. It would even be foolishly expensive for each insurance company to do so, having to wait at the time of each fire to see which company's policy covers the building that is burning—whose patrol shall go forth to do the job. The owner probably doesn't remember which company it is, and his insurance policy is probably at the bank or perhaps even in the burning building. The building could burn to the ground during any such delays, leaving nothing for the patrolmen to do when they get there.

So the patrolmen answer every fire alarm promptly without waiting to see which company carries the insurance, if any. Such delay would negate their function. Uninsured persons thus get protection, too, and commonly reward the servers after the service has been rendered—insurance of a sort, with payment after the fact, on a basis somewhat different, to be sure, from when a person pays regular insurance premiums in advance.

That is how private, voluntary enterprise takes care of part of this classic problem of fire protection service even in New York where a city fire department is operating under a tax system to pay its costs. Self-interest causes private enterprise to find ways of doing things more promptly and effectively than where the force of monopoly is used to compel participation. Why shouldn't interested persons, motivated by self-interest, be more inventive and more sincerely devoted to the search for better ways of doing the job than are disinterested persons whose search is motivated primarily by political interests? People left to their own devices will not allow fire damage to persist without trying their best to devise ways of preventing it.

The miracle of the voluntary way of pursuing self-interest in no sense denies mutual assistance nor does it even preclude personal sacrifice. It may be argued that people are too ignorant and shortsighted to serve their own interests through voluntary mutual assistance; that this must be accomplished by the political route. Yet the same persons are presumed to have sufficient wisdom to select from among their number a ruler who will use political compulsion unselfishly and wisely.

The voluntary way of doing things cannot, of course, perform the miracle of making people wiser than they are. But the alternative—the involuntary way of monopoly force—prohibits us from attaining the full use of the limited wisdom with which we are endowed.

One thing the voluntary method accomplishes, having almost the appearance of a miracle, is to induce competitors to cooperate in phases of their operations where it is mutually advantageous to do so. The fire patrol system is an excellent example of this wholesale aspect of the voluntary way of rendering services. Competition does not blind wise competitors to the opportunity of mutual advantage in cooperation, wherever it is deemed to exist. Competition means freeing competitors from the disadvantage of forced cooperation—a highly important right of escape in a progressive society of free persons.

As an expression of respect and mourning for those four patrolmen who were killed rendering fire protection in New York on Valentine's Day, let us ponder this lesson which might otherwise have gone unnoticed and unlearned.

An Introduction to Value Theory

With interest in the “Austrian School” of economics increasing, it may be helpful to indicate some of the aspects of the value-concept which is so central to the theories of this group. The term “School” as used here refers, not to any institution or corporate set of buildings, but to a body of economic theory developed largely in Austria during the 1870’s and 1880’s. This term can be misleading, however, because similar concepts of value had been developed earlier and other individuals were coming to similar views at the same time as the Austrians. Preceding the “Austrian” concept of marginal utility analysis—the basis for saying that price determines cost rather than vice versa or that they are mutually determined—much the same idea had been formulated in the 1600’s and 1700’s in an elementary form by some French and Italian economists. Subsequently, leading English economists wandered off on bypaths of theory until the “Austrian School” brought it back again.

To understand why the English economists wandered from the path which the French and Italian economists had charted earlier, it may be well to outline, very briefly, some high spots of value theory in the history of economics. But first, the extreme importance of value theory in the science of economics should be stressed. Economics deals with those aspects of living which are capable of commanding a price in the market of exchange. This situation arises from the fact that the things we desire are not available in ample enough supply to avail us of them without sacrifice of some sort. A thing must be *both* desired and scarce to be a player on the field of economic affairs; lacking either of these conditions, it must retire to the bleachers. When anything—whether of a material nature or not—is both desired and scarce, it then has value for any person who concerns himself with it from

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this dual perspective. Value, then, is at the very base of every economic consideration. To avoid value theory is to avoid the essence of economic science.

When early formulators of economic theory grappled with the value concept, many if not most of them began with the assumption that a thing has value in some *intrinsic* manner. They thought of value as a quality similar, for example, to the pigment of a red pencil—a quality embodied in the pencil itself so that, if you threw it out the window, the pigment was still embedded in it; if you lost it forever in the forest, the pigment was still there intrinsically.

Having begun with this assumption of intrinsic value, it was perfectly natural and logical to assume that the next step was to discover or invent some means of measuring the value in an objective sense, i.e., in some manner whereby any two or more persons could agree on the amount of value a specific item contained intrinsically. In trying to design such a scientific measurement, they were simply following the lead of the older physical sciences. For instance, once the concept of distance was perceived, a measuring stick with regular gradations was developed whereby any two persons could agree reasonably well on the distance from here to there. Likewise, when the concept of mass was perceived, balance of scales came into being, whereby any number of persons could agree on the weight of a dipper of spices. In like manner, then, these early economic theorists turned naturally and at once to trying to identify precisely what value is, so that the means of measuring value objectively and in precise quantitative terms could be developed.

It is not at all surprising that these early economists hit upon the idea that it is the labor required to produce a thing that gives it value. Everything of value, it seemed to them, had to be “produced” in the economic sense, requiring a certain number of hours of work or thought to bring it into the desired form and location. Otherwise, it seemed, the thing would become so plentiful that nobody would be short of it

for his needs, and it would become a noneconomic item of our environment. Thus, there arose in those early days of economic theory the "labor theory of value," which gained widespread acceptance; in fact, its tracks are still deep and pervasive, but mostly in forms without this label.

Many attempts to fix value objectively, especially in earlier times, assumed it to rest on the hours of work measured by the clock. The error in this calculation soon became apparent to any discerning person because productive ability varies so widely from person to person and even from hour to hour for the same person.

To correct the apparent error of using the time clock, attempts were made to measure value on the basis of the cost of the labor input—hours of work times the rate of pay. This procedure, it seemed, corrected for differences in productivity because individuals are paid different rates per hour. But, again, the thoughtful person realized that rates of pay, at best, reflect the differences in what it is expected laborers will produce rather than what they actually do produce. Furthermore, in most instances a worker is paid at a constant rate over a period of time during which his production varies widely from hour to hour.

Still another feature in the development of economic thought should be mentioned, namely, the so-called contributory factors of production. Among the factors which have been included by influential theorists are (1) labor only, (2) land and labor, (3) land, labor, and capital, (4) land, labor, capital, and management, and so on. Differences of opinion in this respect centered largely on whether or not a given factor was assumed to be separate or imbedded in another factor. For instance, one leading proponent of the labor only theory recognized that capital tools are involved in the productive process, economically as well as physically. But he held that capital is really labor expended to produce the tools in the first place and that, if one views production in its essence rather than its visual form, he will see it all as labor

which gives rise to value and thus determines value. A similar view was taken about management, as being only a name given to labor in one of its many forms.

Land involves a special case in analysis, quite apart from tools and management, in this question of other factors being reducible to labor. Some theorists have said that what we call land (including not only soil as the farmer thinks of it, or as the urban dweller thinks of it when he builds his house on a city lot, but also all physical materials like coal, minerals, and even the gasses of the earth's atmosphere) is in part segments of the universe in its natural form, untouched by human hands and labor, and in part natural materials reformed by human effort. So these persons reasoned that an operating farm, for example, is in part the soil and its fertility and in part something comparable to tools; they often preferred to call only the former aspect "land" and the latter, "improvements."

It can be seen that all these ideas about the meaning of value were the results of the struggle to find an objective cause and thus an objective measure of value. Whichever of the many solutions a person might choose, he was in effect looking for a "just price" for any item to be sold in the market place by anyone. To whatever extent the price asked or obtained in the market place deviated from such an objective measure of justice, the item was being unjustly priced—either over-priced or under-priced. And the person pricing it unjustly should, by this test of justice, be brought to task for this economic crime. Ideally, he should also be made to recompense the buyer he has wronged, just as in a case of outright theft; as a minimum, he should go forth and sin no more.

The writings of most of the early economic theorists were beclouded on these points of value concept, and numerous contradictions appeared. Though one of them might, for instance, advance a theory of value based on labor time or labor cost, at certain points in his writings there would appear clear evidence that he felt uncertain about his underlying

ing premise. This feeling may have been more unconscious than conscious, as reality peeked through in unsuspected places.

In short, the work of the Austrian School on value cannot fairly be said to have been completely original. As noted, elements of it appear as early as the 1600's. The distinctive contribution of the Austrian School is that for the first time in the development of economic theory there appeared, in spite of all the inevitable differences among the ideas of individuals in that group, a complete and consistent theory of value which made all the predecessors appear to be wrong not only in detail but in a fundamental sense as well.

The Austrian Value Concept

The first step in understanding the Austrian concept is to realize that value is entirely subjective, rather than something objective. Value, therefore, is something that each individual person weighs on a purely private, not a public, set of scales. To try to find something akin to a yardstick for distance or a balance for weight, by which to measure value so that two or more persons can see and agree on a "just price," is futile. There is no such thing according to the Austrian concept of value. To try to find value that way is like trying to find the trail for an animal, and hence find the animal, when there is no such animal.

Hence, any two persons will not and need not agree on the value of the same item at the same instant of time. If they should agree, it is a coincidence of no significance whatever so far as discovering value objectively is concerned. For any item at any given instant of time, each person sets his own value in a way that is a mystery to others. He takes into account a vast range of considerations, many of which are peculiar to him alone and which may be so deeply subjective that he cannot even describe them to another person.

According to the Austrian premise, then, value is not in-

trinsic in the sense of being susceptible to objective measurement by *any* means whatever. Certain qualities of things are, to be sure, intrinsic and measurable, and affect value for this or that person. But they affect value in different ways for different persons and are at best only a part of the origins of value. To illustrate, age in cheese or in eggs adds value for some persons in the world and detracts from their value for others.

The error of the early search for a universal and objective measure of value should be apparent to anyone by merely visiting a grocery store and watching business for a few minutes. Did you ever see a housewife inquire about the hours of labor or the labor costs in the production of the loaf of bread before deciding whether or not she would part with 29¢ in exchange for it? Or, in like manner, the storekeeper when he buys it from the baker or sells it to the housewife? These factors are not totally unrelated to the price, but in a precise sense they have nothing more to do with the decision to buy or not buy than have many other untold influences. And as a specific consideration in the mind of the housewife or the grocer, probably nothing could be further from their thoughts at the moment of the exchange than facts about total labor input. This could be tested easily by asking any housewife or any grocer at the time of sale whether they had adequately weighed its value on some scale of labor input. Would they even know what you were talking about, no matter how simply and clearly you explained it? No! How, then, could any such thing *determine* the value of a loaf of bread?

Value as Relative Matter

In addition to being subjective for each person rather than being an objective thing to be weighed on some universal scale or observable calibrations, value is a *relative* concept within the appraisals of each individual. In other words, the loaf of bread does not have an independent value separate from all other things for Mrs. Jones. The value of the loaf of

bread is the relationship of the bread to something else Mrs. Jones wants. In a money economy, she will usually think of the relative value of bread in terms of money—the particular form of value which we call “price.” She will decide whether the bread has a superior or inferior value to the 29¢: if superior, she may buy the bread if it seems to her the best use for the 29¢; if inferior, she will keep the 29¢ or buy something else.

Value is a quantitative thing because it is the ratio of the two *quantities*. Though it is quantitative in this ratio sense, however, we essentially never have to reduce it to any definite quantity. In conducting the economic affairs of life, we need not go beyond the direction of balance in its ratio aspect; we have no need to know precisely the two quantities that are being compared with one another. If Mrs. Jones considers the loaf of bread to be preferable to the 29¢ and to be preferable by an excess over any other use of the 29¢, she will buy it and need not determine by precisely how much it is preferred. The condition of “greater” is all that she need know and all she considers. To try to carry the decision beyond that point of precision is unnecessary for Mrs. Jones and for everyone else, then and forever.

It may seem to be an amazingly complex problem to buy even a loaf of bread when we consider all the alternative uses of the 29¢—the almost endless array of values that are available to Mrs. Jones. Yet even the most ignorant and careless persons solve such problems easily all the time. They know that someone else cannot appraise things correctly for them. Unfortunately, many economists do not have this knowledge of value theory which even the most ignorant housewife possesses. The child understands it, as evidenced by his great preference for spending his pennies himself rather than having his parents keep making “mistakes” involving his judgments.

The value of the loaf of bread to Mrs. Jones is not determined precisely—or at all, really—by any one factor in its

production or by any combination of factors. Due to the fact that Mrs. Jones and Mrs. Smith attach different values to the same thing, and also that they both attach different values from one time to another, it is easy to see that value has no predetermined and fixed quantities in terms of either hours or costs of labor. For, if predetermined and fixed quantities of ingredients determined its value, they would have to be the same for a person every time and the same for one person as another.

Furthermore, the loaf of bread has the same value to Mrs. Jones at that instant of time even if, miraculously, it had dropped from heaven in precisely the form in which it exists on the grocer's shelf. In this case, there would have been no labor input in any form or degree. It would, in fact, be like "land" in a concept of certain factor-in-production theories. But the market process would come out the same as before, in terms of her price values. This result means, then, that value is not only subjectively based, but also is derived from something outside of the economic "input factors."

Profits in Every Exchange

Every voluntary exchange, like the purchase of a loaf of bread, yields a gain to both sides of the exchange. Mrs. Jones valued the bread more than the 29¢, which is the reason she traded. The grocer valued the 29¢ more than the loaf of bread, and that is the reason he traded. In economic terms, an exchange yields a profit to both exchangers. In other words, every voluntary exchange yields double profits of amounts that cannot be determined in any quantitative sense and in amounts that could not be added together meaningfully, even if they could be precisely determined.

The fact that these profits are not subject to precise measurement does not mean that they do not exist, nor does it mean that the fact is meaningless to us. It tells us only that we cannot and need not know any more about it than this, for a smoothly and efficiently functioning economy. The

other side of that coin—that value, being the person’s subjective appraisal, cannot be objectively determined—is that it is not the proper concern of any other person. The two persons in the exchange make the decisions which they alone can and should make. Others concern themselves only with what is properly their own business.

The above disconcern of others should not be confused with the admitted usefulness of information about prices at which goods exchange. It is a due concern of others what the terms of exchange are among transactions by other persons. This is helpful knowledge about “the market.” If bread is selling in Zabrisky’s grocery for 29¢, housewives want to know this in order to determine the best place to buy bread. This information, in fact, is what sellers pay money to make known—advertised prices. But this sort of information never tells us anything precisely about *value*. To say that Zabrisky is offering bread today for 29¢ does not identify the value of bread for either Zabrisky or Mrs. Jones; it tells us only the terms of offered exchange, at which price Zabrisky’s value for bread is somewhere below the 29¢ figure at which he is glad to part with the loaf. The price measures the value for no particular person. It expresses only the terms of exchange for whatever sells at that price; no more.

All that has been said above applies in like manner to the selling of one’s time to an employer (wage rates), or to the lending of money (interest), or to any other transaction involving goods or services. Traders on both sides make a profit in every voluntary exchange, due to the spread between their values and the terms of that exchange.

By the same reasoning, every compulsory or involuntary exchange, where one person confiscates the goods or services of another or dictates the terms of the exchange under force or the threat of force, entails an economic loss for the unwilling participant. Economically as well as morally, all such transactions are the same as outright theft.

It follows that a wholly voluntary economy results in the

greatest general welfare to all the persons of that society. In such an economy, every person profits to the maximum, no matter where he plays in the field of economic activity—as employer or employee, buyer or seller, lender or borrower, etc. It likewise follows that in an authoritarian society losses will be the universal experience of everyone except the dictator himself.

The Market Price

Since values are subjective, independent, and highly variable as well as changeable, it may seem perplexing that there is any prevailing “market price” for goods or services, around which all exchanges tend to hover in close proximity. How can this be? How can the market find one answer to all of these unknown quantities?

The answer lies in the simple fact that each person attempts to maximize his profit in each exchange. Each buyer tries to buy as cheaply as possible; each seller tries to sell as dearly as possible. Each would push his gain to unlimited proportions, were it not for the fact that the other party whose willing cooperation he must have for an exchange to take place has alternative opportunities. Others are buying and selling, too. The buyer can always forgo a purchase, accepting substitute satisfactions available for his dollars. Sellers can always keep their offerings for later sale or quit producing them for future supplies.

Taking into account all the complexities of the process of market determinations and decisions, everything available for sale finds a buyer in the end at a market price. Neither a shortage nor a surplus is economically possible in a free market. There may be physical quantities remaining unsold because the seller would rather keep it himself than to sell it at a price lower than he is asking; he “bids it in himself,” as we say about one who does this at an auction sale. And there are those who desire products but who do not get them because they are not willing to pay the price sellers reserve as the

minimum they will accept—below which they “buy it back” themselves.

Since all buyers will buy as cheaply as they can and all sellers will sell as high as they can, open knowledge in the market drives all trades toward a uniform price in a manner similar to the way a body of water tends to settle to a common level over its entire surface, no matter how large. Winds and waves and all sorts of other forces—comparable to controls introduced into the free market—may come and go, but the leveling force persists just the same.

According to the theory of the Austrian School, the meaning of a “just price” is that price which emerges from the freely made decisions of all the participants, rather than from an outside person sitting in arbitrary authority. Subjective values of all those who are dealing with their own property in time, goods, and services determine the just price. The justice of the prices so determined is to be found in the process, not in the magnitude of the price. One person may sell a bushel of wheat to a willing buyer at \$2 a bushel, or he may give it to the Salvation Army, or he may feed it to the pigeons; each of these “prices” would be just as long as he makes the decision in disposing of his own wheat.

We are indebted to Vilfredo Pareto for a vivid illustration of the marvelous way the free market resolves the complexity of varied values and widely differing opinions of persons in the market place. He calculated that for a small, simple society of only 100 persons trading only 700 goods and services, it would require the solution of 70,699 simultaneous equations in order to equate supply and demand in the manner the free market does so easily. If one recalls how difficult is the task of solving only two or three simultaneous equations in algebra class, he will appreciate the task of solving 70,699! Not only that, but the equations keep changing all the time for any number of reasons, including the “whims” of every trader. Yet this complex equation is easily solved by free exchange among persons who may be unable to count and who may not even read in some instances.

The Authoritarian Substitute

Because value determinations are subjective by nature, economic decisions cannot be delegated by one person to another; they can only be abdicated to the other person. In its extreme form this means acceptance of a complete dictatorship, with its lesser degrees and forms amounting to the same thing. But none of these alters the nature of value; it alters only whose value is being realized.

The dictator makes value decisions in the same way as any other person—on a purely subjective basis. The difference lies only in the scope of his power to exercise it. The head of a family may do the same thing for its members, and the head of any organization may do the same thing for its members. In all such instances, the decision—the control, the essence of ownership—is his and not that of the members.

The hopeful vision of a “benevolent dictator” should be indulged with caution. If he were to try to make his value decisions by taking into account the presumed wishes of his subjects, he really could not do so. The welfare of others is likely to be best assured when their benefactor has no power whatever over them—when he leaves them to make their decisions in their own right and acts in their interests only with his own means as a friend. When a person acts toward others dictatorially rather than with goodwill and friendship, he is likely to ignore their value preferences and be “benevolent” only in the sense of forcing upon them what he thinks they *should* want, but what in fact they do not.

So value theory in its subjective sense, as well as the processes of marginal utility and all the rest, operate at the level of dictators or heads of corporations and families, as though each were an independent individual acting for himself alone.

Though some contend that economics is completely and permanently separate from the concerns of political and philosophical matters, most adherents to the Austrian School

of economic thought have been classical liberals. There have been some variations in detail, of course, and the classical liberal position has also been upheld by persons with other economic views. Historically, however, there seems to be a close relationship between the two.

The reason for this is probably due to the fact that when one accepts the views of the Austrian School on subjective value and all that this entails, he sees a deeper meaning in individual rights and in private property. He sees that one person cannot accept the responsibility for making another person's decisions; he can only make decisions in his own right, under the abandonment by the other person of his rights. This alternative, as he can then see, ultimately leads to complete centralization of power in the hands of one person as dictator.

While it would be unfair to charge the earlier economists with being disloyal to the tenets of human liberty, it is true that they left important problems unsolvable because of their deficient value theory. Many later economists who are sincerely in favor of the maximum of human liberty are in like manner still searching in vain for a formula for some collective determination of what, by its nature, is strictly an individual matter—even with the works of the Austrian School at hand to help them.

The key question in so many of the problems which perplex us and which seem so complex and difficult is: *Who owns it?* He who owns it has thereby the right to determine its use and the terms of its disposition; he alone, under the Austrian School of value theory, can answer that question, and to answer it is his exclusive right.

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Agriculture

Improving the World's Diet Is a Tremendous Problem

Idealism and realism are again in conflict. This time it is over the world food problem. Idealism aspires to setting the world's dinner table with a luxurious fare, containing a large proportion of foods that are both highly nutritious and delicious to our taste—meats, dairy products, eggs, fruits, and many vegetables. Realism, on the other hand, asks whether we have enough or can produce enough to fill this order for the world's two billion people.

Idealism, in moderation, is a fine thing because it serves as a guide and an incentive for betterment. But once we forget its nature and transform it into immediate expectations, only bitter and harmful disillusionment can result. One high governmental official in one of our large cities said recently, in effect, that enough meat and milk was available in the world so that everyone could have an ample supply, if only it was properly distributed. Statements as much in error as this one can do no conceivable good, and serve only to indicate the ignorance among many urban residents about the problems of food production and the natural factors that limit food production. When a person has lived all his life in one of our large cities, where he can go a few steps to the corner grocery store and buy in abundance practically anything he wants, he is bound to lose touch with realism about how the world eats, and why they do not eat better.

We in the United States eat far better than most of the rest of the world. In fact, were we to sit down to dinner with every family in the world, we would probably find only about one

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person out of every 100 eating as well, economically, as the average person in the United States. And this average for the United States includes all the "poverty-stricken," "ill-fed," and "underprivileged," on whom we have bestowed much sympathy and a little free food. We would find most of the people elsewhere in the world living mainly on the starchy, low-cost foods, such as cereals, potatoes, and manioc. Asia's teeming millions, for instance, have little more than an occasional whiff of meat, or a tiny morsel for flavoring their rice. The diets of most of the people living in Africa, eastern Europe, South America, and the islands of the equatorial belt are also lacking in animal protein foods.

The world's diet is poor because of limited production of these better foods. We eat what is produced and, of course, no more. If we are to raise the world's consumption of these products, we must recognize at the beginning that it is a production problem.

Prevention of waste of foods from animal sources would help a little, but not much in the overall problem. Skim milk is often mentioned as an outstanding illustration. Yet the "huge" amount of skim milk fed in the United States to calves, chickens, and pigs, and used for industrial purposes, would feed the world's population only a little more than one day a year. The mental picture of the world's wide expanses being thickly populated with buffalo, jackrabbits, wild turkeys, and wild hogs, all available to be hunted, is a useful concept only for works of fiction. Most of the uninhabited parts of the world are literally deserts, where only an occasional hunter here and there can eke out a meager existence from his catch.

Why not, it is suggested, improve the world's diet by shifting production from the less well liked and less nutritious starchy foods to the desired foods of animal origin? If this were to be done, it would result in widespread starvation—the extent depending on how far the shift was carried. The world's food-producing animals, taken together, probably require eight or more calories of feed to produce one calorie of human food in the form of meat, milk, and eggs. Some animals, of course, are

more efficient than others; the dairy cow ranks high provided we do not throw away the skim milk. Livestock are fed partly on grain that humans could eat, and partly on roughage that humans cannot utilize. But this roughage is to a large extent produced on land that could be used to produce crops useful for direct human consumption. The meats and animal products are expensive, relative to the starchy foods. They take so much land and labor in their production that they are economically out of reach for most of the world's people. This is not to deny that they are delectable and good for us, but only a few people, in the United States and elsewhere, can afford much of them because of the cost and effort required in their production.

To bring the entire world up to the level of the average diet in North America, we would need to increase by nearly three times the world's production of foods from animal sources. To divide up what we are now able to produce, on an equal basis throughout the world, would deprive the most poverty-stricken few per cent in the United States of nearly half of their accustomed consumption of these types of foods.

Milk serves as an excellent illustration of the problem of raising the world's diet to desired levels. There has been some talk of a quart of milk daily for everyone in the world because it is his rightful heritage—a goal to be looked forward to and demanded of a bounteous nature. This objective does not sound particularly fantastic for this country, but how does it appear on a world basis?

Milk from a variety of animals—cows, buffalo, goats, sheep, camels, etc.—is produced all over the world. Part of it is used to produce butter, ghee, etc., and the skim milk fed to livestock. Even though all the milk produced was consumed by humans as whole milk, we would have to increase the world milk production about three times to attain the amount needed for a quart per person daily.

Where would we get the feed for that additional milk production? It would require the equivalent of enough grain to feed the entire world on a grain diet—a world already living on a diet little

above the starvation level. The dairy cow is high among animals in efficiency, yet it requires 23 times as long to produce a pound of food (Dry basis, United States average) in the form of milk as in the form of soybeans; comparable figures for wheat and corn are 15 and 11. As desirable as is the quart of milk a day, we are not likely to let hundreds of millions of people starve in order that the remainder may attain that desirable objective.

There is still the alternative of meeting the goal by increasing total world agricultural production. This involves either (1) increased production from present acreage, or (2) expanded acreage. There are too many angles of these problems for full discussion here but, very briefly, prospects are not too promising. A careful study of known evidence on climate, soil, and topography around the world reveals no large areas adapted to agricultural production that are not now being used. More than nine-tenths of the earth's land surface is barren waste, or otherwise of no use for farming. The world's intellectuals, living in the few garden spots of the world like western Europe and parts of the United States, instinctively overestimate the food-producing capacity of the world. We are already fighting nature along the frontiers of adverse conditions over most of the world. A few dry years in the United States, Australia, and other countries discourage the "Okies" who become migrants from borderline areas where they have been trying to farm. To be sure, a little additional land here and there will be brought into production, and progress will be made in improving seeds and production techniques. But these have been and probably will continue so slow as to give little promise in the race with an increasing world population. In other words, the world food problem is a production problem to begin with, but a population problem in addition. Otherwise, it will be impossible to translate more food production into better diets rather than into more people existing near the starvation level.

There is no denying the appeal of the world task plotted by the idealists, but we must not lose sight of the facts. Attainment will be painfully slow.

The Food Situation

I Introductory

The production and distribution of food is the world's largest industry, and also the world's largest economic headache. Its importance as an industry is suggested by the fact that even in the United States—the wealthiest nation on earth—about one-fourth of all economic effort is devoted to this basic want, whereas the poorer half of the world devotes a major part of its time to a futile struggle for an adequate diet, by standards of adequacy accepted by nutritionists. That the food industry has no equal as an economic headache is evidenced by all the proposals and programs around the world to deal with its economic ills, both real and imagined.

Those who are charged with the responsibility of establishing national policies and programs have an especially difficult task under present conditions. Their first task is to separate the real from the imagined difficulties. The second need is for a correct diagnosis of the causes which is based on sound and unbiased evidence, divorced as far as possible from emotionalism, special interest, and prejudice. Lastly is the need for sound judgment as to what are the proper functions of government in administering to these economic ills, and for which of them the cure lies in the direct action of people either as individuals or as voluntary members of groups for cooperative self-help.

In diagnosing the illnesses and their causes within our food industries, Congressmen and other leaders are constantly being bombarded from all sides with contradiction, confusion, and conflict. The "evidence" is frequently conflicting, and frequently there is woeful lack of basic facts properly interpreted. Programs and policies of our government, now in effect or proposed, contradict one another and cancel each other's efforts; it is like a team of horses that has been separated and hitched to opposite

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ends of the wagon, where they toil to no avail and serve only to create a stir and to employ the horses while the wagon remains unmoved. Before reviewing some of the facts about the food situation in the United States, a few of the major "food" issues facing this country will be noted briefly, together with some of the existing contradictions of policy.

In a world of widespread starvation and near-starvation, organizations and agreements have been developed to deal with the opposite condition—food surpluses. Even in the United States, fear of surplus and fear of shortage exist side by side.¹ The fear of shortage is supported by evidence of heavy demand for food at home as a result of wartime prosperity, heavy withdrawals for military uses and foreign relief feeding, reduced imports and low stockpiles. In recognition of the threat of a shortage, the Secretary of Agriculture has called for an increase in crop acreage in 1946 to meet "almost unlimited need for food." We are reminded, also, that for about two decades prior to World War II this country consumed more food than it produced (on a value basis), and that for the previous half century the net surplus for export averaged less than 3 per cent of our production. In fact, on a net basis this nation has never fed a very large part of the outside world.

In support of the fear of a threatening surplus, we are reminded that the period between the two World Wars was one of "almost continuous agricultural surplus," and that the rumblings of its return are becoming audible in the distance. Many believe that our capacity to produce food has soared to phenomenal heights during the past decade so that we are threatened with a veritable avalanche of food, bringing renewed agricultural distress in its wake. It is noted by the prophets of surplus that total production of food crops in this country in recent years has reached a point about one-fourth higher than the average for 1935-39. And so, viewed from all the evidence, is our danger one of surplus or of shortage—or of neither?

The nation faces another important problem. How much food shall we send abroad for relief, and what types of food should it

be? This problem is linked to the previous one. What we do about relief feeding will depend in part on the pressure of surplus or shortage of food within our own borders. But it depends also, in part, on the pulling power of the need for this food in other countries. There are ways of "tightening our belt," if the need is impelling enough. As to the desire for this food in other countries, there is not the slightest doubt. The quantity of food actually needed is less than that desired, but it is nonetheless considerable. We cannot avoid the issue of what our national policy is to be about contributions of relief food, and forces are pulling in opposite directions.

What about our price policies for food products? Those in existence are in serious conflict, or give evidence of great uncertainty. We have both price floors to support prices and price ceilings to keep them down, simultaneously. Whereas we have ceilings and price control to keep prices down, we pay subsidies in recognition of the error of this concept and in recognition of the need for a supplement to the market price. Whereas price ceilings discourage production, one effect of subsidies is to encourage consumption by adding to the buying power of consumers; yet we cannot consume what is not produced—in fact, production must exceed consumption by the amount of whatever food we send abroad. Production is encouraged by official request and by various enticements, but is discouraged by policies having the effect of raising farm wages and other costs in the face of attempted enforcement of price ceilings on these products. It all makes a confused picture.

There are other important problems too. Should we promote projects to reclaim more land for agricultural production in the years ahead so as to boost production, or should the abandonment of land be encouraged in part to curb production? Should we encourage the search for methods to encourage production, or discourage it for fear of surpluses? Or is the main problem distribution, which should receive our major attention? Should low income diets be subsidized as a joint project to improve health and dispose of food surpluses, or is our problem more

likely to be one of how best to ration a shortage? Should we subsidize exports as a means of disposing of burdensome surpluses in this country, or should we remove all import restrictions and perhaps even subsidize imports as the only possible means of attaining the high dietary standards being proposed by some as a "national policy?" Should we support prices within the country above the world level for products which we can produce cheaply enough and in volume enough for export, thus having to reduce production to our own needs or otherwise have to wrestle continuously with the resulting unsalable "surplus"?

Cutting across all these problems, and others that might be listed, is the ever present question of the proper function of government as related to food production and distribution. One important function of government, about which there is little disagreement, is the collection and publication of accurate factual information about food supplies, trade, prices, etc., that should properly be made available to all the public. Long ago we came to accept with confidence the factual material about agriculture and commerce that emanated from governmental sources in this country. The Division of Crop and Livestock Estimates, for instance, acquired long ago an enviable reputation for integrity; if their answer was not always exactly correct, at least the error did not arise from the injection of purposeful bias or "colored interpretation" on the part of the Division itself. The integrity of such work should be protected with the greatest of care. The threat to accuracy of such work increases greatly when a government becomes more and more engaged in the direct supervision of the economic affairs of citizens, in the manner that has increasingly characterized this country for the past two decades. Any government that promotes or accepts political ownership of any program is likely to lose its capacity for cold blooded objective appraisal of its results, much as a fond parent is reluctant to face untasteful facts about his own children.

The sending of relief food abroad seems clearly to be a governmental function, but even therein lies the question of how much of the task should be left to charitable organizations. For most of these other questions, the place of government in con-

trast to individual responsibility is even more clearly a debatable question. At least one responsibility of government seems clear, namely to avoid running frantically in all directions at once on a given problem, for to do so is to burden further an already overburdened governmental budget and to confuse the issues even further.

The aim of this analysis is not to answer all these questions, but to review briefly the domestic food situation as it relates to all of them. It will deal primarily with (1) food supplies and prospects for production, (2) possible changes in consumption, and (3) causes and cures of surpluses and shortages. The first two parts will deal with food production and consumption primarily in terms of physical quantities whereas the one about surpluses and shortages will discuss these problems in an *economic* sense involving the function of price and the market. Lastly, in view of the current interest in the problem, will be given a brief appraisal of the question of food for relief to other countries.

II Food Supplies and Prospects for Production

The production side of the food question will be discussed first, because in one sense it may seem much more important than the consumption side. This is because production sets the limits of what can be consumed, and also because the origins of variations from year to year in the quantity aspect of the food situation arise mainly from the production side. The weather, the bugs and the diseases all conspire, with varying success from year to year, to defeat the efforts of farmers and the aims of governmental planners. We must then cut and fit our consumption to whatever shrinkages occur in production.

Confusion in the Meaning of "Food" Supplies

Confusion may result from speaking of food production without first making clear what is included as "food." Possible concepts may differ by as much as four times in the quantity rep-

resented, both of which are reasonable for their own purposes. What are some of these different concepts?

For our purposes we shall speak in terms of what is customarily eaten in this country, although if we were willing to change our eating habits the quantity of "food" available would be much greater. In a year before the war, food and feed crop production in the United States was enough for over a billion people, or half the world's population—*provided it had all been edible for humans* (Chart 1). But more than half of this amount, including the hay, pasture, silage, and other "roughage" livestock feeds, was totally inedible even for people on the verge of starvation. We produced, however, enough edible crops to supply nearly half a billion people with their yearly food, by one simple test.²

Different meanings arise from disagreement as to which products are "human foods." A person accustomed to a diet of caviar, lobster, avocado salad, frozen green peas, and apple pie a la mode is likely to think of soybeans and cornmeal as "so much cow feed." Yet a large part of the world's population subsists regularly and almost completely on foods of this type. Furthermore, certain animals or parts of animals considered by some to be delicious are to others repulsive or "inedible." Differences of opinion exist, for instance, about the edibility of horse and camel meat, snails, grasshoppers, worms, rodents, and some of the internal organs of animals.

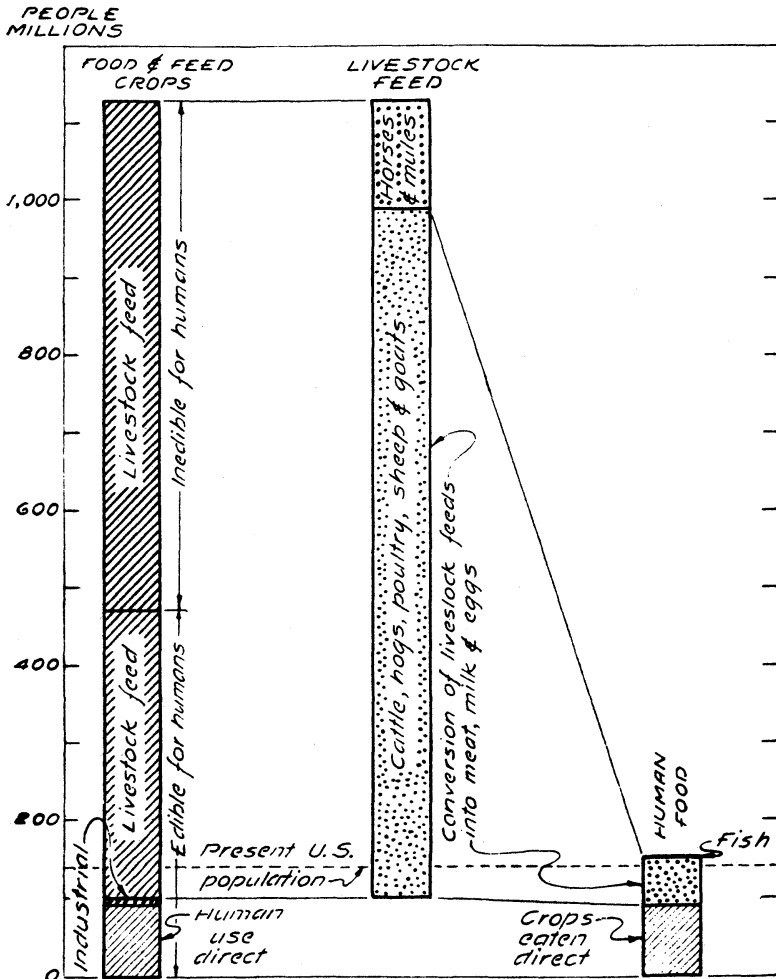
Only one-fifth of the edible plant food we produce is normally eaten by humans. The remaining four-fifths serve mainly as livestock feed, with a little used for industrial purposes. Most of that used for livestock feed goes to animals producing meat, milk, and eggs, though some goes to horses and mules as "power" for farm work. Most of the livestock feed grains go to pigs and poultry which use little roughage, to dairy cows as supplements to roughage, and to beef animals and lambs for "finish feeding."

In the conversion of livestock feeds into meat, milk and eggs, there is an average "wastage"³ or loss of over 90 per cent in feeding power, assuming that humans could subsist on all the

FOOD AND FEED PRODUCTION, UNITED STATES

(Expressed in terms of human feeding power, as though all livestock feed was edible; feeds converted to corn equivalent, and all converted to human food at 1,022,000 calories per person yearly; exclusive of seed; mainly 1941 data.)

Sources of basic data: mainly reports and bulletins of the United States Department of Agriculture, together with various commodity trade reports.



livestock feeds. But we cannot digest roughage as do the cattle and sheep. Even aside from the roughage, though, we “waste” great quantities of food in the form of grain fed to livestock; a population nearly three times that of the United States could subsist on these grains, if need be.⁴

Why do we allow such wastage? It is because we like the meats and livestock products better than foods like corn pone, and they are considered to be more nutritious; we would like to make them perhaps half our diet, if they were available and we could afford that luxury. So in an economic sense it is not a wastage at all. It merely represents our choice of a more palatable and nutritious diet, as the object of use for a part of our prosperity.

After converting all livestock feeds (both the edible and the inedible) into meats and livestock products, our vast crop and livestock production barely feeds our own population, plus the luxury of a little to throw into the garbage or as feed for the dogs. In the most favorable years a little is left as a reserve or for export. So by one concept we produce barely enough food for our own needs, whereas by another there is enough for our own people and nearly three times as much additional. According to the latter concept we would be using for human food all the edible crops, without converting any of them into meat, milk, and eggs. By going a step further we could, if we wished, produce an even greater amount of human food by replacing hay, tillable pasture, and forage crops with other crops that are directly edible by humans. But these procedures differ from our practices. Eating as luxuriously as we do, this country produces roughly enough food to feed itself in normal times, or perhaps even short of enough.

Reasons for Recent “High” Food Production

An exaggerated impression seems to prevail as to the high levels of food production in this country recently. We are supposed to be on a new high base of production that, if we are to

avoid large surpluses, calls for greatly increased consumption. How high has production been? What conditions explain this "high" production? The answers are pertinent to any sound estimate of future food prospects.

During the war years the per capita production of crops in the United States varied around the 1909-29 average (Chart 2). It was considerably above the levels of the drought years of the thirties, and also above the 1935-39 average which has commonly been used as a base for measuring our wartime accomplishments. In terms of the record, the 1935-39 period seems to be too low a base for reasonable comparisons with "normal." Its use gives the illusion of high production recently. Study of crop production per capita for nearly half a century shows that in recent years it has not been notably high. In fact, with normal weather it would have been even less impressive. One authority after careful study of crop yields and weather came to the conclusion that, with normal weather, yields in 1933-36 would have been higher by 18 per cent; in 1935-39, higher by 5 per cent; in 1942-45, lower by 10 per cent.

Some believe our recent "high" production to have been due mainly to the federal agricultural programs of the last decade and to vastly improved production techniques, rather than to favorable weather. Time alone will reveal where the truth lies. It can be noted with safety, however, that any program started in the early thirties to improve yields was destined to enjoy notable "success" as a result of the aid of the weather man. If the low yields of the middle thirties were due to "acts of God" rather than of man, so also were the high yields of recent years. These high yields, whatever the cause, in no year raised production per person to the levels common thirty years ago, even with the aid of hybrid corn as an important yield booster.

So much for crops, but how about livestock products? Production per capita since 1940 has been continuously above the long time average, and far above the low levels of the years before the war. The peak was reached in 1943, from which declines occurred in 1944 and again in 1945.

To explain fully these high levels of recent years, we must go back ten years. The drought years of the middle thirties forced drastic liquidation of livestock.⁵ Rebuilding herds and flocks takes time, and so with better weather and larger crops in the late thirties the stock was not there to consume all the feed. Furthermore, the storage loan program and the pegging of grain prices above levels of the world market contributed to large accumulations of grain. At the outbreak of the war in Europe we had excess carryover of perhaps half a normal wheat crop and one-fifth of a normal corn crop. Then livestock numbers increased. They caught up with normal feed supplies, and even went beyond the point justified by the high yields of recent years. We fed up our accumulations of grain in about two years and imported, in addition, large quantities of feed grains from Canada. These are the factors that made possible our high production of meat and livestock products during the war. They cannot be expected to continue. We cannot expect weather to continue better than normal, our huge reserves of grain are gone, and we are not likely to continue to import large quantities of feed grains as we did during the war.⁶

Future Production Prospects

In the light of historical perspective, prospects are for considerably lower food production per person in this country than occurred during the war years. Crop production about 5 to 10 per cent below the average for 1949-45, and livestock production about 15 to 20 per cent below, is not an unreasonable expectation for the near future. Production varies widely from year to year, due to unpredictable weather and other reasons, which makes any specific guess for 1946 hazardous to the prophet. For the last one-third of a century the per capita production of crops has varied an average of 8.0 per cent from one year to the next; meat and livestock products, 3.4 per cent. In half the years crop production and livestock production varied in opposite directions, so as partially to offset one another in

terms of *total* agricultural production. So we cannot estimate, with much confidence, production for next year, but the probability is strong that it will be lower than during the war years—especially for meat and livestock products.

Factors like (1) service men returning to civilian life, (2) plentiful farm machinery and farm supplies, and (3) new production techniques will have their effects in boosting production in future years, but we must be cautious not to bank on them too much. *The principal effects of increased efficiency in agriculture has been to release workers for other occupations rather than to increase agricultural production.* And despite all improvements, the hazards of the bugs, the diseases, and the weather still combine to defeat the efforts of man. As we learn to control one hazard, another is likely to arise and stump the scientist. Furthermore, these favorable factors are of no avail when there is not sufficient moisture to grow the crop well. And finally, this practice will probably have fewer price incentives and less patriotic urge leading farmers and their families to work such long hours, as they did during the war. In the final analysis, production prospects can probably best be judged on some simple basis such as the inspection of historical data like that shown in Chart 2.

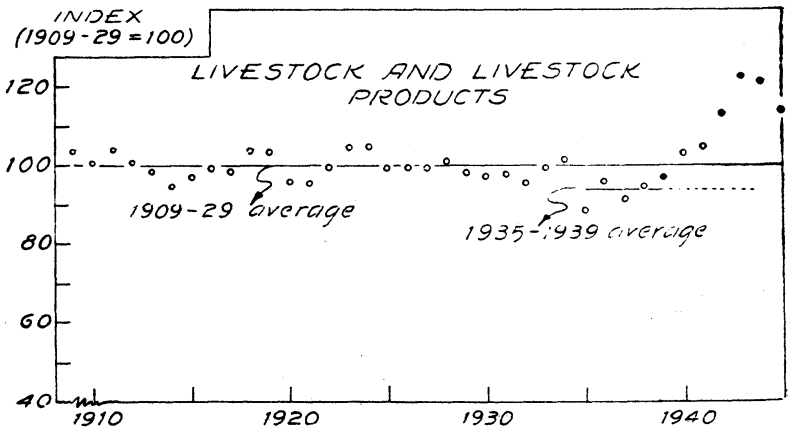
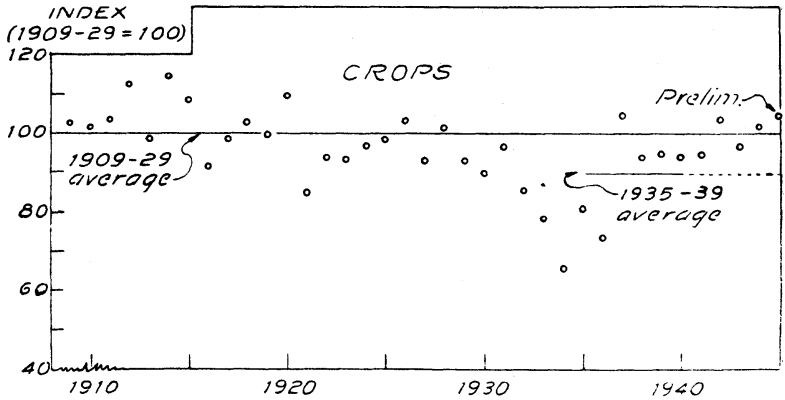
III Possible Changes in Food Consumption and Use

On the consumption side of the food problem, the most important consideration is the level of urban prosperity. In countries like China and India, near the starvation level and with high birth rates, the initial effect of prosperity is to lengthen the average life span and increase the population, resulting in more mouths to be fed on a continuing poverty diet.

In the United States prosperity affects the food market in a very different manner. The number of mouths to be fed changes little as a result of prosperity, because population is controlled primarily by means other than the food supply. Neither does prosperity have much effect on the quantity of food *intake* (in calories or in pounds of dry matter). What prosperity does affect

PRODUCTION OF ALL CROPS AND LIVESTOCK PRODUCTS PER PERSON, UNITED STATES

Sources of basic data: United States Department of Agriculture *Farm Income* report for August 1944, and other current reports; Bureau of the Census.



in the United States is (1) the prices paid for food and (2) the *quality* level of people's food living. A prosperous people eat practically no more quantity of food than they do in depression, but they bid up prices and consume greater quantities of the better liked foods such as the livestock products, to whatever extent they are available for purchase. These are the principal ways in which urban prosperity affects our demand for food in this country; depression has the opposite effect.

What are the prospects for postwar urban prosperity? This is not the place to make such an appraisal but the outlook may be said to be hopeful, notwithstanding serious dangers ahead. The overwhelming opinion seems to be that we shall have several years of urban prosperity and near-full employment—*provided* (1) we pass through the reconversion period without stumbling too badly, and (2) wage rates are not boosted relative to prices of goods and services in excess of labor's productivity, with the resulting economic unbalance generating widespread unemployment.

One of our greatest present dangers lies in the popular concept that money rather than the production of goods and services constitutes prosperity. By this belief, prosperity is thought to be insured by the policies of supporting the *dollar* national income even with increasing unemployment, a shorter work week, "make-work" projects, slow-downs, and feather-bedding. Such "prosperity," artificial in character, is not the type meant here, and pursuit of such policies will, in the long run, ensure nothing but inflation and a lower level of living.

Another important aspect of future demand for food is the amount of foreign relief feeding that is to be done. The need is great—doubtless far in excess of what we can possibly supply. An estimate of the amount of food that we are likely to actually send is too speculative for even a guess at this distance from the center of decisions. Published reports of intentions differ widely, and the final outcome is still a matter of conjecture.

Changes in demand other than those just mentioned are unimportant in the entire immediate picture. This includes new developments like the new processes for drying various foods, quick freezing, and some new methods for the handling of meats. Some of these processes were of practical usefulness only for the abnormal conditions of war. Others will doubtless find some increased civilian favor in the postwar years, but in total they are not so important, in the immediate overall outlook, as are the factors of urban prosperity and the demands for relief feeding abroad.

Consumption About Equals Production

On a national basis consumption of all foods about equals production, year by year. A large part of our food production is perishable and cannot be stored for long. Storage capacity is limited largely to what is needed for seasonal reserves until the next harvest. We cannot, by means of storage, stabilize consumption greatly as compared with production—except for one important indirect method to be mentioned later. During the late thirties we accumulated grain stocks that strained our storage capacity to the limit, yet the increase in carryover of those grains was probably less than 1/20th of a year's total agricultural production, on a value basis. All the other forms of storage—the pantry shelves, etc.—do not help much in absorbing the shocks of variations in crop production from year to year.

The important exception to the statement of limitations in capacity to store food is the use of livestock as a means of "storage." One pound of meat and livestock products, on the average, represents the storage of 14 pounds of corn-equivalent feed (Chart 1). One way by which we vary the food stored in this manner is to vary the weight of stock being grown for market; another is to speed up or slow down the accumulation and liquidation of breeding stock and thereby the total number of animals. As stock are held back on farms in years of large crops, it reduces the marketings of these products and leads to an in-

crease in the "wastage" (condensation into livestock products) of the large supplies of crops.

When crops are short the reverse is true; more meat is thrown on the market and a larger proportion of the edible crops is retained for use in direct human consumption, with an increase of many times in feeding power.

The function of the livestock enterprises as a shock absorber makes it possible for "total agricultural production" to vary only 3½ per cent when the variation in crops alone averages 8 per cent. The livestock industries become a means of protecting us against the "unreliabilities of nature." Poverty-stricken nations cannot afford this safety valve of food supply, and in lean years many of their people starve. The worst that happens when a country like the United States is confronted with such a crisis is to be compelled to liquidate some of the livestock and live for awhile thereafter on a diet higher in direct plant foods, like the cereals.

Despite the cushioning effects of the livestock industries, we eat in normal times more or less what we produce each year. Graphs of food production and consumption year by year look very much alike. Only in rare critical periods is there much divergence between them.

IV Causes and Cures of Surpluses and Shortages

Any appraisal of the seriousness of threatening surpluses and shortages, mentioned at the outset of this discussion as being an important problem of national interest, must start with a definition of terms. What do we mean by a surplus or a shortage? What causes them? We cannot hope to avoid or to cure them without first knowing their nature, any more than a hunter could be expected to shoot a crow while blindfolded.

The term surplus, for instance, means many things to many people. For some it means any increase in the quantity for sale; for others, any condition that either lowers the price, or results in a price that is "too low" by some test; for others, any quantity that

remains unsold. Correspondingly, a shortage has a variety of parallel meanings, including that of an unsatisfied demand.

For purposes of this discussion, these terms will be used to mean any condition where the quantity available for sale fails to equal the quantity that would be bought at the prevailing price. An excess on the supply side is a surplus; on the demand side, a shortage.

A common observation is that food may be going to waste in one place (a "surplus") while it is wanted in another (a "shortage"). Transportation and other marketing costs are the reason for this seeming anomaly. If it is known that the cost to transport and market a product is \$1.00 a bushel, and only 90 cents will be offered for it at destination, it will not be shipped and there will be "waste" at one end and "want" at the other. This can be corrected only by (1) increased efficiency and lower costs of marketing, (2) convincing consumers that the product is worth \$1.00, or more, or (3) subsidizing distribution, which is merely a device for failing to face squarely the economic judgments reflected in the market.

As long as the marketing of food costs anything, there will always be instances of this sort where some food will always be "going to waste" because of sound economic reasons. Some low quality apples will always be rotting under the tree, or some low yield wheat will not be worth harvesting, or some waste land will not be grazed, or some water will be unused in the irrigation of crops—all for the simple reason that the country has decreed that the end product was not worth the cost, or that the cost and effort might better be directed elsewhere. Even people on the verge of starvation might starve to death in attempting to prevent waste, if the food saved by an hour of work failed to feed them an hour. Or, if they were better off, preventing waste might lower their level of living provided it was less productive than working at something else.

All schemes of "surplus food disposal" in existence and proposed, should be tested against the basic issue of whether or not the economic judgment of a nation as to what will be produced

and consumed is to be supplanted by the “wisdom” of a few. In other words, are we to adopt policies which displace free enterprise and a free market with controlled and subsidized production and consumption? Such proposals, frequently sponsored under guise of humanitarianism, should not be adopted without realizing clearly where they may ultimately lead.

Although a surplus or a shortage is likely to be thought of in quantitative terms such as bushels, tons, etc., they are in reality functions of price. An increase in the price of any product quickly discourages consumption and (more slowly but surely) encourages production; the result is a “surplus.” A decrease in price has the opposite effect, and results in a shortage. This rule of the market is so common that we seem to forget it. When a buyer says “How much?”, and, if the price is low enough, “I’ll take two,” he confirms this principle and makes it operate. At some specific intermediate price, and only at that price, there exists neither a surplus nor a shortage. The finding of this point in price, where neither surplus nor shortage exists, is an important function performed by the free market. In other words, the free market equates the volume supplied and the volume demanded. Man-made devices have been tried for centuries in the attempt to duplicate the free market’s performance in solving this riddle, but so far none has been found to succeed so well.

When a surplus exists, in the absence of a free market and a free price, some artificial device outside the market place must then be created to dispose of it. Or if a shortage exists, it must somehow be rationed either formally or informally. Both conditions describe a situation where the market has been forcefully displaced as the natural and automatic device for disposing of the surplus or the shortage. When the free market is allowed to do the job, all consumers and all producers are thereby given an equal right to the economic vote. When it is displaced, they are disfranchised and the power of decision is vested in one person or in a committee of persons whose judgment is bound to differ from that of the people.

It is important to note that surpluses and shortages are strictly

price phenomena, and result solely from prices that are either too high or too low by the tests of the market place. This is not to deny that many other factors or conditions may cause the price to change from time to time. We always become plagued with surplus or shortage whenever we attempt to control prices, by whatever devices and by whatever agencies administered.

Most of the attempts to control price have been on a national basis. Having observed some of the consequences of controlled prices within a nation, there has been a growing tendency to excuse the resulting difficulties on the basis of too restricted a scope of control. As an answer to the new problems thus created, worldwide agreements have been proposed to replace the independent actions of any one nation by itself. But worldwide scope does not change the nature of the penalties that will inevitably result from prices forced out of line with the judgment of a free market. Broadening the scope of the "agreement" (control) merely broadens without necessarily solving the problem.

Dealing with "unfavorable" economic conditions for any food product by means of controlled prices creates either a surplus or a shortage for the simple reason that it fails to correct the fundamental difficulty. It simply alters the *form of expression* of the difficulty, from what appears as a price problem to one that appears as a quantity problem—a quantity either too large or too small for the market to absorb at the controlled price. The only basically sound solution is to attack the cause instead of its surface symptom of price. The use of price control as a means of treatment is comparable to changing the scale of the thermometer as the means of treating the patient's fever.

A policy of dependence on a free market to dissolve or avoid either surpluses or shortages inevitably meets opposition. But the issue must be met fearlessly, and with conviction. If a higher price is called for, consumers will object; if a lower price is called for, producers will object. It is easy to fall prey to the device of subsidies, which afford an unfortunately appealing means of avoiding—temporarily—both horns of the dilemma. By their use, the governmental agency which has assumed responsibility

for control of people's economic affairs can buy for itself a sort of insulation from reality, or a cushion for its uncomfortable seat. The purchase of this insulation of subsidies has to be made with the people's own money, which must be paid for by either taxation or inflation. These are the costs and penalties for the attempted detour around reality. Subsidies (by any name and in any form), as a means of redistributing a surplus or a shortage, are not a means whereby the nation can avoid the underlying difficulty. They are only the means whereby certain individuals can avoid the consequences, with the bill for the costs being sent to others. Subsidies afford an excellent illustration of how controls tend to degenerate into politics rather than to generate economic wisdom.

Surpluses and shortages are basically problems of the production and consumption of *individuals*. The government, apart from the individuals of the country, can produce or consume nothing. By no process of collective action can we buy ourselves out of a difficulty which we must face as individuals. Collective devices to handle surpluses and shortages by governmental action cannot solve these individual problems. If the two quantities (produced and consumed) do not correspond, we are in difficulty. The free market is the best method, free of political pressures, for deciding which individuals will make the necessary adjustments. To describe the free market with charges of cruelty in its operation is the equivalent of charges of cruelty when a doctor gives needed medicine to the patient who is ill from a disease that might become chronic; admittedly the medicine may not be pleasant for the patient at the moment of taking, but to take it is a mark of wisdom and foresight.

V *Food for Foreign Relief*

This country now faces the major problem of what quantity and types of food to send abroad for relief feeding. There is no denying either the need or the want of this food. People in other countries would like to have—what in prewar days few of them

had—abundant quantities of livestock products, including meat, dairy products, and eggs. By the test of nutritional needs, these are the products most lacking in their diets even before the war. They are the products most affected by the war, as home production declined and imports were reduced. All these points argue for sending large quantities of such foods. But on the other hand these are the products most in demand here at home, especially under present conditions of prosperity and high buying power of consumers. They are also among the products involved in plans to improve diets of people in this country. It is a tussle between these two forces. What is a reasonable policy to pursue?

The first step toward a sound solution is to realize the hopelessness of any aspirations to send enough livestock products abroad so as to make much of a ripple in world needs. Although we in the United States have about four times as much of the livestock products as the average for the rest of the world, there are so few of us that to share equally with the rest of the world would increase their consumption of these products by less than one pound a month, per person. The amount of food help we can give them is, at best, small as compared with their wants or their needs. As observed previously, the United States has never fed much of the outside world, and for two decades before World War II we imported more dollars worth of food than we exported.

During the recent war we exported more food than we imported, but even there the picture has been exaggerated. Much has been said about the large amounts of food we sent abroad during this War. We should remember that the total figure includes the food sent abroad for our own personnel, thereby merely replacing, in part, what they would have eaten here as civilians. The “privation” which we felt in this country was due mainly to our inability to buy all the increased quantity of luxury foods we wanted and could afford as a result of swollen wartime incomes and ceiling prices. Not being able to buy all we wanted, it was easy to fall prey to an illusion of the amount going abroad for

extra wartime uses. The *extra* demands of war in 1942-45 probably took no more than one-tenth of our total food production, or no more than the extra production with which we were temporarily blessed as a result of favorable weather and the extra efforts of farmers and their families, together with the use of our feed reserves and of imports. Consequently, we were able by the good fortune of circumstances to meet these wartime needs without any overall sacrifice, to speak of, in our level of food living in this country.

Any sizable amount of relief feeding of people in other countries in the future will be possible only by the use of stocks already acquired and allocated for this use, or by being blessed with unusually large crops, or by the drainage of supplies away from civilians to an even greater extent than occurred during the war. In other words, our contributions to relief, except for small amounts or for only a short time, is likely to require overall food sacrifices in this country even greater than we experienced during the war. The nature of the necessary sacrifice in our diet means a reduction in the numbers of livestock and a subsequent release for human use of the edible plant foods (see Chart 1). It would require that we eat different foods, less favored foods, although not any less food in a quantitative sense. Except for starvation or temporary loss of weight on a mass basis, the quantity of food that a nation consumes must be maintained at nearly a constant. But if we were to shift our diet so as to include fewer livestock products and more foods like the cereals, we could release much more food for sending abroad. Using pork as an illustration, enough grain to feed a person (in calories) for a year will produce enough pork to sustain him less than two months. Stated another way, enough pork to feed a person one day requires enough grain in its production to feed seven persons one day. Some of the other animals are far less efficient than the hog.

The way in which such a shift of diet increases feeding power was well illustrated by the adjustments made in England and on the continent of Europe during the war. Drastic reductions were

made in the numbers of grain-consuming livestock. The people had the meat to eat but, what is more important, it gave them on a continuing basis the additional amount of grain which would otherwise have been fed to these animals. After these slaughtered livestock were eaten, Europe was on a diet much lower in livestock products, especially pork, poultry, and eggs. The people wisely chose to live on this less palatable diet rather than to starve on a more palatable one.

The wartime experiences in Europe taught us another important lesson about food. Little can be done on a quick emergency basis to increase the food production of a nation. Faced with an emergency, it can meet the situation quickly by killing the livestock instead of letting the people starve. Also, some shifts can be made in the use of land, such as from tillable sheep pasture to the production of grain or potatoes and thus feed many times as many people per acre of land. One or the other of these types of shift is necessary in the United States if we are to send any great amount of food abroad.

The question that confronts this nation, then, is whether we are willing to tighten our belts and sacrifice in foods much wanted here at home so as to be able to send food abroad. To what extent are we willing to shelve our governmental programs and personal aspirations for better diets in this country, now that we think we can afford it? Will a government faced with elections be willing to meet the wrath of livestock producers and of prosperous consumers, both of whom want more production and domestic consumption of these livestock products?

Even after all these obstacles are overcome, a decision must be made as to which of all the needy countries is to receive the limited amount of food we can send. The *real* scarcity of these livestock products is in Asia and Africa, where before the war consumption was only about one-fifth that of Europe. If the whole world's supply of these products was to be divided equally, Europe, even in its present destitute position, probably would have to become a donor rather than to enjoy the privileges of a donee. In fact, the most poverty stricken five per cent in the

United States would also have to become donors, because they consume about 5 times as much of the animal products as do the poorer half of the world's population.

The case for sending animal products to Europe rather than elsewhere in the world would seem to be justified only on the basis of some test other than that of present consumption levels. It might be justified on the basis of international politics or to meet what is felt to be a temporary acute need. A sharp decline occurred during the war in Europe's consumption of these products, so that they are now suffering from the privation of a sudden change; for other parts of the world the privation is more chronic, if not fully as "painful."

One of the principal problems of Europe's food supply, according to reports, is the disruption of transportation and the resulting poor distribution of available supplies. The only cure for that problem is to rebuild the transportation and distribution systems, irrespective of where the food comes from.

In summary, whatever food we send abroad is at best likely to be disappointing as compared with the need. It may, for special reasons, be sent to parts of the world less in need than other parts, though far below our own level of food living. And lastly, if we wish to send the greatest amount possible, it will be in the form of nutritious plant foods instead of meats and livestock products produced from them.

NOTES

1. The Director of War Mobilization and Reconversion, in his September 4, 1945 report to the President, said: "Many food and agricultural products are still short of demand here and abroad. In some fields, however, agricultural surpluses have already appeared." (The meaning of shortages and surpluses will be discussed at a later point in this analysis.)

2. Measurement was in terms of calories. Measurement by the weight of dry matter would give essentially the same result. Measure-

ment in terms of food nutrients would give a wide variety of answers, dependent on which nutrient was being considered. From a nutritional standpoint all the individual nutrients are important, of course, and nutritional adequacy in most parts of the world is limited by a few of the "marginal" nutrients. To fail to stress them here is not to ignore their importance, but to leave the task to a nutritionist.

3. Wastage in the sense of calories and of digestible dry matter, but not waste in an economic sense for a wealthy nation like the United States that can afford these products in fairly large volume. Furthermore, the degree of wastage is less for many of the important vitamins than for the calories, since livestock serve as a sort of "condenser" for some of these items.

4. See footnote 2.

5. Hogs were reduced 37 per cent in the two years from 1933 to 1935, and various other types of livestock were reduced from 5 to 20 per cent from 1934 to 1938.

6. For a more complete discussion of these points see Pearson, F. A., Myers, W. I., and Vial, E. E., "Monthly Production of Livestock Products," *Farm Economics*, No. 144, p. 3666, February, 1945. Cornell University.

The Government's Agricultural Policy and Inflation

In this general topic of "The Government and Inflation Problems," my assignment is to test the causal relationship between inflation and the *government's agricultural policy*.

During recent months prices have climbed to where butter has sold for a dollar a pound, wheat for more than three dollars a bushel, and cotton for more than 35 cents a pound. In common parlance that is inflation, currently so much disdained. To most persons high prices and inflation are but two names for the same thing.

These high prices have come on the heels of more than two decades during which the belief has been nurtured that an "agricultural program" was necessary to prevent economic destruction of the farming industry. This notion underwent an incubation period of several years after which, in the late twenties, a program was started. Since then it has gone through changes in form and name from time to time. Now and then it became necessary to rechristen this political child, as failure in its avowed purposes made claims of parentage a doubtful honor. As the program now stands, its most vivid part is the "Steagall Amendment" whereby the government establishes price floors for many agricultural products and accepts offerings at that price when the market would otherwise drop below that point in price.

When a person observes the current high prices for food and other agricultural products in the light of this program, the two may seem to be clearly and completely connected as cause and effect. The answer to the question before us seems to be just that simple. But is it? That is the hypothesis to be tested.

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Inflation Defined

Before any further discussion, it becomes necessary to define the term *inflation*.

To most persons, as has been said, inflation is a technical term for high prices or for rising prices; but inflation, in this discussion, will be used to describe *an increase in the means of payment, used in exchange, relative to the volume of exchange being performed*. "Use in exchange" takes account of changes in the idleness of available money, which is sometimes referred to as "velocity" or "turnover" of money.

Inflation may be defined more simply, but less accurately, as "too much money."

As inflation progresses under a condition of freedom in exchange, it can be expected to be revealed in the form of higher prices, more or less promptly and proportionately. These higher prices are the *result* of inflation, however, and are not the same thing as inflation. This distinction is important for any correct diagnosis of the inflation disease, if one would hope to treat the disease instead of dabbling with its symptoms.

Under this definition of inflation, then, our question can be reduced to this form: to what extent is the government's agricultural program a cause of increase in the means of payments?

Agricultural Program and Inflation to Date

The inflation that has occurred up to the present time offers an opportunity for post-mortem study of causes. Later we shall speculate on the possible future effects of the program on inflation.

The Test of Relative Sizes

The inflation of which we are speaking, the crime under scrutiny, amounts to a sum of \$130 billion to date. That is the amount by which the means of payment¹ has increased from its low point in the early thirties.

As one test of the innocence or guilt of this accused party, the agricultural aid program, we shall first have to arrive at a figure

to represent the cost of that program, inflationwise. The resulting figure can then be compared in size with the \$130 billion total. There can be no doubt but that the agricultural aid program has contributed somewhat to the crime of inflation, and is therefore guilty in some degree. But how much?

What should be included in the "agricultural aid program"? It would seem that the subsidy payments of the federal Department of Agriculture should all be included, at a cost of about \$10 billion from 1934 to 1947;² but that is not all.

A more inclusive figure is the total of "aid to agriculture" appearing in a functional classification of the expenditures of the federal government, with a total of \$15 billion for the fourteen-year period. This includes nothing for the loans to agricultural business because they were less at the end of the period than at the beginning, despite a rise over the middle of the period. Nor does it include the costs of several other programs. Is the school lunch program an agricultural program or a school program? Is food for relief an agricultural program or a relief program? Is the T.V.A. an agricultural program or some other program? Not knowing how to settle all these questions with assurance, I shall use the figure of \$15 billion for purposes of this analysis.

It might seem, then, that the responsibility of the agricultural program for our inflation to date is 15/130 of the total. In my opinion, however, that would be a mistaken conclusion by overstatement. In explaining the reason for this belief I should like to use the conundrum of the boys on a raft.

It seems that ten boys attempted, simultaneously, to climb aboard a raft that would hold only nine. The raft sank, and the question is: Who sank it? It was the *tenth* boy, but precisely which one was the tenth? Full blame might be placed on each of them, one by one, until in the end it would appear that ten rafts had been sunk, not one. If this dilemma is to be resolved, one must resort to the concept of joint responsibility, and a proportional division of responsibility among the participants.

Similarly it can hardly be said that all of the \$15 billion cost of the agricultural program became a part of the \$130 billion of

increase in the means of payment. To do so would be to make the same type of error as saying that one particular boy had sunk the raft.

We must, then, adjust the \$15 billion downward. The total cost of government, of which this is a part, was financed in part from taxes and in part from funds raised by selling bonds where they did not immediately become a part of the increased means of payment involved in inflation. These non-inflationary forms paid \$11 billion of the costs of aid to agriculture. This leaves \$4 billion as the corrected figure, or 3 per cent of the \$130 billion total.³

The importance of the agricultural aid program as thus measured, if we were to express it in terms of the increased cost of a person's food in 1947 as compared with 1933, is \$9 per year; the amount due to other causes would be \$145, out of the total increase of \$154 in food costs.

The Test of Correlation

The correlation method was also used to test the answer to this question. In the interpretation of results by this method, it must always be remembered that a test of relationship is not a definite test of causation. The acid test of causation is to be found in the reliability of the results for purposes of prediction. Does it tell what is going to happen? What degree of confidence does the answer justify in a prediction that a certain result will follow the assumed cause?

By this test of correlation, changes in the agricultural aid program were found to be practically worthless as a basis for predicting the progress of inflation over this period of fourteen years.⁴

Conflict with Prevailing Opinion

We are forced to conclude, then, that the agricultural aid program to date has been a minor cause of the inflation we have had. Its contribution to inflation has been hardly noticeable in competition with other more important causes, beside which it

pales into insignificance in explaining three-dollar wheat and dollar butter.

My topic did not encompass all the causes of inflation. But for the sake of the record, these other more important causes might be noted in passing. The basic cause of the inflation to date has been the newly created money to finance sixteen continuous years of deficits of the federal government, totaling \$244 billion. The major contributing cause was the war and its associated costs, but prior to that were ten years of deficit financing. These deficits were financed in part by bonds that did not become new money at that time. But some of the deficits were financed through the banking system in a manner that became the inflation we now bewail.

As people spent this newly created money, the prices of all products, of which food is a significant item, were increased. Food costs were boosted, too, by large shipments of food abroad. And for a few products, like potatoes and eggs, the program of price supports also boosted prices.

Future Effects of Agricultural Program

We have been speaking of the inflation that has already occurred. The agricultural program may, however, become an important contributor to inflation in the future. In judging its threat to inflation in the future, it is helpful to review the past progress of the program.

In the late twenties, when the agricultural aid program was born, the value of production on farms was a little less than \$8 billion yearly. Aid to agriculture was then less than \$100 million a year.

At the bottom of the depression of the thirties, the value of production on farms fell to about \$3 billion yearly and the cost of the aid program for agriculture rose to several hundred million dollars.

Since then *both* farm incomes and aid to agriculture have increased. In 1947 the value of production on farms was \$20.7 billion; the "parity income ratio" was 68 per cent higher than in the period before World War I, which is considered to be normal

for purposes of most of the “parity price calculations.” Aid to agriculture in 1947 was the highest on record, \$2.4 billion! This was several times what it amounted to at the lowest point of the depression of the thirties when corn, unsalable in the western corn belt, was being used for fuel.

Under a new device in the agricultural aid program, the price support scheme, the government now buys any offerings below the support price and then must dump, destroy or dispose of its purchases. You will recall that the government last year bought large quantities of potatoes, then bought kerosene to pour over them, when potatoes were selling for over \$2 a bushel in retail stores; these activities were a part of that program.

The price support plan, in effect, means the creation of blank checks for the purchase of products whenever the price falls below the price floor for any reason whatsoever. I would not presume to be able to guess the amount that will be written on these blank checks. It could become tremendous.

Having largely absolved the agricultural program from blame for the inflation that has already occurred, I would not want to absolve it from blame on other counts.

These aid programs should be reviewed from the standpoint of whether or not they are consistent with the outlines of a liberal, voluntary society. To what extent do they interfere with freedom of exchange in the marketplace? To what extent do they abrogate the right of a person to hold property and use it as he sees fit in production? To what extent do they prohibit him from keeping the fruits of his labor, or selling it in the marketplace and keeping the income that he receives therefrom? To what extent do they make farmers the hired men of government, against their will? All such aspects of the program should be reviewed, as well as the question of whether any organization—in this instance the government—is in position to give “aid” to any group when it is \$250 billion in debt!

In such a program it is the hope of many to be able to receive subsidies and aid from the government while retaining freedom to manage their farms as they wish and to sell their products as they wish. They hope to gain the security of a hired man while

retaining the freedom of an owner. To all who thus aspire I would quote from the unanimous decision of the United States Supreme Court in a case involving a farmer who contested the government's right to take away his freedom under the program of aid to agriculture: "It is hardly lack of due process for the government to regulate that which it subsidizes."⁵

NOTES

1. Total deposits in banks plus currency outside banks. Total deposits are used instead of demand deposits because during the war a large part of the means of payment was stored in this form and is, in the common practice of the banks, convertible into demand deposits at the request of the depositor.

2. Included in this figure are the payments for conservation and the use of agricultural land resources, parity payments, advances for A.A.A. payments, payments for agricultural adjustment, other A.A.A. payments, Sugar Act payments, exportation and domestic consumption of agricultural commodities, C.C.C. operations in the price support programs and wartime subsidies, etc.

3. If one should prefer to consider demand deposits, instead of time deposits, to be the constituent of means of payment, this figure would become 4 per cent.

4. The degree of correlation between the two was low and the relationship, however slight, was a negative regression. The fact that the two tended to vary in opposite directions from each other instead of in the same direction as is presumed in our hypothesis, should not lead to the conclusion that inflation should be attacked by increasing the amount of aid to agriculture. Rather, the author prefers to consider this negative regression as one of "chance."

5. *Wickard v. Filburn*, 317 U.S. 111, at p. 131, October term 1942.

Agriculture's Sacred Seventh

The American farmer has long been considered the most likely guardian of the last bastion of freedom. But under the spell of some political "economists" and farm leaders who believe in mystic numbers and other such forms of superstition, he is more and more surrendering any claim to that honor.

In the recent vote of farmers to have the government dictate how much wheat each of them shall be allowed to grow, it is true that many farmers voted "No." Many upheld vigorously their individual rights to manage their own farms as they alone deem wise. Knowing, perhaps, that the plan on which they were voting is patterned closely after the Gosplan of the Soviet Union, they see little sense in draining our resources to fight communism abroad while adopting it piecemeal at home. But under the concept that the might of the majority makes right, the beliefs of this opposing minority are now to be disregarded. They were outvoted by the 87 per cent who apparently lack confidence in themselves and their fellow farmers to manage their own farms. They were outvoted by those who rely, instead, on political farm management. There are ample instances like this to show that a revolution has occurred among American farmers.

The beginning of this major change seems to me to have started with the collapse of farm prices following World War I. It was then that a class consciousness began to appear conspicuously among farmers, and they began the clamor for ascendancy into the political saddle under the slogan "Equality for agriculture." The move gained adherents but showed few outward signs of victory until the late Twenties when the Federal Farm Board was established under a Republican administration. This became the forerunner of the New Deal and Fair Deal agricultural programs. And it is now clearly supported by many Republicans and Democrats alike.

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Seven to One

It seems to me that this change among farmers is reflected in a belief in *the sacred seventh* for agricultural incomes. In simple terms, this is the idea: By some miraculous fixity, the national income is presumed to be tied to agricultural income in the ratio of seven to one.

It is of passing interest to note how down through history the number seven has again and again come to be an object of devotion. It is encountered frequently in mythology, in religious practices, in gambling, and in other places. Various reasons have been given for the repeated appearance of the mystic seven. One explanation is that it symbolizes completeness, being a compound of the numbers three and four—the number of sides bounding the triangle and the square.

And now again the number seven has come to cast its spell, this time over the farmers who are to be guaranteed, by one device or another, one-seventh of the national income. The size of the agricultural income, be it noted, is considered as the cause of the size of the national income, rather than the other way around. The agricultural tail wags the national dog, so to speak. The distinction is important in understanding how this concept has come to dominate the politics of agricultural policy.

Faith in this doctrine, now so widely held, is reflected in the words of one of its most effective proponents who speaks of it as one of the “eternal verities,” as one of the “unalterable laws of exchange” whereby it is easily possible to “not only protect the income of agriculture but also protect the income of other groups in direct proportion” by means of these “most profitable investments.” He proclaims that “several billion dollars” spent during 1930-1941 would “have been a good investment to prevent the loss of \$500 billion.” He speaks of this automatic “seven-fold turn of the initial dollar” as a “key factor in our economy and [one that] assumes fantastic importance.” And admittedly it does assume great importance; if it is true, it should be followed, but if it is untrue, it becomes fantastically dangerous.

Scattering Seed Dollars

Let us first presume it to be true. To follow it would then greatly simplify the problem of attaining a continuing national prosperity for all of us, farmers and others alike. By its miraculous power, we could have any national income we want. All that would be needed would be to scatter amply the seeds of income (money) among farmers. These dollars would thereafter return home to all of us, each dragging six additional dollars behind it for others in the national income as a whole. It would be just that simple, by this concept, to assure national prosperity.

In carrying out this scheme, there is the political problem, of course, of how and where to scatter the income seed among the five million farms of the United States. Some wag has suggested that it might be scattered geographically by airplane. Or it might be sent to all RFD box holders, as congressmen once sent garden seeds. Or it might be sent to the various local political potentates, each of whom would parcel it out among farmers in his locality. But these simple ways of doing it all have the difficulty of being too vividly exposed to scorn and the danger of discrediting the theory. So more profound ways of doing it have been devised and are now in effect. They are designed to befuddle the beholder sufficiently to cast the proper spell of mysticism.

Parity Programs and the Like

It is not necessary here to review all these forms of scattering the presumed seeds of income. They are familiar to all of us under the various and sundry names by which federal checks are being sent to essentially every farmer in the land, directly or indirectly, ostensibly in return for something they have done. Merely being a farmer enables one, according to the rule of seven, to serve his nation by being a seed bed for the national income.

The rule of seven is not always trotted out in front of every program, but it is evident in the background just the same. Take the parity price idea, for instance. It amounts to the same thing, because its leading proponents assert that maintenance of farm-

ers at a fixed “parity” of prosperity is essential to assure the prosperity of others in the nation. And the same principle applies to essentially all the other farm programs.

The source of the money to serve as seed for the seven-fold national income presents another political problem, but it is one which its proponents resolve easily in terms of the concept itself. If the rest of the nation is predestined to share in the harvest, it is obviously their responsibility to share in the cost of the seed. So the cost is declared to be a proper use of funds collected under the compulsion of taxation. Were anyone to be allowed to shirk his share of the cost of the seed, he would then become a free-riding reaper. Therein lies the rationale for the source of funds to operate the scheme.

No Basis in Fact

What, if anything, is wrong with the idea of turning the national income into this gigantic “numbers” game?

In the first place, the fixed ratio of seven to one has no basis in fact. Over the period from 1929 to date, with its ups and downs, the ratio between gross farm income and gross national income has varied rather widely and has averaged eight and one-half to one instead of seven to one. The person who assumes it to be seven to one will have erred, on the average, by more than one-fifth of the figure he was estimating. And yet something with this degree of error is proffered as justification for a controlled economy for an entire nation.

One can easily see why this ratio can't be so. In the early days of the nation, essentially everyone was a pioneer farmer, close to self-sufficiency. Even in 1790 farmers still made up 96 per cent of the population. The ratio then had to be near one to one—farmer incomes, that is, were nearly all of the national income, rather than merely one-seventh of it. And over the years the nonfarm part of our economy expanded more than did the farm part. The nonfarm end of the ratio had to increase; it couldn't have remained fixed. And there is no reason whatever to assume that it will remain where it is at any given moment. At some time

in the future it is conceivable that farmers may be prosperous at only one per cent of the national income.

The Fly on the Chariot Wheel

Another thing wrong with the seven-to-one idea is that it assumes a causal sequence which the facts do not bear out. Causation is a pulling force like that of a tug boat hitched to an ocean liner—the one in front pulls the other one along behind it. If changes in farm incomes were the cause of changes in national income, as claimed, one would expect over the years to find changes in farm incomes preceding changes in national income. No such sequence is evident in a study of the changes in incomes over the years. The claim of causation reminds one of the fly on the chariot wheel which imagined itself to be powering the vehicle in its dash down the raceway. Farm and nonfarm incomes tend to change direction together, indicating that their changes are induced by a common cause rather than for either of them to be the cause of the other.

If this seven-to-one ratio represents one of the “eternal verities” for the United States, why should not similar reasoning apply for Britain, for New York State, for New York City—everywhere? Yet, in reality, it is not true for any of these.

Let's consider John Smith for a moment. On careful study, I suspect one would find that his income over the years has been as near some fixed proportion of the national income as the one-seventh has been for agriculture. Why not, then, accept John's income as the key to national prosperity? Why not shower largess upon him in order to make the rest of the nation more prosperous, proportionately? Every dollar we give him, by this theory, would make us that much more prosperous. If the one-seventh works for agriculture, some other proportion should work for John. And it would be so much more simple to administer the scheme with a seed bed of national prosperity based on only one key person instead of five million farmers.

Both Sides Cause a Trade

The total trade of a nation, out of which alone a “national income” is derived, is composed of innumerable individual trades between persons or their duly delegated agents. If we look at integral parts, any miracle of prosperity by such as the theory of the sacred seventh becomes clearly an illusion. Neither side of a trade is its sole cause. It requires the approval of both sides. One is as necessary to trade as the other, whether the traders be farmers or bootblacks. To endow any one occupation with such presumed economic generative powers is to fail to understand the nature of trade itself.

It is undoubtedly true that if you give a person a dollar, he is inclined to spend more dollars than before. But this is not a trait peculiar to farmers. Everyone is so inclined.

If money were to be made freely and scattered by airplane, there would be a scramble to spend it. But prices would be correspondingly higher, and persons would be no better off than before in terms of their real economic welfare. And likewise, if money obtained by taxation were to be scattered, some persons might have more dollars than before and others less. But these would cancel each other out so that the average person would have no more than before.

Production Makes Welfare

For the nation as a whole, production is the key to national prosperity, the only source of economic betterment. That alone is the substance of which prosperity is composed. No amount of added purchasing power can empower anybody to buy something that has not been produced. Whatever is produced is available to consume, no more and no less by whatever magic formula. As with a cake of any given size, there is no way to cut it so that the sum of the parts will exceed the size of the whole. Nor can an artificial increase in the size (in dollars) of the sacred seventh of agriculture perform any like miracle on the welfare of the nation as a whole.

Pattern for Disaster

In the history of farm programs both here and abroad is written clearly the portent of national disaster. The government first supports an industry above its merit as judged by consumers in a free market. The less efficient producers are kept in business and continue competing with the best. The market refuses to take the output at this supported price; there is “overproduction.” The government buys the surplus. The attempt to dispose of the government’s stocks makes enemies, and so it is decided to impose birth control on production. The license to produce then becomes a black market commodity, and perpetuates official power and graft. Producers—in this instance, of one crop—turn to producing other crops which are, in turn, put through the same cycle, one after another. The government soon will have to decide whose sons are to become farmers, as has been done in many countries under socialist regimes. Other industries follow, one by one. The dead end of this new brand of “justice” is complete communism, the complete abandonment of competitive private enterprise.

This certainty of authoritarian control following in the wake of subsidies is already backed by our own Supreme Court which has logically proclaimed that the government may properly regulate that which it subsidizes.

Rights of Free Men

If we acknowledge the rights of free men, to the defense of which I hope farmers in large numbers will one day return, it requires above all else in economic affairs that each person have what he produces. He then has the right to use it himself, or to give it away, or to trade it for something he prefers instead. And when free men trade, the same rights must prevail equally on both sides.

There is no justice in robbing either side of a trade in order to give the other side more purchasing power. Each starts with what is properly and wholly his personal property, and retains equally full rights over the terms of its trade. To justify theft by

either side—in any form and by any name—under any mystical manipulation of some presumed message from On High is, I believe, a major violation of justice and a defilement of the ethics of a good society. As the moral code of private property breaks down in favor of legalized theft, farmers—a distinct numerical minority group—are sure to lose out to the power of greater forces elsewhere. Their interest lies in strict dominance of the moral code, as is true for every other minority group and for every person.

Democratic Socialism

And finally, I would point out a fundamental error of procedure being practiced in our society. By this process, collective injustice is imposed upon persons whose personal ethical codes are doubtless not otherwise subject to serious question. Take, for instance, the recent vote for political control of wheat production. This process goes under the euphemism of “letting the farmers work out their own salvation by democratic methods.” The right to vote on this question, however, is completely out of gear with the property rights of free men. Wheat farmers were first given a subsidy on their wheat, and then acreage control was demanded by the government under threat of discontinuing the subsidy. So when the farmers voted on production control, they were really voting, as they saw it, on whether or not they wanted to continue to receive the subsidy.

Now let us set up what seems to me to be a fairly close analogy to this process. Suppose the government were contemplating granting a hundred thieves the right to steal ten bushels of wheat from each of a hundred farmers every night. Having decided to settle the question democratically, it is put to vote among the hundred thieves who are “allowed to work out their own salvation by democratic methods.” Would it be surprising if they were to turn in a vote of “yes” by at least 87 per cent? One might ask, however: Why were the hundred prospective victims—the owners of the wheat—not allowed to vote? Why were they disfranchised when it was their property that was to be taken? Why, in fact, were the prospective victims not given the full and exclusive

right of vote? Or why put it to vote at all?

Coming back to the wheat vote: Why were just the wheat farmers allowed to vote on this question? Why not also allow other farmers and consumers, who buy wheat, to vote on it? Why not include all taxpayers, all of whom are prospective victims? Why not, in fact, give the prospective victims the full and exclusive right to vote on this question? Or why put it to vote at all?

A Positive Suggestion

Perhaps, if these private matters are to be put to vote at all, housewives should have the exclusive right to vote on whether wheat production will be controlled; farmers should have the exclusive right to vote on the closed shop and wage demands in factories producing farm machinery; foreign producers plus prospective domestic consumers should have the exclusive right to vote on our tariff question; and so on. I submit that such a procedure would make more sense than the present pattern where everyone votes on whether some gang of which he is a part shall not only fleece others but also force them to finance the task of shearing. Better still, I would condone neither plan, upholding instead the personal rights of property and its management.

Why not go back to the basic tenet of free men—the rigorous protection of the rights of individual persons to what each has produced, either in the form of wages or as some other form of private property? Why not renounce this new divine right of majorities and deny that majority vote makes a thing either morally right or economically sound? Such, as I see it, is the only sound and permanent solution to “the farm problem.” And the same solution applies to all the other class problems which have grown up to plague us as we have advanced further and further into socialism in America.

Inflation and Taxes

Are Price Controls Necessary For the “Unprotected”?

It is claimed that wage and price controls must be maintained to protect the American people against disaster. We must inquire: Protect against what disaster? Protect all of the people or some of the people? Do these controls accomplish what is claimed for them?

This is no small subject. What we are really discussing is the whole general philosophy that has been sweeping across this country and a large part of the “civilized” world. It is a reversion to the pattern of most of history—the belief that *government* can perform temporal economic salvation for the people. This country was founded, and has enjoyed unique success, in the belief that the reverse was true. Wage and price controls are an adaptation of that historically unsuccessful notion.

Protection against What?

It is impossible to be protected against nothing. The protectionist argument can have no meaning unless there is a threat or a fear, real or imagined.

What are these fears? Consumers fear inflation and producers fear deflation; governmental officials apparently fear both at the same time, which may be called uncertainty and confusion. Producers fear that wage rates will go up and workers fear that they will not. Business fears falling profits. The returning veterans fear that they will have to continue to live in tents. The ladies fear no nylons, the men fear no shorts, and the shorts fear a bull market, etc., etc. Among the new things currently in abundance are fear and money.

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An overly ambitious government, in attempting to be all things to all people, is likely to welcome fears, then the people will demand more protection. Such a government might even use people's tax money to finance a campaign of fear.

Not that all these fears are groundless! The fear of inflation and rising prices is the one most talked about, most real. Who suffers from inflation, and, therefore, who needs protection from it?

Who Needs Protection?

A person is harmed, economically, if he is prevented from producing or if any part of the worth of what he produces is taken from him. On a national basis, the first of these affects the size of the melon, so to speak, and the second affects the way it is sliced. Inflation may affect either, and one who receives a smaller piece for either reason thus becomes "unprotected." A reduction in the size of the melon forces most everyone into the unprotected class; otherwise, the unprotected are only those who suffer from a change in the way it is sliced. I shall discuss both.

✓ There are also the renters, who feel unprotected, and I will have a word to say about that situation.

Finally, but to be discussed first, is the plight of the poor.

Protecting the Poor

I wish first to discuss the protecting of the poor, because it is a mental decoy that gets us off the main track of wage and price controls in this emergency period of inflation. It is an important and fascinating subject, but there is not the time to treat it fully.

"The poor we have with us always." At least, we have with us, always, the would-be benefactors of the poor. They are claiming in current discussions that these controls should be continued in order to protect the poor during inflation. But the plight of the poor is not a new and emergency problem, calling for peculiar measures at this time. In fact, it is even less of a problem now than before the war, because the incomes of the lower third have

increased more than those of the middle or upper third.

Production is of prime importance in helping the poor. A nation can consume no more than is produced for consumption.

And when I say "production," I mean quality as well as quantity—*what* people want, as well as how much. The idea of production in any other sense makes nonsense. If the demands of the people in a free market do not guide what is to be produced, the production figures are inflated. The net effect of controls is to *reduce* production, and, therefore, to reduce what is available for consumption—for the poor along with the unpoor. Any haberdasher must know that you cannot sell shirts when there are no shirts, and any advertising executive must know that advertising does not produce shirts.

The original work of Pareto, confirmed by many others since, was the scientific discovery of the ever presence of the poor in any country. His studies revealed an amazingly similar pattern of inequality of income in different countries at different times and under all sorts of different governments and conditions. In other words, in each country there will always be a third that is ill-fed, ill-clothed, and ill-housed as compared with the other two-thirds; this seems to prevail as a sort of "natural law." It affords an excellent issue for any political party aspiring to permanent rule, because as a platform it is so permanent.

In view of this evidence, those who request continuation of controls in the interests of the poor, during this emergency of inflation, are not really asking for temporary extension. They are, in terms of their argument, asking that they be made permanent—as permanent as the ever presence of the poor.

But we need not be so pessimistic about the plight of the poor. In another and more useful sense, Pareto's work shows how poorness in an absolute sense is not the necessary destiny of any part of any nation. The lowness of the low third in any nation depends on the *average* production of that nation. The poorest of one nation may be economic royalists compared with the poorest of another, as illustrated by the United States compared with Asia. The average person here produces in an hour nearly ten times as much as the average for the continent of Asia. That

is why the most poverty-stricken few (per cent) of our population are able to consume six times as much of the luxury meats and livestock products as the average of Asia, both rich and poor, and how they can indulge in other luxuries almost unheard of by anyone there.

On a short time basis, the poor can be given a larger share. One way to do this would be to allow everyone to rob his more prosperous neighbor, but there are other supposedly more respectable techniques for accomplishing transfers of wealth and income. Any of these offer only short time benefits, after which the share "for the poor" becomes a smaller and smaller piece because of reduced production.

The greatest total production and the greatest welfare of the poor, on a sustaining basis, will occur in the absence of controls, where each person is free to be enterprising and to get ahead, and where he receives as nearly as possible the equivalent of what he produces. In all truth and verified by the experience of all history, such is the way to protect the poor. We must, if we really wish to give them sustained help, discard the belief that a nation's economy is like a pack of wolves fighting over one sheep carcass. Ours is not that kind of an economy. It is more like shepherds who produce sheep, and who know that the more they produce the more they will have. They will quit producing if there are too many ravaging wolves.

So much for the plight of the poor. Now let us return to the special problem of inflation and those who become unprotected as a result of inflation. This is entirely separate from the problem of the poor.

Changes in the Size of the Melon without Controls

In the absence of controls, moderate inflation does not reduce the size of the melon (national total of economic production). In fact, it has a stimulating effect on production. Even during violent inflation, as in Germany during the early twenties, production seems to run at a high level for a long period. At a later point production is retarded.

With Controls

The inevitable result of controls, on the other hand, is to reduce the size of the melon because of interference with production. In other words, controls clog the economic pipe lines and thus tend to make everyone charter members of the unprotected or disadvantaged class. How, then, can it fairly be said that controls are necessary to protect the unprotected, when without them there would not be this wholesale unprotection? A comparable line of reasoning would be to demand protection by quack doctors who busy themselves spreading epidemics.

Controls raise such havoc in this country because ours is such an intricate economic machine. This intricacy makes possible our high standard of living, the highest in the world. Our system may be compared with the intricate network of water pipes underlying a great city. We all know how one or a few breaks or clogs in these pipe lines will affect the city's water supply; it may be left without water, except that carried in pails. When controls break our economic pipe lines the same thing happens. It drives us back toward self-sufficiency, probably no more than one-fifth of our present level of living. Some will observe that no such dire disaster occurred under wartime controls; I would answer that true prices were not held, that these controls were in a large measure either ignored or evaded—and that was the salvation of the situation.

As to how controls affect production, consider automobiles, for instance. They are a complex assemblage of many, many parts. Lack of even one small part makes all the rest of it useless. Automobiles cannot and will not be produced under enforced controls. I believe every automobile producer knows that, and will tell you so, privately. The public must either be told convincingly that this is true, and why it is true, otherwise they are likely to have to learn the hard way and go without cars. And who gains by that process? The poor as well as the millionaires would go without cars, because in this country even the poor have the best jalopy they can afford, and will even go without "adequate housing" in order to have a car—one that will run.

Another good illustration of the effects of controls highlights

the news these days. I refer to the wheat situation. Remember that wheat is too valuable as human food, even in this prosperous nation, for much of it to be used as livestock feed in normal times. Remember, too, that the human feeding power (calories) of grain is reduced by 85 to 98% when fed to livestock. In spite of an all-time record wheat crop in this country last year, added to an unusually large carryover, we now find ourselves in danger of being short of wheat for bread. Why? If you could, for instance, sell a bushel of wheat for no more than \$1.50 as wheat, but you could get \$1.75 for it in the form of the livestock products it will produce, which way would you sell it? That is what they did. More wheat was fed to livestock than was sent abroad during the first six months, and the amount was three-fourths as much as we ate, ourselves. The basic cause of the trouble was price, and it is not yet corrected nine months after harvest. Heartrending appeals for wheat to send abroad, orders about milling percentages, and all the other similar devices do not change existing price relationships, the heart of the problem. Nor will they bring back the wheat that is gone. So we are asked to continue, in the interests of the poor for whom bread is the staff of life, these devices for protecting them. I would say, instead, that price controls could be the cause of widespread hunger in urban areas of this country, a land of plenty.

Here is another illustration to show how people spend untold time trying to get what isn't there, at bargain ceiling prices. When leaving my hotel a few weeks ago, I traced a line of people to a little hosiery store; 427 people in line at 8:30 a.m. and about 50 still in line at 1:00 p.m. Probably it takes only a few minutes of work to make a pair of nylon hose, but people were standing in line *hours* to buy a pair. Is that the way to protect the unprotected?

These and countless other illustrations show how controls reduce the size of the melon, both in "production" and in "distribution." With a smaller melon, the average size of the pieces must be reduced. Controls create emergencies, and the resulting fear is used to extend controls in the name of protection. Controls, in other words, breed unprotection on a wholesale basis

rather than protecting the unprotected.

So much for the size of the melon.

Changes in the Division of the Melon

Aside from the size of the melon, inflation affects the way it is sliced. Who becomes unprotected for that reason? I am referring now to selective, not wholesale, unprotection.

If everyone's income and the worth of their savings increased in exact proportion as inflation proceeded, no one would lose in buying power. For instance, if they all increased ten per cent while the prices of everything increased ten per cent, everyone could buy what he could before. People would merely have to carry more money. This would hold true for inflation of 10%, 100%, or 1,000,000%. But that is not the way it works. As inflation proceeds, some persons are shorted in the size of their pieces; they become "unprotected" while others benefit.

Since 1939, the income of the average family has about doubled. In other words, anything that has not doubled in price is now cheap by comparison, for the *average* family. Any family whose income has gone up less than this (double) has lost in bidding power for what is available; that family has become one of the "unprotected."

Items thus adversely affected by inflation include savings in the form of money, or its equivalent in the many forms that are loaned, and also the group of items like pensions, contracted items, and slow-moving salaries and wages. How this group is affected is illustrated by the plight of professors in China during its recent inflation. From 1937 to 1944, their pay increased 58 times. How could they be called "unprotected," with this increase? Because the cost of living rose 515 times, which left them in a position equivalent to a reduction in pay from \$2,000 to a little over \$200 a year.

Note, however, that whereas some *items of income* lose out in the inflation race, we are concerned with *persons*. The two are not the same thing. Any person's income may be one item, or a mixture of items. The number of possible combinations are as numerous

as the blades of grass on the prairie. In order to identify the disadvantaged persons as individuals, it would be necessary (though I am *not* recommending it) to collect detailed information about the income of every person in this country, and to do so continuously (because of constant change). Then we would find that both rich and poor are among those disadvantaged by inflation.

The control authorities, apparently conceding the impossibility of such continuous personal interview, attempt wholesale protection by giving everyone the controlled price and the controlled wage. The gambler and the speculator in Florida real estate, along with the widow on pension, can buy goods at the same controlled price (if they can find them). And the same rise in wages is allowed, more or less, to everyone, despite the aroma of fairness introduced by the name "fact-finding boards." These boards perform the complicated mathematical feat of adding together a wage offer and a wage demand, dividing the total by two, and arriving at the prescribed answer of 18½ cents.¹

These wholesale devices for helping the unprotected fail in their avowed purpose. Their operation can be compared to a philanthropist who would aid the children at a sports event to see over the shoulders of the taller grownups in front; so he gives everybody, tall and short alike, a two foot box to stand on. Or it can be compared, also, to a community medical project which gives colored water to everybody rather than real medicine to the one small boy who is sick.

Why do we fall into the trap of reasoning that everyone can be protected this way? I believe it results from the confusion between money and real welfare. We forget that money is the means to the end, and not the end in itself, and so are enticed by schemes to raise the incomes of everybody and reduce the cost of things everybody buys. Even with prices at zero and incomes at infinity, we could have no more to consume than what is produced. We cannot eat the money, and even for purposes of wearing apparel and housing it has serious disadvantages as compared with other materials in common use. This is regrettable, since money is so easy to produce.

So much for the question of the division of the melon, as affecting people differently during inflation.

Those Who Rent

The current housing situation makes of those who rent a special group, supposedly in need of protection. I am giving rents this emphasis because nearly everyone I know—even including most of those who understand why controls will completely stop the production of automobiles when the production of one small piece of the carburetor is interfered with—says: “Yes, but rents—; I agree as to the wisdom of taking off these other controls, but we need rent control under present conditions.” So let us take a look at that problem.

According to the official figures, rents are now only about half their prewar burden on the average family because rents have gone up little and incomes have about doubled. This point has a great deal to do with the critical housing shortage, and we are likely to forget the importance of this demand side. When anything is offered at a bargain, there will always be a critical shortage of it. The shortage will disappear only when it is no longer a bargain.

Suppose rents were no burden at all—housing was free. How much space would people use? One family might try to use all of it, except for the costs of upkeep, and there would then be forty million too few houses and apartments in this country. Strange as it sounds, the “unprotected renter,” if he wants a place to live, is best served by a free market. A controlled market, with rents too low, allows the protected to use too much space and crowd out the unprotected, as between renters; the inflation gambler will crowd out the widow on pension.

The assumption is always made that the landlord is protected and the renter is unprotected during inflation. This is not necessarily true. He may have less wealth than his renter; I know of many such instances. And under present conditions he is being penalized about half in his share of the nation’s dollar income. Is it a crime for the landlord to share equally in the doubling of the money that is floating around? Has it become a crime to own

property in this country, too?

This brings us to the supply side. With low rents and high costs of building and upkeep, who can build the additional houses for rent? Under these controls, the government is the only one in position to do so, because it alone has the legal power to send others a bill for the losses; it now proposes to violate its own ceilings, and to send us a bill for the difference. Who is rendered protection by that process?

So much for the plight of the renters and the housing situation.

Summary (Re: "Who Needs Protection?")

We have considered, from several angles, the question of "who needs protection." It seems that from all these angles, the argument about the unprotected is merely window dressing for the real issue. The real issue is whether we shall continue to expand these practices of National Socialism (of our own brand and label, of course).

Controls reduce production and, therefore, generate wholesale unprotected. Price and income benefits to everybody are protection to nobody. And the problem of the poor, neither new nor newly critical, is made worse by the adverse effects on production. Controls do, of course, offer a form of protection to some politicians and governmental employees.

In thinking of the government as a device for protection, we must, I think, consider briefly what government should and should not try to do. It should punish those who practice fraud, predation and violence. In this the government can perform an important function, but it has no mysterious capacity in that respect. It merely specializes in the job. It cannot prevent crime; it can only punish those who practice it, in such a way as to discourage others or even sometimes eliminate the practitioner. All this we could do as individuals, but we prefer to hire able specialists like J. Edgar Hoover to do the job for us.

How do wage and price controls fit into this pattern? The presumption in this plan is that any wage or price arrived at in a free market or by free bargaining may be of a criminal nature.

We treat them as such under controls, and punish the offenders. By the same token I would be rendering my country a service in its fight against inflation if I used fraud, predation or violence to force my neighbor to sell his wheat below what he can get elsewhere. Is not the government itself, by these controls, practicing or encouraging the very things it is supposed to be protecting us against? I submit that a government may hire a non-specialist to render punishment for what should not be considered as a crime.

And the government should also protect us against instability in our national currency. As has been pointed out (by Mr. Temple), these controls fail in that purpose, too. The panicky attempts to conceal the failure perpetuate and enlarge it.

All this may suggest what further might be said about the claim that wage and price controls protect the unprotected.

How Wage and Price Controls Operate

Our inflation problem, and the way wage and price controls attempt to solve it, is about like this. Here is a dollar bill, a sort of warehouse receipt entitling me to some of the goods and services of this country. The number of these in the hands of the public is about 100 billion (dollars) more than before the war, but the warehouse is empty. So, if we were to try to use them, we would find them to be worthless. Just paper. We call it wealth and savings, but we should think of it, instead, as the increased government debt that created it. These dollars are lying quietly at the moment, but they are like a sleeping volcano that may suddenly come to life.

Our current operations (income and expenses) add to the problem, about like this. Let us say that \$6 represents people's incomes remaining after personal taxes and normal savings. But we spend only \$5, leaving \$1 as an economic orphan. So we are daily issuing more warehouse receipts than there are goods going into the warehouse (in addition to all the dollars that have accumulated).²

What can be done about all these accumulated claims, and the continuing excess? We can issue fewer warehouse receipts, or

reduce the amount of goods that each will buy ("higher prices"), or declare some of the warehouse receipts invalid ("price control").

The policy of price control causes endless problems and confusion. It makes people spend unproductive time standing in line. It generates black markets and all sorts of premiums for dishonesty and shady practices. It interferes with production and reduces the goods in the warehouse while increasing the warehouse receipts. This generates the inflation it was supposed to prevent (as Mr. Temple has so well explained).

Reduced production in time of want makes a hot seat for the control agency to sit on, so it has been insulated by the use of subsidies which are an idea borrowed from the totalitarian regimes of the ancient, medieval, and recent past. First a wartime expedient, subsidies have become a peacetime "necessity," ever increasing. We subsidize abroad and at home. No one seems able to tell us the total amount of subsidies now in effect, including both the direct and the indirect. But one columnist from Washington suggests that if subsidies planned by the Administration for the next year were put into effect, in addition to what we have, the total would be boosted to somewhere between 12 and 15 billion dollars, which adds further to the pile of useless warehouse receipts when we are supposed to be fighting inflation.

I have here a little piece of paper costing \$6.33. It entitles somebody to some butter, cheese, milk, ice cream, beef, lamb, sugar, beans, corn, cotton, peanuts, tobacco, flour, soybeans, wool, and goodness knows how many other things. It also entitles me to a ride on a railroad (a "railroad ticket"). As nearly as I can figure, \$4.40 of the full amount represents the cost of the ride and the other \$1.93 covers the other things (taxes). The ride is mine and I pay for it as such; the other things I may or may not get, though I must pay for them in order to ride on the railroad. This applies to a millionaire and a poor man alike; both, whether they ride for pleasure or to work, are prohibited by our government from buying the ride at its cost without also paying for a part of somebody's grocery bill (subsidies). Under guise of a

program for helping the poor and the unprotected, we are as individuals forced to invest in a type of economic organization common in the Old World where the poor have for untold centuries remained poor.

What the government is doing to help the unprotected is comparable to a project to flood the country with water, to be followed by another project to build protective walls around every home, farm, and factory, and to hire guards to plug the innumerable leaks in the walls. Jefferson said: "Were we directed by Washington when to sow and when to reap, we should soon want bread." The same sort of statement could well be made about wage and price controls. The government cannot successfully guide these detailed phases of our intricate economic system any more than it can steer everyone's car from Washington.

We may be seeing a test of the wisdom and foresight of Madison, who warned that a common passion would come to sway the majority in a democracy; that they would quickly force the ruler to become a tyrant, that a swift and violent death would be its fate.

Perhaps our descendants will look back on these economic experiments, which we are discussing, and ridicule them as we now ridicule the pagan beliefs of the ancient world where tribute to Zeus and Jupiter was confused with production, and people starved.

Shall We Discontinue Controls Now or Later?

If these controls are unwise, they should be discontinued *now*. If they are wise, they should be continued forever. The question is one of *type*, not of degree or of time. In my opinion, we should junk the entire control machine *now*, not just keep changing drivers or replacing nuts here and there.

Those who support continuation of controls fall into two groups: (1) those who favor the basic idea of controls, and (2) those who are being dishonest in supporting something they know is unwise.

Some profess to be opposed to controls after July 1, 1947, or some other future date. A person either believes in these controls, fundamentally, or he does not. The calendar has nothing to do with the question. A control which is judged to be unsound in 1960, or 1950, or July 1 of 1947 is also unsound on July 1 and March 21 of 1946. And if the idea is basically unsound for one person, one industry, one commodity, it is unsound for another.

Suppose we were discussing the question of robbery. Some might take the position that robbery should be approved, and some that it should be condemned. What would you think of those who professed opposition to robbery, but not until after July 1, 1947? You might suspect such persons of having in mind a little project which they hoped to have completed by that date. What would you think of those who professed in the belief that robbery should be condemned, but who said their minds had been changed by the results of a public opinion poll?

I cannot stress too strongly my belief that we should not temporize with this issue. Let me repeat; the question is one of *type*, not of degree or of time. It is no time for those who believe in economic freedom to weaken in the face of charges of greed and selfishness, or other accusations. If we abandon what is right, the rewards for being right will abandon us. Truth pays no attention to expediency, nor to mob psychology.

NOTES

1. There is some difference of opinion on the derivation of this figure. Some say it can be found by subtracting 15% from 33%.

2. Survey of Current Business, January 1946, p. 4. In the final quarter of 1945 at annual rates: Income payments, \$154.5 billion; disposable income, \$135.2 billion; consumer expenditures, \$107.0 billion; net savings of individuals, \$28.2 billion. Normal rates of saving might be somewhere between the \$6.0 billion of 1939 and \$10 billion which would be about 9% of disposable incomes without any excess savings.

31¢

A liberal, voluntary society is one wherein the people, *generally*, enjoy the greatest possible degree of liberty.

Anarchy, or the complete absence of government, fails to meet this test. Under anarchy, the most powerful and tyrannical individuals will enslave their fellow men, up to the extent of their ability as masters to gain and keep control over others.

But an all-powerful government likewise fails to meet this requirement, irrespective of how that government may be designed. Those who are in the driver's seat, whether placed there by accident of birth, choice, or force, hold all the power in their hands; this leaves the people without any liberty except as the ruler may choose to dole it out to them.

If a person enslaves himself voluntarily, or if his liberty is taken from him piece by piece via the majority consent of his neighbors through the mechanism of government, it is commonly believed that he will not have lost his liberty at all! Under the spell of this great illusion, liberty is lost and its loss is not discovered until too late.

The design of a liberal society, then, becomes the task of finding a point, somewhere short of anarchy, where liberty among the people generally will be at a maximum. It will be a society operating under law—law that is limited and precise, but rigidly enforced. Rule will be by law, not by the opinions of government's administrative servants. The laws will be only those that are necessary to repress the few individuals who persist in abusing their rights under liberty by gaining power over others, and thereby destroying the liberty of others. As the penalty for their social avarice, these few individuals shall be forced to give up their own liberty, in whole or in part depending on their crime.

In the liberal society, justice is dealt to all persons equally; that is, each person stands equal before the law. Judicial decisions based on favoritism are not sold over the counter, nor are they

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traded for crowns or for votes at the polls.

In the liberal society, *any* coercive power is viewed with suspicion, whether its growth has been attained in the form of business monopolies, labor monopolies or government—which by its very nature is coercive and monopolistic. To government should be delegated, of course, the power to govern under limited, precise law. *Up to that point, government is an instrument that increases liberty throughout society; beyond that point, government reduces the liberty of the people.*

This report surveys the increasing power and size of government, which is by far the largest monopoly and the greatest concentration of power in this nation. The federal government, alone, is about twice as large as the fifty largest manufacturing corporations combined. And its size is not its only danger; in most of its operations the government does not allow any competition by which to judge its efficiency.

When a government controls 100 per cent of the product of people's labor, the citizens are, in fact or in effect, the complete slaves of that government. This situation would describe the point furthest removed from a liberal society.

We shall now turn to the question of what has been happening in the United States over recent decades to the size and scope of government. In order to understand the nature of the trend, attention will first be given, in some detail, to the present size and scope of government—what it *seems* to be, and what it *really* is.

What Happened To Your 1946 Dollar

Let's look at what happened to a typical dollar of your income in 1946.

The government had first claim against your dollar.¹ But before considering how much government took, let's look at what happened to the rest of it.

Begin with food. Food prices were "out of sight." Remember meat prices, for instance? And butter? And eggs? You shopped around for the groceries from store to store and from shelf to

shelf. You compared prices, decided how well you could afford to eat, and then made your purchases. You allowed for an occasional spree to take the family to your favorite restaurant, or for a snack at the hot-dog stand. Food purchases accounted for 18 cents of your dollar, as the amount you paid to have the food brought to you at the store and in the restaurant.

For housing and all aspects of its operation you spent 14 cents. Clothing took 9 cents, beverages and tobacco 4 cents, etc.

Altogether, expenditures for consumption, from the costs of living to the costs of dying, took 60 cents. In spending this part, you selected what you wanted, and the qualities you wanted. *You could be as different as you liked from your neighbors, the Smiths, whose spending notions you might not agree with. You had free choice in spending this 60 cents.*

Free choice does not mean free spending in the sense of no restraints on the amount spent. There operates the most effective restraint in the world—you run out of money. You don't run out of money in a literal sense, because you keep some for investing, or for saving. Last year you saved 8 cents of the dollar.

So all told you spent and saved 69 cents (60.3 cents spent, 8.3 cents saved). That is the part, and the only part, over which you had free choice. The other 31 cents was spent *for* you by the government, which took it from you as prior claimant to your income.

Government spending of a part of the income of individuals amounts to an admission that government can spend it more wisely than individuals can spend it themselves. In 1946 you relinquished both the ownership of the 31 cents and the right of individual judgment in its use.

The Cost of Government

The 31 cents which the government took from you in 1946 is about equal to all you paid private producers, aside from taxes, for supplying you with food, housing, and household operation.

Or, the government took more than half as much as you paid private producers for *all* the "goods and services" you con-

sumed, from bread and overalls to steaks and fur coats.

You were obliged to work part of the time for the government. Out of each hour you worked, the pay for 19 minutes was taken by the government. This left the pay for 41 minutes out of the hour to be spent as you liked, privately, or for saving. This situation calls to mind the concession to freedom granted to Prussian serfs centuries ago: their masters allowed them to work for themselves two days out of each week.

The amount you paid for government was more than the *total income* per person outside the United States.

Government In Your Cost of Living

It may come as a surprise that the government took 31 cents of your dollar. If so, the explanation probably is that only about one-third of it is conspicuous as direct personal taxes, such as income taxes and property taxes. The other two-thirds is mostly in forms concealed from view, thus making it *seem* either that they do not exist or that someone else is paying for them. But in the final analysis, *individuals* must pay all the costs of government, directly or indirectly.

Most consumers believe that all the retail price goes to private producers as reward for their job of production. That is not so.

“Hidden taxes,” collected in these less-evident forms, are attached to the prices you pay for the items bought from private producers and the “fees” of professional people and service agencies.

For instance, take your food bill: Out of the 23 cents of your income dollar that is paid for food, only 18 cents goes to private producers for the jobs they have done in producing it, and in making it available to you in the store and in the restaurant. The difference of 5 cents is the amount of taxes, added in one way or another to the price you have paid, as a charge for the expenses of government. You cannot buy groceries without paying these taxes—not even a loaf of bread or a pound of potatoes or a newspaper.

This amount taken by government should be thought of as adding to your “cost of living.”

The Question of Worth

After first knowing the cost of government, the next questions are: What did you get and what was it worth? You must answer these questions for yourself. But the approach to the answers is the same as for any purchase in a store. The worth of government should be compared with its cost, using the same hard-headed judgment you use when you buy an item in a store; you do not buy it unless, to you, it is worth the money.

When an item in a store is priced too high, whether because of inefficiency in its production or for other reasons, it will stay on the shelf unsold. That will compel the producer either to improve his efficiency or to go out of business and turn his hand to some other, more useful task. Why not use these same powers of judgment and rights of economic discipline toward government?

Perhaps the question of worth can best be put this way: What would you pay for everything government did for you in 1946, viewed as though it were offered to you at an auction sale? How much would you bid for it in terms of cents out of each dollar of your income?

If you are concerned with high and rising costs of living, don't forget to include the expenses of government—including the two-thirds part of government expenses that you pay in forms other than directly as a personal tax.

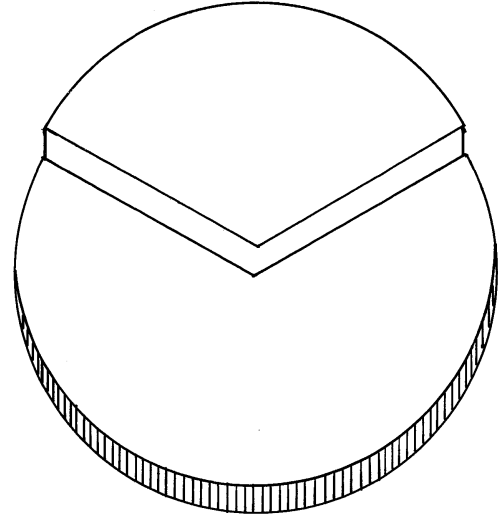
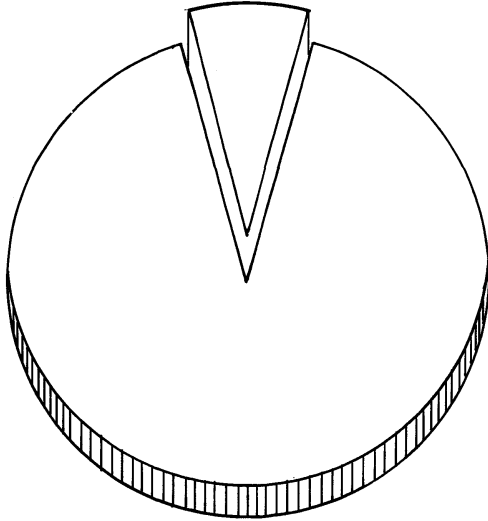
And even more important, you should consider how much of this 31 cents is spent for things that you do not believe to be the proper functions of government in a liberal society. To the extent these can be eliminated, you can reduce your cost of living and at the same time increase your liberty and freedom of choice—all in one fell stroke. Can you think of a better deal?

WHERE YOUR LAST YEAR'S DOLLAR WENT

Where it may have *seemed* to go Where it *actually* went

11¢ ← TAKEN FOR GOVERNMENT EXPENDITURES → 31¢

91¢



89¢ ← LEFT FOR YOUR PERSONAL USE → 69¢

Progressive Loss of Free Choice

This nation was founded on the principle of a limited government. And that is the way it operated throughout all its earlier history, judging from the costs of government. But progressively more and more of people's incomes have been taken by government, especially over the last two or three decades.

Prior to the Civil War, the federal government took between 1 and 2 cents from each dollar of personal income; all branches of government probably took less than a nickel.

From the Civil War to World War I, all government took about 9 cents, consistently. During the twenties it took about 13 cents.

In 1930 began the first sizeable peacetime increase in our history, which ran the figure up to around 25 cents—double the level of the twenties, triple the 1870-1916 level, and five times the level that prevailed prior to the Civil War.

The 1946 figure of 31 cents, previously discussed, includes only that form of control represented by direct government expenditures. In addition, the government exercises control over some of the remaining 69 cents. All told, the people of this nation have now lost control of nearly half their incomes; this includes, in addition to the 31 cents actually taken and spent by government, the part where government dictates the prices that people must pay to "private industry" for various goods and services.

It is doubtful if a nation of "free" people, or anything like it, can long prevail in this situation. Certainly it cannot make economic progress as in the past. History shows how economic progress follows closely the growth of capital—the added tools of production which give man's efforts greater and greater leverage, thus increasing his output and raising his level of living. As government has absorbed more and more of people's incomes, destroying free choice in spending, it has likewise encroached on their opportunity and on the incentives to contribute to progress.

In addition to the high and increasing burden of government,

THIS IS WHAT BECAME OF A

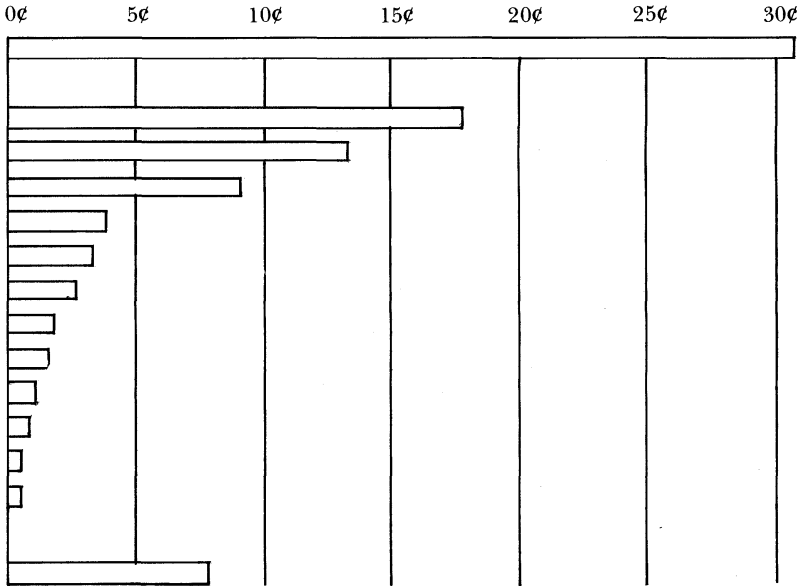
	<i>Cents</i>
The Government Took	31.4
You bought from private production:	
Food	18.3
Housing and its operation	13.8
Clothing	9.3
Beverages and tobacco	4.0
Transportation and travel	3.6
Recreation	3.3
Medical	2.5
Personal business service	2.4
Personal care, jewelry, etc.	1.6
Religious and welfare contributions	0.7
Private education and research	0.4
Death expenses	<u>0.4</u>
Total consumption from private production	60.3
You invested, saved or left unspent	<u>8.3</u>
Total	100.0

The figures apply to 1946, and to the average of all consumers. They were derived mainly from information in the "Midyear Economic Report of the President, July 21, 1947," and the "National Income Supplement to the Survey of Current Business," July

the changed placement of the burden has helped to discourage productive effort and to curb progress.²

The blight on progress has been unmistakable. In the decade following World War I, when government took 13 cents, the rate of capital formation, which makes possible a greater output and a higher level of living, had slackened noticeably from former rates of the first century and a half of this nation's history. Under conditions of the thirties, when government took about 25 cents, capital formation *stopped completely*. What would happen if government continued to take 31 cents, or struck a new peacetime high of 40 or 50 cents? A foretaste of what would happen is

DOLLAR OF YOUR 1946 INCOME:

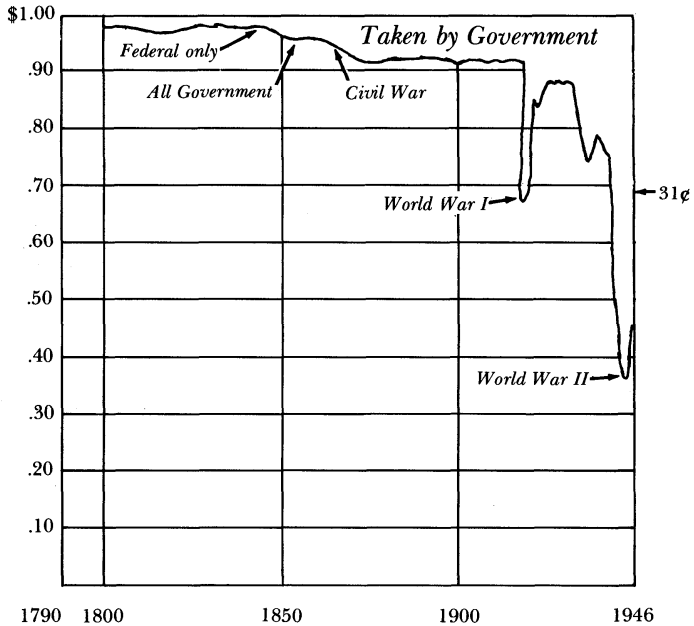


1947, by the United States Department of Commerce. Some of the information was from the United States Treasury Department.

suggested by the fact that production per person in the United States was less for the period 1935-39 than during the decade of the 1920's—despite all the supposed technological improvements in the meantime.

Every major war has brought additional loss of freedom. And another war would probably mean disaster, unless the country's economic house were first restored to order; it would complete the destruction of the liberal foundations of this nation. In order to withstand this shock, a reduction of at least half in the government's "take" from each dollar of personal incomes would first seem necessary. Even this reduction would leave the spend-

LOSS OF FREE CHOICE IN THE SPENDING OF INCOMES



"Incomes" represents personal incomes to individuals. It includes both production for sale and the estimated value of production for home use, which was so important in the early history of the nation.

Deficit financing, common in wartime, was considered to be a form of taxation.

ing of incomes more restricted than in the decade following World War I.

Thus, if the trend is not reversed, a third world war would bring an end to individual liberty, even in this "citadel of freedom."

The Parable of Your 1946 Dollar

Your wife gave you a dollar of the family earnings and asked you to go shopping. On the way to the store you were met by a tax

collector who took 11 cents of it as a personal tax. You went on down the street with the 89 cents that was left.

At the store you selected the item to buy, and said to the clerk, "Weigh me out 69 cents' worth."

He weighed it out, handed it to you, and you handed him 69 cents. "That will be 89 cents," he said.

"But I only asked for 69 cents' worth," you complained.

"That's all you got," he said. "The other 20 cents is tax, which we are forced to collect in order to pay for all those costs of government not covered by the 11 cents direct personal tax you paid on your way down here."

So your dollar was all gone.

When you returned home, your wife was suspicious of what you did with the change, on such a hot day. But, on second thought, being a trusting soul, she merely complained about the high cost of living and the profiteering of private producers. But that was not where the blame belonged, because *all* forms of capital used in production ("profits," "dividends," "plowed-back earnings," "interest on loans," "rent for property," "royalties for inventions," etc.) received only 10 cents of your dollar.

So you began to ponder the question of inflated prices. Why did this purchase use up your entire \$1.00, when the private producers who made it and brought it to you in the store received only 69 cents for their work?

NOTES

1. "Government," in this report, includes federal, state, and local; the cost of government includes all expenditures, whether financed by direct taxes or not.

"You" means the average of all consumers; later studies will deal with important aspects of variations among individuals.

2. See: Bradford B. Smith, "Liberty and Taxes," The Foundation for Economic Education, Irvington-on-Hudson, New York.

Stand-By Controls

It was a cold winter's night, and our child was seriously ill with virus pneumonia. His temperature had soared to $104\frac{1}{2}^{\circ}$, and he was fitfully sleepless. What the doctor prescribed by telephone happened to be in our medicine cabinet. So in a moment's time, we were able to apply the treatment. My wife and I were mighty glad that we had provided a "stand-by" supply of medicine.

Such an experience is common to many of us, I suspect. It has been used to illustrate the purpose of stand-by governmental controls over wages and prices—including rents—now being proposed to replace active controls when the present law expires. What position should one take on this issue? Should it be thought of as a stand-by economic first-aid kit, like the medicine cabinet in one's home, ready for quick use in the event of a possible emergency? Or is there a catch somewhere, so that the analogy is not the parallel that it seems?

Essentially, the question is this: Is the medicine any good for curing the illness? If it is, then it should be in the first-aid kit, unless it is too expensive or deteriorates too quickly. If, on the other hand, the medicine fails to cure, or even aggravates the illness, the expense is foolish and it would be the height of folly to rely upon it in an emergency.

So we shall explore the question: Are wage and price controls effective medicine for the illness? Does the bottle contain a potent remedy, or is it filled with the false potions of quackery?

A doctor diagnoses illness from his knowledge of a healthy body and how it functions. The economic doctors must do likewise. So our first step is to study the anatomy of a healthy trading economy.

The Anatomy of Trade

Ours is a nation of 158 million persons. Like any other giant and complicated machine, its operation can best be seen by focusing our attention on its small, integral, and essential work-

Reprinted from *Stand-By Controls* (Irvington-on-Hudson, New York: The Foundation for Economic Education, Inc., 1953). Copyright © 1953 F. A. Harper.

ing parts, so that we may clearly observe how they relate to one another.

So let's start with Jones, a pioneer in the primeval forest. He hunts and fishes and grows some crops in his little clearing. He tames a few animals and uses them for toil or to provide food.

Then along comes Smith to be Jones' neighbor. He, too, hunts and fishes and farms. But Jones is the better hunter, and Smith is the better farmer. As they follow their respective abilities, Jones comes to acquire an abundance of furs, but is short of corn for his meal; Smith has a goodly supply of corn, but is short of furs. So one cold day in winter, Jones—warm in his furs, but hungry—wanders over to see Smith, who is well-fed but shivering in his cave. Jones proposes to trade some furs for some corn.

The two men may higggle and haggle over the terms of the trade. The margin for bargaining may appear to be wide in this instance, in contrast to real life in our complex economy. No alternative market exists for the product each has in surplus, except to keep it himself. But on closer scrutiny, we find that each has an effective bargaining tool against the other: Each knows that the other realizes the advantage of making a trade, as compared with keeping his surplus product. Each knows that there is little sense in driving so hard a bargain that it kills off a trade. Each realizes the absurdity of continuing to suffer for want of what the other has for trade. So we may assume that a trade will somehow be arranged between them.

Now, what terms of the trade between Jones and Smith might be called fair and just?

The question of a just price presumes certain antecedent questions: Says who? In whose judgment? By what right to speak? Justice always presumes a judge with some principle by which to judge. Who is to be the judge, and what is the principle involved?

Would it be fair to make Jones the sole judge, empowered to force upon Smith whatever terms of trade he shall dictate? Hardly; for to do so is to deny Smith all rights of ownership of the corn he has labored to produce. It would allow Jones to confiscate Smith's property.

Would it be fair to make Smith the sole judge? No—and for the same reason.

The Historical Concept

Historically, the concept of “a just price dictated by a disinterested third party” has usually been offered as the solution of this seeming dilemma. This concept has persisted in the affairs of man since earliest times—since ancient man first congregated into groups of three or more, thus making it possible for one person to interject himself into the economic affairs of two other persons. Let us say that the third party in this instance is Joe Doakes, a new and distant neighbor. Joe seems to be qualified to render justice since he is “disinterested, impartial, unprejudiced, and objective.” He might be called the “public representative.” Shall it be left to Joe to decide what is a fair price?

Joe’s presumed qualifications for judging what price is fair—being disinterested, and all that—are precisely the reasons why he is not really qualified at all. He has not one iota of right to speak as an owner because he has done nothing to produce either the furs or the corn. He has no relevant information except what he might obtain from Jones and Smith. They alone can know their own wants, and whether, at each specified price, they should keep what they have produced or exchange it. At best, Joe knows less about it than does either Jones or Smith.

Bluntly and in simple terms, Joe is unqualified for the job of determining a fair price; and furthermore, it is none of his business. To empower him to throw the bargain this way or that is to grant him the equivalent of ownership of both products; and by the test of who has produced them and who owns them under private property, he deserves no such right. At best, he is an interloper; at worst, he is an outright racketeer, holding a power by which he can demand a bribe from either or both parties.

What is wrong with this theory of an impartial judge determining what price is fair? Why is this any different from a judge in a court of law who presides, let us say, in a civil suit concerning an alleged violation of contract?

Such a civil suit involves an impasse of conflict, in which one or the other side must lose by a judgment of “guilty” or “not guilty.” A judgment is rendered based on the evidence: Was there a contract? Was it valid? What were its terms? Were the terms violated by the actions of the person?

Yet none of these conditions exists in the instance of Jones’ and Smith’s trade. There is no impasse which must be resolved *against* one party or the other; each may keep his property and maintain his status the same as it was before they met. In that sense, neither must lose. If they trade voluntarily, both will be better off than before. And the ownership of what is his own gives to each the right of veto—the right to decree that there shall be no trade between them. As we said above, to violate this right by allowing Joe to force a trade at terms he dictates is to violate the right of ownership.

Dual Judgeship

How, then, is the problem to be resolved? Jones has been disqualified as the sole judge. And so has Smith. And so has Joe. Since that excludes all who comprise this society, the problem may appear to be insolvable. But it seems that way only if one persists in looking for a single judge—some one person qualified to make the decision.

There is the appeal of simplicity, among other things, in having authority reside with *one* person—some Joe—empowered to establish a just price. Throughout all history, this practice has been in evidence. In Medieval times, for instance, kings or lords fixed prices for goods, and thereby supported the traditional thought of the time, which presumed a just price according to the powerful church influence and the ecclesiastical “logic” of the time. More recently, various arrangements of government have done likewise. But always there has been some Joe occupying the seat of authority, like our own heads of OPA and OPS. There has always been the urge, in other words, to find some *one* person who should be empowered, as the all-wise, to decide the price that would be just. And therein lies the error of the search.

Under the beginning concept that Jones owns his furs and Smith owns his corn, it is clear that no rights are violated if no trade occurs and each keeps what he has. There is no conflict in that sense. The only sense in which a conflict can arise is if either Jones or Smith—or some third Joe—presumes ownership of what is *not* his, and acquires a power to dictate the terms of a trade beyond his own rights as owner. But so long as the basic right of ownership is preserved, a contemplated trade is never a conflict; it is an attempted act of cooperation under which *both* parties, not merely one, stand to benefit. Each has a voice in the decision. Since both reserve the right of veto, their voices are equal in a decision that must be unanimous or else there is no “case in court” and no verdict.

The exchange process involves two persons, not just one. There is no free exchange unless and until *two* persons, serving as judges, agree on what the price shall be. The only persons who qualify as judges are the owners of the goods to be exchanged. This dual judgeship seems to be an abstraction difficult to contemplate, yet it is really quite simple. Is it not strange that men have mastered the intricate mathematics of modern physics and engineering, and still seem unable, in economic affairs, to conceive of a dual judgeship rather than one authority as the determinant of a price that will be fair and just?

Yet this same principle of dual judgeship is accepted in a couple’s decision to enter matrimony. In the modern Western world, we have raised this matter from the level of an act decreed by an outsider, up to the level of a joint and voluntary agreement between the two parties involved. What would we think of the argument that the only “just” matrimonial arrangement is one where the selection and terms are arranged by some “disinterested” party—some Joe—appointed to his post by a political figure selected by majority vote? Here again, where willing cooperation rather than conflict is the objective, the fact that he is disinterested—and that it is none of his business, anyhow—totally disqualifies him in the prescribing of justice. Letting the participants in the matrimonial contract serve jointly as judges in the matter, with unanimous agreement requisite to a decision, is

accepted as justice. That is also the way “justice” is decreed in the free market.

The 158 Million Traders

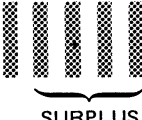


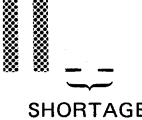

In our 1953 economy, there are some 158 million Joneses and Smiths. The ebb and flow of their trade and exchange is too complex for any human mind to fully grasp. What is a just price for shoes or wheat or a day’s work in this economy?

There is no one just price for all shoes sold today. Justice, as already analyzed, rests on freedom of exchange for *each* pair of shoes, between the store which offers it for sale and the consumer who considers buying it. So the only way to have justice in the price for shoes today is to have free trade and free terms of exchange for each and every separate deal. Justice in prices, then, precludes any legal or authoritative decree of price for any trade of anything.

Justice on a large scale cannot be composed of subsidiary injustices. Justice in the aggregate comes only from justice in each of its parts—free and voluntary terms of exchange for each buyer and seller. That demands the preservation of private property rights, above all else. Justice resides in the right to keep what is one’s own, if all buying offers are unsatisfactory; in the right of every offerer and bidder to resist coercion—even by the government, the presumed agency of legal justice. Once the search for justice ceases to focus on individual buyers and sellers and scans the national “price of wheat” or “hourly wage,” the hound is off the trail. In a free economy where personal rights are preserved, there is no national price of anything; there are innumerable prices, trade by trade.

When prices are freely arranged between each buyer and seller, an over-all condition develops which is one of almost miraculous balance. Both surpluses and shortages disappear. Peace appears where otherwise there would be chaos and conflict. “Who shall have what?” is resolved in the only way possible if a person’s time is to remain his own; if what he has produced is to remain his; if he may give his property to whom he wishes, or

EFFECTS OF PRICE FREEDOM

IF THE PRICE IS FIXED AT	THESE QUANTITIES WILL BE		
	WANTED	OFFERED	TRADED
50¢			
40¢			
30¢ (=FREE MARKET PRICE)			
20¢			
10¢			

trade it on whatever terms are satisfactory to both him and the buyer.

The manner in which this balance occurs is revealed by the chart above. It combines two simple economic facts:

1. Consumers will buy less of a thing at a high price than at a low price.
2. Producers will produce more of a thing in anticipation of a high price than of a low price.

Another economic fact, not shown in the chart, is important in interpreting it: For a society as a whole, the consumers are the producers, and the producers are the consumers. This fact, coupled with the simple truth that we cannot consume what is not produced, necessitates a balance between consumption and production. As the chart shows, a balance in this instance is found at the free price (at 30¢), where neither surplus nor shortage exists. The free price also generates a maximum amount of trading; and the terms of trade will have been accepted by every seller and every buyer as benefiting himself—as evidenced by their having traded willingly. *The only just price is the free price.*

“Economic Illness”

Against this background of the anatomy of a sound economic body, we may now proceed with its pathology. What is the economic illness for which the stand-by controls are intended? What are the symptoms that will signal a rush to the economic medicine cabinet for the presumed remedy?

“It will be when wages and prices soar due to war or inflation or some other serious disruption; when some emergency causes acute shortages of certain things.” These, in the minds of those who favor stand-by controls, are the symptoms of the illness.

Appearing before Congress, a former Defense Mobilizer said: “I am always delighted to see a return to the free market, but I must be sure that circumstances permit it.”¹

The same view has been expressed recently in a release from the Chamber of Commerce of the United States, in saying: “In case of a serious new national emergency, a price and wage freeze would be the most effective way of dealing with the situation, as we learned in both the World War II and Post-Korean periods.”²

Such persons believe that the free market with free exchange is a pleasant luxury—a lovely thing to be enjoyed only in those happy times when the economy is sailing over untroubled waters. At all other times, the government should prohibit the citizens from such wasteful indulgence, and should dictate prices

and wages under the control of administrative law. Freedom of exchange, by this reasoning, should be considered a pleasant pastime—a privilege granted to us and bestowed upon us by the government only when officials of government consider that the circumstances warrant it.

Weakness in Emergencies

As clearly implied in the Defense Mobilizer's statement, those who favor stand-by controls for emergencies look upon controlled prices as strength and upon free prices as weakness. Why, otherwise, would they prescribe the medicine of controls in emergencies?

Any price either above or below the point of a free price, forced by some "Joe" armed with political authority rather than with rights as owner, is *injustice*. As prices depart from that point, more and more trading is killed off, to the detriment of both buyers and sellers. Then further controls over the affairs of workers and producers are likely to be added in order to obfuscate the new difficulties brought about by the first injustice. Error is piled on error in an inverted pyramid of interferences, until eventually the monument of mistakes must be dismantled or collapse under its own unstable weight. Whenever a false premise is adopted for medication, the "cure" is likely to aggravate the condition; then there is the temptation to apply more and more of it under the assumption that the dosage was inadequate or that the area of application was too narrow. Nothing—not even the famous guinea pig—is as prolific as controls in the hands of political authorities, during so-called emergencies.

In the light of the previous analysis, enacting stand-by controls of wages and prices amounts to having a medicine cabinet stocked with injustice to be used in times of emergency; to creating surpluses and shortages, rather than balanced distribution, when emergencies arise; to giving a poison as an antidote for itself. If justice is strength and injustice is weakness, it amounts to prescribing weakness at precisely those times when strength is most needed. Goodness and justice, it would seem,

are luxuries to be tolerated during an indulgent binge; but when the going gets rough and sobering realities must be faced, it seems that the emergency bottle should contain *injustice*.

Historical Failure of Controls

For those who find the proof of the pudding only in the eating, history affords continuous and ample evidence, since the first known price control laws were enacted in Babylonia 3,800 years ago. They failed of their purpose, as has every similar attempt in recorded history since that time.

It is ever the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause. The attempt is made to adjust the scale on the thermometer by edict, rather than to cure the fever that causes the mercury to rise—so to speak. The treatment applied to the fever victim is to throw him into a deep-freeze.

National Socialism Via Controls

The evidence against controls, even during emergencies, is so overwhelming—by logic, and as revealed in the historical record—that one wonders how their enactment has gained so much credence in this “land of the free.” Could it be that we have been so busy manning the machines of physical defense that an intellectual mass attack upon our bastions has gone unnoticed? Sometimes our perspective on such matters is helped if we back away from the illusory belief we have embraced and look at the evidence from a distance.

Lassale, the German Socialist, in a letter to Bismarck on June 8, 1863, wrote: “The working class instinctively feels attracted to dictatorship, if they can first be convinced that it will be practiced in their interests.” Spengler accurately forecast an age of governmental demagoguery when he wrote:

What is truth? For the multitude it is that which they constantly read and hear . . . what it [the press] wants, is true. Its commanding officers

engender, transform, and exchange truths. Three weeks' work by the press, and all the world has perceived the truth.

In the early forties, when we were at war with national socialist Germany, the United States Department of State published a revealing treatise on these ideologies of our then enemy. It is revealing because it shows that we embraced, and are still embracing, the ideologies of our enemy in national socialism.³

This source warned us that as the plan of national socialism progresses, an authority is to be made supreme; his decisions are to be final and always right; his followers are to owe him the duty of unquestioning obedience. This is the same concept that was advocated by the ardent nationalistic philosopher, Johann Gottlieb Fichte.

A Prophecy

But under the influence of Napoleon's repulsive example, Fichte later opposed absolutism in the state, foretelling the character of a future führer and describing how he might come to attain his power: The future führer would educate his people in cool and deliberate piracy; he would encourage extortion; robbery would be made the honorable token of a fine reason; the state should virtually eliminate private enterprise, setting up a rigidly planned corporate economy—including, of course, price controls and other controls of various sorts; there would be strict governmental control of labor and production, concealed inflation and blocked currency, international barter agreements, and intensive armament as a prelude to territorial expansion.

Those are the concepts embodied in controls, whereby legalized looting of some persons by others is authorized under guise of fighting inflation. It is the blueprint of national socialism as told by our own State Department. We should read it again and again now—a decade later—and judge our own acts by its measure.

This quotation from Henry J. Taylor, of what Goering said in an interview long after Goering, Ribbentrop, and others had been jailed following the surrender of Germany, is revealing:

Your America is doing many things in the economic field which we found out caused us so much trouble. You are trying to control people's wages and prices—people's work. If you do that, you must control people's lives. And no country can do that part way. I tried it and failed. Nor can any country do it all the way either. I tried that too and it failed. You are no better planners than we. I should think your economists would read what happened here.

Germany has been beaten, eliminated, but it will be interesting to watch the development of the remaining great powers, the stupidities they practice within their home lands, their internal strife, and their battles of wits abroad.

Will it be as it always has been that countries will not learn from the mistakes of others and will continue to make the mistakes of others all over again and again?

This same view—believe it or not—was confirmed by the then Vice President of the Council of People's Commissars and People's Commissioner of Foreign Trade, in an interview printed in all Soviet newspapers on May 18, 1945.⁴ In explaining the serious food situation in Germany, he blamed the Hitler regime for having forbidden free trade of all articles of daily consumption. He stated that the trouble was due to the closing of all markets and the forced delivery of all farm products to the government, thus killing the incentive to produce.

It is not, perhaps, entirely a coincidence that the man who was the administrative head of German Price Administration until 1923, when their inflation exploded, came to the United States, wrote the book entitled *Price Control in the War Economy* in 1943, and became chief consultant in the Office of Price Administration.

Now, rather than being at war with a national socialist Germany, we are involved in a "cold" war with communist Russia. Let's take a look at the advice from that quarter. Not that there is much difference between the communism of Russia and the socialism of Germany prior to World War II. Communism is merely socialism in a hurry. Even Marx spoke of what we now label "communist" as being socialist, and the Soviet state was named the Union of Soviet *Socialist* Republics. Moreover, the Communist party in the United States, in its advice about recruit-

ing new members, says that it should be easy to recruit a Socialist by showing him that the Communist party is the only real fighter for socialism in America; that the most effective way to help attain his ideals is to join the Communist party.⁵

In 1848, Karl Marx, the “father” of communism, listed ten measures for a successful communist-socialist revolution. Among them are several which specify controls by the state of prices in their various forms, and also the confiscation of private property.

In 1950, Earl Browder, former leader of the Communist party in America, discussed the American trend toward communism. He listed 22 specific attainments which he said had furthered the communist program in this country even beyond that attained in Britain under their much-maligned Labor government. Among those listed were controls over prices, credit, money, laborers, and businesses; also bribes, in the form of special privileges to various groups. The program is so far advanced already that the government owns nearly one-fourth of all wealth other than land, and has licensing and other controls over practically every type of business.

Stand-By Controls For What?

The most kindly charge that can be made against one who favors stand-by controls for emergencies, it seems to me, is that he does not understand the workings of a free market and that he lacks confidence in the performance of free men working with private property in a voluntary exchange economy. And if that be his belief, why does he not propose government controls of everything, *all the time*? Why not use the “strength” of controls all the time, not just in emergencies?

Stand-by controls? For what? Not, to be sure, for the purpose of either productive efficiency or justice! Not to maximize trade, nor to balance distribution so that shortages and surpluses will disappear! Not to further the freedom of man in this land which we claim will be the last bastion of freedom in the world struggle in which we are now engaged!

To enact stand-by controls would mean putting into the law of the land

a permanent endorsement of a basic tenet of socialism—the principle that control of the vital mainstreams of commerce and confiscation of the rights of private property are sound and just practices. A nation of freedom cannot enact even stand-by controls and remain basically free.

it hath been found by Experience that Limitations upon the Prices of Commodities are not only ineffectual for the Purposes proposed, but likewise productive of very evil Consequences to the great Detriment of the public Service and grievous Oppression of Individuals.

June 4, 1778
Journals of the Continental Congress
(1908 ed.), p. 569, Vol. XI.

NOTES

1. Hearings before the Committee on Banking and Currency, United States Senate, Eighty-Second Congress, Second Session on S.2594 and S.2645. March 4, 1952, p. 27.

2. *Economic Intelligence*, Number 55, February 1953, U.S. Chamber of Commerce.

3. Raymond E. Murphy and others, *National Socialism: Basic Principles, Their Application by the Nazi Party's Foreign Organization, and the Use of Germans Abroad for Nazi Aims*, Department of State Publication No. 1864 (Washington, D.C.: U.S. Government Printing Office, 1943), pp. 11, 12, 15, 22.

4. Supplied through the courtesy of Professor Jacques Rueff, of the Institut d'Etudes Politiques, Paris, France.

5. *Gaining Recruits for an Idea*, Foundation for Economic Education; reprinted in this volume, page 425.

A Seeming Paradox about Inflation

You say that it is inflationary for the government to sell its bonds in order to finance a deficit in its budget. But I have also heard it said that it is inflationary when the government buys bonds. How can that be? How can both buying them and selling them be inflationary?

This seeming paradox must be resolved if one is to understand how our present money system works and how inflation continues to erode the worth of our money and other savings.

In order to grasp the full picture, it might be well to start back a few notches in the history of money.

Many things have been used for money, including wampum, cattle (*pecus*, cattle; *pecuniary*, pertaining to money), and gold. But let's skip directly to gold.

In the beginning, gold metal itself was used for money. Whether as dust, nuggets, or minted into coin, it was traded for things in the market.

Then, later, the local goldsmith became the safekeeper for the gold, giving receipts redeemable in gold in return for the gold deposits made with him. These receipts, rather than the gold itself, then began to circulate as the money of trade.

Noting that not all depositors redeemed their receipts in gold at one time, the goldsmith began to write "extra receipts" as loans to persons who had no gold to deposit. For this he charged a fee. These persons could use these receipts for money—just like gold. How could it ever become known that no gold was there to redeem these extra receipts? If one or two persons should test the validity of their own receipts, the goldsmith would be able to meet their demands from the gold stock lying there unused, for which valid receipts had been issued.

This game of providing "extra receipts" had its limits, however. The goldsmith must be ready to meet whatever demands might be made for gold at any time. He must have this much actual gold in reserve, in relation to all outstanding claims. Thus

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arose the original “fractional reserve” plan, whereby the goldsmith set his own limit on “extra receipts” as a protection against peaks of claims for redemption in gold. If, for instance, he should assume that half the receipt holders might someday descend on him and ask for their gold, he would then need a 50 per cent reserve. But if he should assume that only one-fourth of them would do so, a 25 per cent reserve would suffice.

These “goldsmiths” eventually became “bankers,” and more or less the same process continued. The “extra receipts,” or “loans,” gave the borrower a deposit claim on lawful money. Lawful money of an earlier day meant that it was redeemable in gold at a specified rate—for a long time at the rate of one ounce of gold for \$20.67 of these paper claims on gold.

The “goldsmith’s panics” of old then became the “bank panics” of later days. In both instances these terms described a situation where the demands for gold exceeded the reserves available to meet them. There were “runs on banks,” as people tried to get the gold they normally did not really want, but which suddenly gained appeal when they found that perhaps it couldn’t be obtained on demand.

In 1913, the Federal Reserve System was established by law in the United States. Under this arrangement the twelve regional Federal Reserve Banks became the central depository for reserves of all commercial banks that became members of the System—representing, at the present time, about three-fourths of all bank deposits. Under this System, Congress sets broad limits of reserve requirements, and the Board of Governors of the Federal Reserve sets the specific requirements. At the present time the average reserve requirement is about one-eighth of total deposits in member banks.¹

With this background, we are now ready to unravel the seeming paradox about government bonds and inflation.

Deficits and Inflation

Let us say that in a given year the federal government has a deficit of \$100. This is the amount of excess of its spending over its income from all forms of tax revenue. Being unable to pay out

money it doesn't have, the additional \$100 must be obtained somewhere. The government must borrow what it has been unable to obtain in any other way, before it can pay all its bills.

So the government writes an IOU for \$100, for which it must find a buyer.

Perhaps you, as a private individual, buy the bond and pay for it from cash in your pocket or from your bank account. The government then has the \$100 to pay its unpaid \$100 bill. And you, as a consequence, have \$100 less to spend. There has been no inflation here, since the total of money has remained the same as before. The \$100 has changed hands—from you to the person who received it from the government in payment.

Suppose no individual or business outside the banks wants to buy that bond. The government may then turn it over to a commercial bank, which accepts the bond as evidence of a loan and enters a deposit of \$100 in the name of the government. The government can now draw a check against this deposit and pay its unpaid \$100 bill. When this course is followed, there has been created at once an additional \$100 of money which was not in existence before. There has been an inflation of \$100 at this point. It is like an expansion of credit-money through any other kind of bank loan, except that in this case the borrower happens to be the government rather than a corporation or individual.

Pyramiding Inflation

Up to this point there has been an inflation of \$100, due to the government's borrowing the \$100 of newly-created credit from a bank.

Now let us assume that prior to this transaction commercial banks had already loaned up to the limit allowed by their reserves. In other words, their deposits—including all unpaid prior loans—were already eight times their reserves at the Federal Reserve Banks. No further expansion of deposits through further loans would have been permissible until more gold or other legal reserves had been sent to the Federal Reserve Banks. Buying the \$100 government bond and adding \$100 to its deposits would at once make the bank \$12.50 short of reserves.

But the shortage of reserves can easily be met, since the law provides that this very same government bond is as good as gold in meeting reserve requirements. So to square their reserve requirements, the bank would merely have to send a \$12.50 fractional bond to the Federal Reserve Bank, thus meeting the reserve requirement of one-eighth of the new deposit of \$100.

If there are no private borrowers wanting to borrow more funds on safe terms, the local bank would probably send only the \$12.50 and keep the remaining \$87.50 as an interest-bearing investment of its own. But if good potential borrowers are waiting to be served, the bank will probably send the entire \$100 government bond to the FRB and increase its reserves by the full amount. Then it will be able to loan an additional \$700, and keep within the reserve requirements. In doing that, the increase of reserves of \$100 will meet the one-eighth reserve requirement for \$700, in addition to the \$100 loaned to the government in the beginning.

After this has taken place, we can see how the issuance of the single government bond to meet a federal deficit of \$100, creating an initial inflation of only \$100, subsequently grows into a total inflation of \$800. This process is sometimes called *monetizing the debt* because the increase in government debt has been turned into new money that can be carried around in our pockets. Or the process might be called *inflationary pyramiding of the federal deficit* because the effect is one of building an inflation pyramid upon a government deficit.

One phase of our seeming dilemma about government bonds and inflation has now been explained. And the conclusion is that selling government bonds to banks in order to finance a government deficit is, in fact, inflationary. It may even be violently inflationary, if the pyramiding effect which has been described is carried out in full.

How Buying Bonds Is Inflationary

Now comes the other side of the seeming paradox. Is it true that under present monetary management “it is inflationary when the government *buys* bonds”? For have we not just con-

cluded that it is inflationary for the government to sell its bonds to banks in meeting a deficit?

Were the government itself—the United States Treasury—to buy back its own bonds, the process would be the reverse of what has just been described. If it were to rebuy bonds from individuals, it would cause neither inflation nor deflation because there would be only a shift of money from one individual to another; the government would have to collect \$100 from some taxpayer in order to get the \$100 with which to buy the bond from some other individual. But if the bonds were to be rebought from banks, it would be deflationary because there would have to be liquidation of outstanding credit in the process, reversing the inflationary credit expansion just described.

But it is not the buying of bonds by the government that is referred to under present monetary management. What is being referred to in this connection is not the rebuying of its own bonds by the government—by the United States Treasury. What is meant is the purchase of government bonds by the Federal Reserve Banks instead of by the government. These two, as buyers, are quite separate and distinct from one another, and the effects of the two are quite the opposite of one another so far as the effect on inflation is concerned.

When the Federal Reserve Banks buy a bond, it is similar to our earlier illustration where the local bank deposited a new \$100 government bond with the Federal Reserve Banks in order to replenish its reserve requirements. Then, as will be recalled, the sale of \$100 in bonds to the FRB paved the way for a large increase in new money—pyramiding inflation. And it is the same when the Federal Reserve buys bonds in its open market operations. The only difference between the two is the matter of where the initiative lies in the transaction. In the first instance, the local bank took the initiative and sent the bond to the Federal Reserve as a sale in order to replenish and expand its reserves. In the latter instance, the Federal Reserve took the initiative and went into the open market to buy the bond. Let us say it was bought from this same bank. The effect on reserves is the same in both cases, no matter which way the transaction was initiated. In both

instances, the reserve balance—the credit base—has been expanded by as much as eight times the amount of the bond deposited with the FRB.

The mere buying of the bond by the Federal Reserve in the open market was not, in a technical sense, inflation. For the act itself created no more active money. Rather, it should be called potential inflation. The reserve base is thereby increased so that there can be a subsequent increase of credit, and new money, by as much as eight times the amount of bond deposited.

For this broader credit to become inflation in fact, there must be persons who want to borrow and banks willing to lend them the expanded credit which has now become possible. Only then will there be loans—new money, inflation. The reason why the buying of government bonds in the open market by the Federal Reserve Bank is said to be inflationary is the assumption that credit will be expanded as a consequence. And normally that is a safe assumption.

Thus, as to the seeming paradox, it is true that selling government bonds and buying government bonds are both inflationary. The distinction which resolves the seeming paradox is the matter of *who* does the buying and *who* does the selling.

In summary, we might unravel the seeming paradox this way: When the government *sells* a bond to the banking system, it is inflationary. It may even be highly inflationary if that bond comes to rest in the Federal Reserve Banks to serve as reserves for additional credit expansion. And that is why we say that it is inflationary when the Federal Reserve Banks *buy* bonds in the open market. It is similarly inflationary whether the commercial banks take the initiative and send bonds to the Federal Reserve Banks to increase their reserves, or whether the FRB takes the initiative and enters the open market to buy the bonds. Both are highly inflationary.

NOTES

1. The different reserve requirements for banks of different classes, and for demand deposits as against time deposits, are not separately identified in this overall illustration.

The Graduated Gadinkus Tax

It was New Year's Day and Alonzo Brown had a headache. Not because he had imbibed too much, for he was a teetotaler. His head ached because he was making out his federal income tax return. The further he figured, the more he fumed.

Alonzo's final calculations showed:

Adjusted gross income	\$300,000
Tax bill	<u>194,804</u>
Left for himself	\$105,196

Belinda, his wife, tried to console him by pointing out that \$105,196 was no mean income, even if he had worked long and arduous hours. He agreed with this, but his ire was generated by the fact that he was going to have to pay the government \$194,804—"for doing *nothing*," as he expressed it.

Belinda tried to console him further by observing that he did get something for the \$194,804. "You got all those services people get from their government," she said.

"True enough," Alonzo replied. "We do get services from the government, even though we differ in what services we want and how much we are willing to pay for each of them. But aside from that, one gets these services whether his tax is \$194,804 or \$1,000 or nothing. In fact, some persons who pay no tax at all get food and other things that the rest of us have to buy for ourselves."

Alonzo's business is the making and selling of gadinkuses. A gadinkus is a hypothetical gadget Alonzo discovered after ten years of intensive study and experimentation. Nobody else knows how to make it.

The raw materials Alonzo uses to make the gadinkus are air, water from the brook that runs through his property, and heat from the sun's rays. He does all the work himself.

In the first year of operation Alonzo had sold gadinkuses at \$10.00 each. Let us say that you had been his first customer.

"How can you in good conscience charge me \$10.00 for some-

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thing made from materials that are God-given and free?" you had asked.

"I'm not charging you anything for the materials," Alonzo had replied. "If all you want is some of these materials, just step outside and take all you want for free. What I'm charging for is my time in making the gadinkus, plus some return for the ten years of work discovering how to make something consumers want. Plumbers, you know, are now getting nearly \$4.00 an hour around here."

"I am setting my price by guess," Alonzo had continued. "I want to work steadily all year producing gadinkuses. If I have any left unsold at the end of the year, I'll know my price was too high and that consumers wouldn't pay this price for as many as I could produce. If, on the other hand, buyers queue up at my shop, I'll know the price was set too low."

By the strangest chance, Alonzo happened to have hit exactly the free-market price for gadinkuses. In that year he produced 30,000 of them. Everybody wanting one for \$10.00 or more was able to buy one. The last gadinkus was sold just before Alonzo closed his shop on December 31 to go home for his New Year's Eve dinner with his wife and two children.

It was the next day that he made out his income tax return and had his headache.

The more he thought about it, the more the meaning of this tax system began to form in his mind. He began to see clearly a new picture of how it affected him and his business.

Beginning On January 2 of the new year, he sold gadinkuses at \$10.00 as before. Then at about 10:00 a.m. on January 5 he raised the price to \$12.50 each. A lady buyer protested the new price, saying: "I just saw you sell one at \$10.00 to the lady who bought one before I did!"

"But it cost me more to produce yours than it did hers," Alonzo replied. "And I'm going to try to price gadinkuses so that my customers throughout the year will each pay the same price after taking account of changing costs. What consumers will pay, rather than precisely the cost, finally rules the market, of course. But unless a producer covers his costs, he can't stay in business

long. And anyhow, it seems to me that the fair thing for me to do is to price them to my various customers equally in proportion to the costs. That sort of 'equality' seems just, and I'm willing to help put it into practice in economic affairs."

"But," the lady replied, "your costs haven't gone up at all. Your materials are still free, and it didn't take you a bit longer to make the gadinkus I want to buy then it did the one you sold to the other lady. Why, then, the jump in price?"

"But my time costs more now than it did then," he countered.

"Why?" she persisted. "In both instances it was all your own time. You can't just suddenly say your time is worth that much more."

"It's not me saying it," Alonzo replied. "The government says so."

"How? You work for yourself and not for the government. They don't set your wage."

"I worked fully for myself from the beginning of the year till now," he replied. "But I am not allowed to do so any more. Beginning now I am forced to work one-fifth of my time for the government. You see, from the first of the year till now my income was not taxed. Now it has reached a point where the government begins to take 20 cents out of every additional dollar I get. That is why I must charge you \$12.50 in order to continue to have \$10.00 left after the 20 per cent tax. If I were to charge you only \$10.00, I would be selling it to you cheaper than to those who had bought earlier—much cheaper relative to costs of producing them."

Being unable to refute the fact, and being a willing buyer even at that price, the lady took it. She would have liked, of course, to have been able to get it for \$10.00, just as the lady who had gotten one earlier for \$10.00 would have liked to have gotten it as low as possible.

Then on January 15 at about 11:00 a.m. the price took another jump. This time it went up to \$13.51, as required to cover the new tax rate of 26 per cent applying to additional dollars of income, leaving him his \$10.00 net after the tax. And he had to go through an explanation of taxes and prices all over again.

Again and again during the year Alonzo had to raise the price for the same reason—to \$17.54 on February 6, to \$26.32 on March 24, to \$40.00 on June 8, and to \$90.90 by the end of the year. And there were many other intermediate increases.

FEDERAL TAX RATES
Married Couple with
Two Children, 1955

<i>Income before tax</i> <i>(adjusted gross</i> <i>income)</i>	<i>Tax on another</i> <i>dollar of</i> <i>income</i>
\$ 2,672	20¢
12,000	26
30,000	43
70,000	62
132,000	75
300,000	89

Most buyers probably never did understand how taxes had caused the prices to advance. They just assumed it was a personal “monopoly” grab by Alonzo. But no matter how they looked at it, those who bought gadinkuses did so because they were willing to pay the price rather than to go without. Others went without, of course, because as the price rose it became too expensive for them—just as a price of \$10.00 or \$5.00 or even \$1.00 would be too high for some.

The demand for gadinkuses was such that—no matter what the price—about the same number of dollars would be spent on them by all people, or \$300,000 combined, during the year. So as the price went up during the year, a corresponding number of buyers became discouraged from buying. Finally, at the end of the year, Alonzo was selling only about one-ninth as many gadinkuses in a day as he was at the beginning of the year. As sales fell off, Alonzo had more and more leisure time—time to sit on the seashore, or to enjoy other pursuits of his choice.

Near the end of the year a lady asked him why he hadn’t kept his price at \$10.00 throughout the year, whereby all the gadinkuses he could produce by working full time during the year

would be bought. "Look at all the additional people who could then have gadinkuses to enjoy," she said, "but must now go without."

Alonzo replied that out of each \$10.00 received at the end of the year he would be allowed to keep only \$1.10 after taxes, as pay for his time. And he couldn't see why his time at the end of the year was worth any less than at the beginning of the year—still making the same product that people still wanted as much as ever.

"I look at it this way," said Alonzo. "If eight-ninths of the pay for my time is going to be taken from me, I prefer to sit on the seashore or do something else. Why should I work nine times as long to get a dollar at the end of each year as at the beginning of the year? That doesn't make any sense to me, especially when the government takes some of these taxes to pay people not to produce things the rest of us want and are willing to pay for. I'll forego \$1.10 and have the leisure rather than to produce gadinkuses and provide \$8.90 in taxes to be used to induce someone else not to produce something I would like to buy."

"After all," Alonzo continued, "I don't see that it is my responsibility alone to solve this problem. Go speak to the others who want gadinkuses. I would gladly produce for them if we were allowed to do business directly with one another without this penalty. Have them help me solve it."

Well, they haven't solved it yet, and consumers are still going without gadinkuses they want and could have.

How Are You Doing—Paywise?

Each of us is interested in the pay he receives for his work. Not only are we interested in what we get this week, but also how we are doing as the years go by.

Experience should add to one's worth at his work. If your pay is not increasing over the years, either your pay is not following the upward trend of your work or your work output is not increasing as it should. In either event, one should probably change jobs to where he can get the pay due him and find a new stimulus that will increase his output.

It seems a simple matter to tell how you are doing paywise over the years, doesn't it? Simply compare the dollars of pay year by year. But is it that simple?

Suppose your job has been one that has moved you from country to country, year by year. And suppose that your pay, in the currency of each country, has been as follows:

<i>Year</i>	<i>Country</i>	<i>Yearly pay</i>
1	U.S.A.	5,000 dollars
2	Mexico	50,000 pesos
3	England	2,000 pounds
4	Chile	2,500,000 pesos
5	Turkey	50,000 lira

How have you been doing, over the years?

And suppose that next year's post would be in France where you would be paid 2,000,000 francs. How good an offer is that compared with what you have been getting? Will you accept that offer or not?

Need for Common Denominator

These questions cannot be answered from the evidence given. Every man knows that. He can know nothing about how well he is doing until after he first converts these rates of pay

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in different currencies into some common denominator. He must first find, as best he can, some way to express them all in terms of comparable things he wants that can be bought with each year's pay. If he shuns the task of making such a comparison because of the difficulties it entails, he will never be able to know how well he is doing as the years go by. Unless he does this, he will never find answers to such questions. And if he fails to answer them because a common denominator seems to him imperfect, he will continue to live in economic blindness, subjecting himself to serious mistakes as a consequence.

The Changing Dollar

All this is quite clear when the problem is one of pay comparisons in lira, dollars, and pounds sterling, which we are never tempted to try to compare directly. But when our pay over the years is all in dollars, we compare it directly and thereby suffer a serious illusion about how well we are doing.

Suppose you had worked at these rates of pay in the United States over a period of years:

<i>Year</i>	<i>Yearly pay in dollars</i>
1	5,000
2	5,200
3	5,400
4	5,600
5	5,800

Since all are expressed in dollars, it seems valid to compare them directly. It appears clear that you have had a steady increase in welfare over the years.

But have you? Actually, it may be that you can tell no more about it than if the amounts year by year had been in terms of different currencies, as in the previous illustration.

Suppose, for instance, that there had been a steady inflation of 5 per cent each year. In that event, your pay would have been declining steadily in "real" terms, after making the dollars comparable in buying power.

Although your pay has been in dollars each year, dollars change in value. They may be as different, one year from another, as the peso of Mexico is from the peso of Chile, or the franc from the dollar.

There is no easy way to tell how you are doing year by year under an unstable money system and changing tax rates. In fact, you can't tell anything about it until and unless you first make an adjustment for changes in the worth of your units of money remaining after taxes, with passing time.

Income after Taxes

The chart and tabulation show a comparison of 1956 pay dollars and 1940 pay dollars for a married person with two dependents. For other years and other tax dependencies the comparison would be different, of course.

To illustrate how the chart can be used, assume that you are such a person and that in 1940 your income was \$10,000 (base line). Your income in 1956 would have had to be about \$24,000 if its buying power after taxes were to be as much as in 1940.

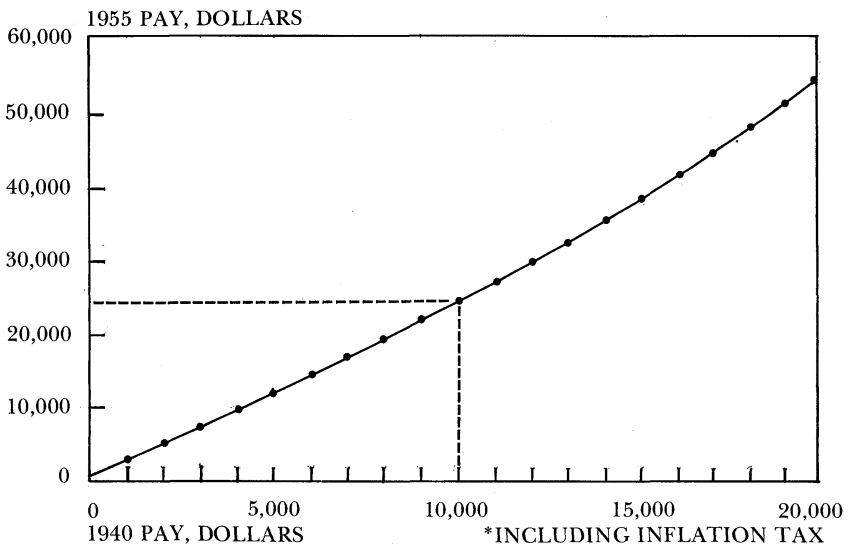
Or to state it another way, pay increases averaging about 6 per cent each year over the previous year would have been necessary, if you were merely to hold your economic position—*merely to hold your own* in the worth of your pay after taxes, over the sixteen-year period.

The \$14,000 additional required in 1956, in order to maintain your buying power, was needed to meet the increase in taxes—if inflation is considered as a form of tax, as seems proper.¹ What we commonly call taxes, both direct and indirect, absorbed some of the increase, but most of it was due to the inflation tax.

If you are interested in a 1956 comparison with other than a \$10,000 income in 1940, it can be derived in like manner from this same chart. But if you want a comparison for some other years, or for other than a married person with two dependents, you will have to prepare another similar chart. Laborious? To be sure. But that is another price to be paid

for inflation and increasing taxes, before we can know how well we are doing paywise. We can't eliminate the question by failing to answer it.

INCOME COMPARISONS EQUALIZED AFTER TAXES*



SOURCE: Basic information from issues of the *Statistical Abstract of the United States* and *National Income Supplements to the Survey of Current Business*, United States Department of Commerce. The tax burden on income at each income level was determined by adding the personal income tax at that level to the proportional share of expenditures of government not covered by the personal income tax. This amounts to assuming that, aside from personal income taxes, the process of bargaining for goods and services in our economy throws the other costs of government on all income levels in proportion to their incomes remaining after the personal income tax. Although any such assumption is unprovable, this one seems as reasonable as any other would be.

INCOME COMPARISONS
1956 AND 1940

<i>Earned net income</i>	<i>1940 after taxes</i>	<i>1956 after taxes, in 1940 buying power</i>
\$ 600	\$ 467	\$ 241
1,000	778	401
2,000	1,556	802
3,000	2,335	1,155
5,000	4,001	1,797
8,000	6,034	2,747
10,000	7,440	3,373
25,000	16,676	7,514
100,000	44,398	19,290
500,000	132,576	39,129

NOTES

1. See "The Hiddenest Tax." *The Freeman*. October 1954, p. 138.

The Shrinking White Collar

Mine is "white collar" work. My collar is grayed a bit, to be sure, because I wear it when I work on my car or paint my house—as I have to do in order to make ends meet. And I want, in this article, to talk about why I have to.

For half a century now the prevailing economic trend has been inflationary. At times, of course, there have been sharp rises in the buying power of a dollar. But a dollar I saved in 1910 will now buy only about one-third as much as it would then.

One reason for my plight is that taxes have taken a higher and higher toll. Property taxes on our home, for instance, have risen from about \$300 ten years ago to about \$700 now—on the same house. But the key reason is higher and higher prices, brought on by continuing inflation. Because of it, the net buying power of my income after taxes is today only 68/100 what it was ten years ago. The same rate of erosion over another decade would cut it to 46/100; over two decades, to 31/100.

Nor am I anything special in this regard: All workers the land across have experienced a considerable shrinkage in the net buying power of their pay after taxes during the past decade. Some have had increases in nominal pay sufficient to cover perhaps three-fourths of the added burden of taxes and rising prices.

Others have seen their pay go up sharply, far more than enough to cover the higher taxes and prices. The pay of the average steel worker, for example, has risen to about \$5,000. But that of few white-collar workers has done so. Nearly all of them have been hit hard. And what has happened in the past makes them view the future with concern. For there is every indication that inflation will continue indefinitely (though perhaps with violent irregularity). Moreover, they'd

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better view it with concern; for white collar pay tends to lag behind other forms of pay and behind rising prices. And inflation makes serious inroads into the savings typical of the white collar group.

About the lagging pay increases there is little the individual can do except to move into another line of work, where the market demand is more responsive to inflationary trends. About the savings, however, there are some things each person can do—or at least try to. Under inflation the debtor gains and the creditor loses. If the dollar I saved in 1910 will now buy only about one-third as much as it would have bought then, by putting it in the bank (and so becoming the bank's creditor) I took a hand in a losing game. Had I foreseen in 1910 what was to happen, of course, I could have tried to "hedge" the future by borrowing, since the dollar I borrowed in 1910 I can now repay with only one-third the quantity of things it represented then. By borrowing a dollar for every dollar I saved, therefore, I could have come out even. (Inflation, or the threat of inflation, thus invites people to go into debt.) But hedging of that kind involves two serious risks. One is that you may not get your borrowed dollar into a form of investment that will rise in value along with inflation prices; what you buy with it, that is to say, may go down, not up, in which case the hedge fails of its purpose.

The second is this: the dollar I borrow to match the dollar I save leaves me with two dollars of assets and one dollar of debt; and, while inflation does seem probable through the indefinite future, it is sure to be punctuated by periodic general setbacks in prices. And if my loan falls due during such a setback, it may take my two dollars' worth of assets to pay off the one dollar I owe. Even if I have guessed the long-term trend correctly, in other words, I can lose on an unexpected short-term trend. During such a downward movement of prices, moreover, I may—worse still—conclude that long-time inflation is over, and begin to handle my savings accordingly.

Protection of Savings

What, then, is the white collar worker to do with his savings in order to protect them? How *can* he get reasonable safety for his savings in terms of buying power?

Well, first, he must alter completely his concept of what is conservative. "Conservative" investments used to be investments of the dollar-to-be-returned-plus-interest type government bonds, for instance. Under inflation, such investments are *not* conservative, because they let you in for capital losses in direct proportion to the inflationary rise in prices. The interest, to be sure, offsets the loss to some extent. But listen to the London *Economist* on this point: "Here is a remarkable fact: The 'real' rate of interest on bonds (short or long term) is negative. An investment accumulating at 5 per cent compound loses purchasing power, because prices rise more than 5 per cent compound."

"As sound as a dollar" becomes a joke like "as solid as quicksand." All he can do, as I see it, aside from trying to terminate the processes of inflation, is to put his savings into the ownership of working assets—in addition to a modest home for himself, direct ownership of a business, or part ownership as represented by stock shares. He will then share the gains resulting from inflation.

That is why colleges and universities, for instance, which have always been regarded as conservative investors, have been shifting their investments increasingly from bonds to stocks. Some now have as much as three-fourths of their funds in stocks.

A recent new development in this connection is the variable annuity type of plan now being offered by one major insurance company. Insurance premium payments go into a composite of stock equities, and later pay annuity benefits according to the going price of the composite. If inflation doubles the value of the stock equities, thus halving the value of the dollar, the investor evades the loss by participating in the gain. The traditional form of insurance ended him up only with the loss.

Or the white collar worker may choose to invest his savings himself in stock equities, either using his own judgment as to what to buy, or buying a "package" of stocks through an investment trust. And I might add that reasonable conservatism during an inflationary period suggests purchases with borrowed money—although debt may put you in the position of having to sell your shares when prices are in a temporary downward movement.

At best, however, the road of inflation is rocky, and presents perplexing problems to the white collar worker. But it seems to be our road, and it behooves us to learn how to drive on it.

Dollars down the Drain

The story that follows could be told for practically any community in the United States, in type if not in degree and form. It could be your own community.

Westchester County, north of the City of New York, is said to be the wealthiest residential county in the United States. Not every resident there is a millionaire, of course. But the area, overall, is one outstandingly wealthy in the United States; fabulously wealthy for the world as a whole.

It has been said that everyone who works in the City of New York wants his bedroom to be as far from his place of work as he can afford. Far to the north in Westchester County lies a typical village community among those near the fringe of possible commutation to New York. It is a pleasant little community, full of good country air and airy residences filled with kindly and pleasant people.

But in this rarefied rural atmosphere a sewage disposal "crisis" has descended upon the good people who live there. The County Health Department has proclaimed that a serious pollution problem exists.

A disposal system to take care of the problem has been estimated to cost \$3,400 per family. Though this is only one-tenth to one-sixth of the value of a common new residence in the area, and no more than the cost of a new car such as the residents frequently buy, the cost has been semiofficially declared to be unbearable—"excessive."

Aid as the Solution

Now what is to be done when an irresistible economic force meets a near-empty pocketbook? Either the person must adjust his appraisal of what are necessities in his life, releasing funds to pay the cost of this particular "necessity," or he must find ways of reducing its cost to fit his budget without foregoing other "necessities."

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The first solution—doing without other things—is the more painful process of the two and is usually avoided or ignored if possible. The alternative, then, is either to find someone who will do the job more cheaply or do the work for oneself.

But the ingenious residents of this particular community, like their counterparts in untold others in the United States, have discovered yet another way to cut the costs: by obtaining federal aid. By taking the necessary steps to qualify, about one-third of the cost, or \$1,133 per family, can be obtained from Uncle Sam. And then the remaining cost of providing this necessity, it is hoped, will be within the reach of these residents whose needs exceed their means.

The procedure for federal aid is simple. The gravy train is already loaded, ready, and waiting. All the villagers have to do is to ask in the proper way, and it shall be given. If half or more of the residents want to set up the district and appeal for alms—about \$100,000 in this instance—Uncle Sam is ready, willing, and waiting. Congress this year has already appropriated \$45 million for aid in such projects, and a bounteous \$2¾ million of it has been allocated to New York.

Source of Aid

Since Heaven does not send showers of blessings in just this form, any thoughtful and curious citizen may ask: From whence cometh all these federal alms? He knows that Uncle Sam's pockets are notoriously full of holes and empty.

These alms come from taxes, of course, which may be thought of as just an indirect way by which people pay their bills. There is no source of such governmental funds other than taxes. These are collected from the same villagers and their counterparts throughout the land. In the main, these taxes have to come from persons far less able to pay for such "necessities" than are these particular villagers. They come in part from some poor Negro widow in Little Rock, Arkansas; from some poor orphan in Wyoming; from some young couple in Woodbine, Iowa, who are trying to save enough

money to buy a small house of their own. People of such circumstances will find in their tax bills an amount sufficient to allow Uncle Sam to be generous and send the \$100,000 to these folk.

The Service Charge

But it's even worse than that, because while the tax money is traveling from all these places to Washington and back again, much of it disappears as service fees under one name or another. Not too high a proportion ever gets back to these communities at all.

To call this process "aid" is a careless use of language, indeed. When a banker takes a far smaller fee for handling our money and settling payments from one person to another, some are tempted to use harsh words about the banker and his fees. But when the government handles transfers of our money at a much higher fee, we accept it in common parlance as "aid," even commending the government officials for their "goodwill and charity."

It may seem that this one little project is a trivial matter, costing the average family in the United States only one-fifth of a cent. But precisely therein lies the danger. Each little piece added to our tax bill seems too small to be worthy of concern. And though it is said to be done democratically, about the only people who concern themselves with it are the direct beneficiaries who vote on whether or not they will, in effect, pick the pockets of every citizen of the United States. If over half of the pickers approve, the picking becomes legalized and the policeman is assigned to protect the picker rather than the victim.

Drops Make a River

Yet we go on and on with projects of this sort. Just as drops of water make a Niagara, it is these little bits of tax added to other little bits which together comprise the terrific tax burden we are now being forced to bear. In the current year, for instance, these

federal grants to the states alone will amount to about \$80 per family—an increase from only about \$30 per family ten years ago. And for next year the Administration has programs of this sort which will cost the average family perhaps \$110. Every family, in other words, will have to pay the seemingly trivial separate costs of the equivalent of 55,000 such projects all over the United States—must, in other words, pay for about 200 of them out of his income every working day.

The Losing Gamble

Some persons understand the process well, however. Not everyone is fooled into thinking that he can win in this gamble at the roulette wheel of federal "aid." In one other Westchester community the question recently arose as to whether the school board should endorse an increase in government "aid" for the schools. The issue was acute in this community because, like so many others, it had foolishly overextended the citizens' pocketbooks in building some fancy new schools. The head of a well-known women's organization asserted that it was merely a question of whether "we in this community" will get more in state aid than we have to pay in taxes. In the gamble of government aid, of course, one community cannot possibly win except as another loses, even aside from the "house-take." The lady did not bother to consider the moral issue involved in forcing minority objectors to play a losing game which the majority decides they shall play—a losing gamble called government "aid."

Our moral code in this respect is not very consistent. When Jesse James robbed a bank for the necessities he couldn't afford, we took quite a different view of the matter. Even though a Jesse, the aggressor, votes a full 100 per cent in favor of the project, the rest of the citizens deny him these acquisitive rights; they do not even allow him one single vote in the matter.

Shouldn't we use the same concept in connection with federal aid? Why not in like manner put all such proposals, like aiding this community in their sewage disposal project, to the

vote of all the citizens who will have to pay the bill? Why not disfranchise the pocket pickers, so far as voting on this matter is concerned? Why give the takers of the money all the seats in the court of justice?

Freedom Lost

Highly important in this process is the loss of freedom involved. The citizens of these communities who by majority vote have thrown everyone's pocketbook into the gamble of federal aid may not realize the loss of freedom till it is too late. If you go into a gambling casino with a few dollars and later depart with empty pockets, you still have your shirt and your trousers *and your freedom*. You are free to decide that you will never be a player in this losing game again. But how about federal aid? The law of the land, as laid down by the Supreme Court, has decreed that you shall lose an important part of your freedom as well. Even the minority who objected but are forced to play the game lose their freedom along with the others. For the Court has said:

It is hardly lack of due process for the Government to regulate that which it subsidizes.¹

This means that if federal aid is given for any such concern of your life, the government is thereby empowered to control that part of your life.

In the light of all this, one wonders if a sewage disposal problem is really the evil most to be feared. Perhaps we should fear most the disposal of our money and our freedom through federal aid. For if this process of federal aid continues to progress as rapidly as it has in recent years, the time is fast approaching when we shall all be largely enslaved to the government. And slaves down through history have always suffered troubles which make our worst sewage problems trivial by comparison.

Would you, for instance, knowingly sell a large degree of your freedom for a few dollars of "aid?" Suppose the offer

were made clearly and in the open in terms of its reality; would you buy it? Would you buy the loss of freedom knowing that even on a purely cost basis the house-take is heavy and you are sure to lose? If we wouldn't buy enslavement as a total package, we shouldn't buy it in enticing little pieces under subterfuge.

NOTES

1. *Wickard v. Filburn*, 317 U.S. 111, October term, 1942.

Your Tax Burden

1. Fruits of Intolerance

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

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

Some careful students of the subject, who have watched our taxes increase rapidly over the last half century and have compared our experience with that of other nations, believe we have already gone beyond "the point of no return." They believe, in other words, that despite our surface evidences of prosperity and welfare and a carefree life, we have already gone as far as to undermine the economic, intellectual, and moral foundations of our civilization to a point where we shall surely slide into another dark age. The undermining, they believe, is as hidden from common view and realization as are the depredations of termites, which eat away the foundation of a building before anything serious happens to what can be seen on the surface—happens while the roof and outside walls remain intact, and appear as sound as ever when viewed superficially.

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

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

Time alone will reveal the answer. But an initial step in prevention is for us to understand the problem. One must know what it is that can lead to a collapse of our civilization. Knowing the problem and the cause, we then know the means of its avoidance.

So, in this article I shall begin to diagnose the tax problem. Taxes, in one way or another, have provided the path over which civilizations have collapsed economically throughout history. What, really, are taxes?

Taxes Defined

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

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

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

with evil conduct from the standpoint of the wisdom and effectiveness of the method employed.

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

Good and Evil

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

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

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

Human Variation

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

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

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

It is only the most learned observers who can see these innumerable human differences of all sorts. They know best how infinite is the extent of human variation. So I shall not attempt to explain human variation in full here. I shall leave that to the masters of biological and philosophical knowledge, such as Professors Roger Williams and Hans Thirring.² I shall pass that over and go on to the point of our concern here. We need only, for our purposes here, to realize the extent of human variation and to appreciate the nature of its terrific impact on all affairs of man's relationship to man in society.

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

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

even eliminate human life itself, though I believe this to be unlikely. If we should persist in pursuing suicidal endeavors on which we have embarked, however, we could dive into another dark age.

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

Government: To Govern

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

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

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

Compulsory or Forbidden

In a completely governed society, as the saying goes, everything that is not compulsory is forbidden. A completely authoritarian government holds unlimited powers to rule, to

control, and to restrain all the citizens except the governor himself, who sets the rules of restraint for all others. The governor is the victim of his task, but he is not otherwise in a condition of involuntary servitude.

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

Intolerable Differences

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

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

Some differences, however, are ones we refuse to tolerate. And these are the ones which become embodied in the processes of government. That is why the human form of life,

with its highly developed differentiation between individuals, is so susceptible to the threat of a cancerous growth of government. For with infinite variation between persons, intolerance of differences can easily lead to inordinate growth and economic suicide.

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

Costs Become Taxes

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

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

It is probably fair to say that as governing moves further and further away from controlling those forms of conduct which essentially all the people deem to be reprehensible, the process becomes more and more expensive. This is because fewer and fewer people are willing to contribute their time and means voluntarily under these circumstances. Governing

then becomes merely a job for those employed in governing. They demand pay for their work—as much pay as the market would offer them, perhaps, to dig ditches, to practice medicine, or to do something else in workaday life.

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

Collected by Force

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

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

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

An exception to this description might seem to be certain fees charged those who use certain government services. But the revenue from such sources is minor and insignificant as compared with the total cost of government. And further-

more, even in these instances, with hardly an exception, the service which the government offers is one which it has assigned to itself under a strict monopoly. So even these exceptions are charges that you must pay at a monopoly price, or go without the service altogether.

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

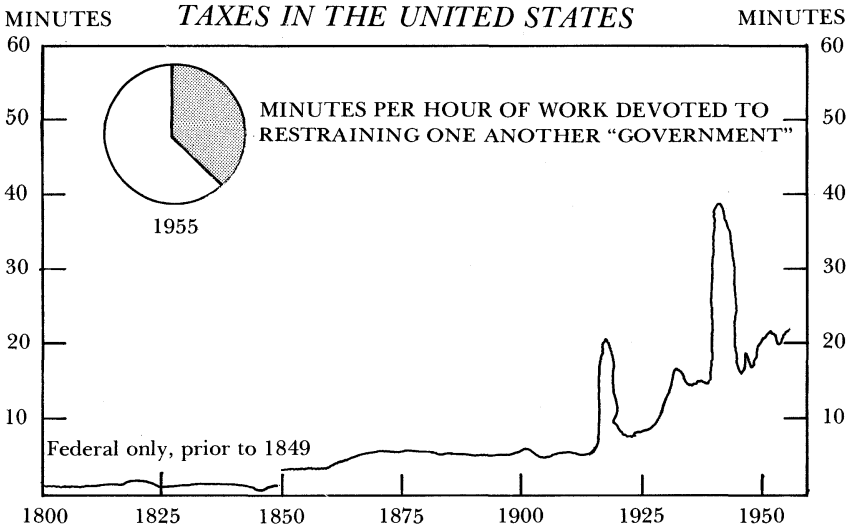
The Long-time Pattern of Taxes

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

The accompanying chart shows, for almost the entire period of our nation's history, the changing level of taxes.

The tax burden is shown on the chart in terms of the part of each hour of work taken to pay the costs of government. It represents the part of our labor product taken to govern one another, taken to restrain and control human differences. By expressing the tax burden in this manner, the problems of changing population, of changing hours of work, of changes in rates of pay, and the like, are all eliminated from view so that we can more clearly see the point of our concern—taxes.³

The concept may be seen by first considering only two persons on a desert island. If one of them should become so concerned with restraining the peculiarities of his neighbor that he catches the neighbor and sits on him all the time, a full 60 minutes out of each hour of his work would then be



SOURCE: Derived from Department of Commerce figures on national income.

devoted to governing the island's population. And the victim, being totally restrained, could produce nothing either. So all the island's "production" would be absorbed by government. Both would then starve, unless they were to discover how to tolerate some of their human differences and do something besides govern.

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

Perhaps the two would never be able to figure out how to reduce government to zero. Perhaps intolerable differences would persist. These become "government," due to efforts to control what is not tolerated. This part would persist as a cost of governing. Let us say, for instance, that one of the two persons persists in trying to filch the coconuts which the

other has gathered, causing the other to devote some time standing guard or building some sort of protective storage. This would become a cost of government, in one form or another. In this instance, the process would be considered as "good business," and a wise expenditure of time and means. And in that sense, governing would be a valid cost of doing business, a wise way to spend part of one's time.

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

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

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

One-Third of Our Effort

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

This growth is in spite of all the business efficiencies which should have made it possible to cut costs in the devices of governing—automobiles for the policemen, business

machines to help in all sorts of tasks, and all the rest.

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

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

NOTES

1. "The Structure of Human Intellect" by Professor J. P. Guilford, University of Southern California. A paper presented before the meeting of the National Academy of Sciences, Pasadena, California, November 2-4, 1955.

2. For instance, see Professor Williams's recent book *Biochemical Individuality*, New York: John Wiley & Sons, 1956, and also his earlier book, *Free and Unequal*, University of Texas Press, 1953; Professor Thirring's *Homo Sapiens*, Vienna: Ullstein Verlag, 1947, and his recent article, "The Step from Knowledge to Wisdom" in *American Scientist*, October 1956, pp. 445-56; *Liberty, a Path to Its Recovery* by F. A. Harper, Chapter 8 and Appendix II, Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1949; reprinted in volume one of *The Writings of F. A. Harper*.

3. The method by which this is done is to relate the total costs of government in the United States to the total of all personal incomes. All incomes finally become the incomes of one person or another. That ratio was then expressed in terms of minutes out of each hour of work, taken as taxes.

Your Tax Burden

2. Limits of Tolerance

Principles are always less exciting than matters of their application. Riding a motorcycle or tinkering with a car is more enticing to a boy than doing his homework on the principles of physics, from his high school text. Yet it is with principles that truth can be tested in the details of mundane affairs. Only by means of principles can we project our thinking so as to solve new problems or overcome superstitions and mistaken habits of thought. And that is why, in discussing taxes, it seems to me wise at the outset to consider the principles of morals as they relate to taxes. The moral aspect of controlling others underlies any appraisal of taxes because that is the purpose to which taxes are devoted.

The value of a principle is the number of things it will explain.

Emerson, 1867

Two Concepts of Morals

Two conflicting concepts of morals now prevail, as always. They are in mortal combat philosophically. No one person can hold both views any more than two objects can occupy the same space at the same time.

One concept of morals is that there are moral principles which are stable and unchanging despite passing time and human ignorance of them. Though moral principles apply to human conduct and our relations with one another, they can in a sense be compared with rigid physical laws of the universe, such as gravity. The rule of such a law has nothing to do with popular understanding or sentiment. Whether only one per cent or 99 per cent of the people know and act in accord with such a law, all who violate it must suffer the con-

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sequences. Increasing violations do not diminish the power of its rule. The force of gravity, for instance, is the same for the hundredth person to walk off a cliff as it is for the first one to do so.

The first concept of moral law is similar. A person holding this view of morals believes that there are fixed consequences of acts in the moral realm, whether or not we know at the moment just what the truth about it may be.

Believing this, there is no escaping a responsibility for conduct according to our understanding of moral truth at the moment, in the same way we abide by our best understanding of physical and chemical laws of nature at any moment. The important point about this concept is the belief that there are absolute, unchanging moral truths to be sought and accepted as guides for conduct.

The other concept of morals is that there are no absolutes, no timeless and self-ruling moral principles of human conduct. This concept is not merely the proclaiming of our ignorance of what these moral laws are, or the assertion that we may be uncertain about them to some degree; it denies their very existence. It denies as a guide to action any possible wisdom that is based on the assumption of universal moral truths, unchanging with passing time and impervious to human ignorance.

Where, then, do the followers of this concept find their guidance for conduct? They find it in the mode of the times, as does the slave of fashion in selecting his clothes for the season's wear. According to this view, one style is as good as another, so long as others are also wearing it this season. It is a concept that might be called the *tumbleweed concept* of morals, being always driven about by the current social wind; or some call it the *middle way concept*, or the *conformist concept*, or the *pragmatic concept*, or the *popular vote concept*, or the *majority rule concept*, or the *democratic concept* of morals.

No objective truths are tolerated as a moral guide by those who hold this view because absolutes are vigorously denied. Whether murder is good or bad, whether theft is good or

bad, are considered to be dependent solely on the prevailing fashion of the society in which one happens to be living at the moment. According to this view, causes have no fixed consequences in the moral realm—a denial of the first rule of any science.

It has always seemed to me that the latter, or tumbleweed, concept of morals is a logical impossibility. It reminds me of a totally mirrored room and nothing within it. By itself alone this concept can no more give an answer to any moral question than a totally mirrored room can reflect anything except the reflections of mirrors. Something of content must first be introduced from outside before any mode of conduct, any social fashion of the times, can arise to be followed. Where did the start come from?

Lacking anything else in a totally mirrored room, even a tiny object becomes so magnified in importance as to dominate the scene. Likewise with the tumbleweed concept of morals, any little ethical microbe can dictate the fashion of morals for the whole of any society which has succumbed to pragmatism.

Seeking the Truth

So my position for purposes of this discussion will be that of the first concept, namely, that moral law must be thought of in terms of absolutes of eternal truth, however dimly and incorrectly we may perceive them at the moment. As a part of this concept, it seems to me, one should be somewhat humble in the degree of his certainty about truth. Yet despite such humility, he must always abide by his best judgment, denying any truth per se in the mode of popular belief among his contemporaries. Merely because something is believed by many persons does not prove its rightness. He demands better evidence than popular ignorance for the moral truths he holds. This view, I believe, is founded on a logical, philosophic position.

Proof of principles lies outside human experience, which merely confirms the proof. Or according to the legal maxim,

Principia probant, non probantur (principles are not proved; they prove).

Such a position upholds certain moral precepts which are not followed perfectly in any society, of course. Violations may be flagrant. But moral principles are in a sense like stars, guiding the seafaring man on toward his destination, though he may never touch the stars with his hands.

The Base for Morals

The belief underlying a moral code is that each person is an independent, self-responsible unit with certain rights and corresponding responsibilities.

This was once stated clearly in our Declaration of Independence: "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" That is to say, each person has certain rights equal to those of any other person. It is these rights which we shall review shortly.

But before doing so, it is well to review one aspect of morals. The only possible meaning of morals is that there shall exist *for the individual person* the option of choice between doing right and doing wrong.

A person is unlike a stone which is subservient to the forces of nature which bombard it, having no evident capacity for choice. The stone exists outside the realm of moral concern. It can't do right and it can't do wrong. Nature has laid out a course for it that is neither moral nor immoral. It is the complete slave of its environment.

A person, unlike a stone, has choices to whatever extent he is free. Insofar as he has liberty, he has choice. In having choice, he unavoidably has the option of choosing either good or evil in the sense of objective truth—the concept of morals accepted for this discussion.

It can be seen, then, that the scope of morals coincides precisely with the scope of liberty. It can be no more and no less because choice is requisite in both.

Removing liberty from a person or persons in a society, then, solves no moral questions whatever. It only makes amoral those acts which are controlled—perhaps even inducing immorality elsewhere.

Or to put the matter another way, the first step to making a society of persons moral is to make them free. This is not to say that when people in any society are made free, they will resolve all their moral questions wisely in the sense of eternal truth. It is only to say that they cannot choose wisely without first being free to choose; that liberty is, therefore, a prerequisite to moral wisdom.

Many persons have asserted in error, it seems to me, that persons in a society should be given liberty only after they have proved that they will act wisely. This is something like a mother saying that she is not going to let her boy go near the water till he has learned to swim; or that she is not going to let him start arithmetic until he has proved that he will solve all its problems correctly. The risks of error go with the process of learning, just as liberty entails risks as related to moral questions.

Liberty, then, is the base for morals. And liberty is predicated on the concept that each person is answerable to the rule of eternal truth; that no man has the right to answer these questions for another against the other's will; that all one person may properly do to another is to resist attack on one's own liberty, on his own rights. In short, man is free, as proclaimed in the Declaration of Independence, and may with propriety defend his continuing right to be a free and morally self-responsible individual. But he may not in justice encroach on these same rights of any other person, either.

Outline of Basic Rights

The human rights to be derived from such a base for morals under liberty are as follows:

(1) *The Right to Life*. Except for this right all other human rights would be unfounded. In the absence of this basic right the others would become merely sham and nonsense. With-

out this right the admonition against killing, in all the world's great religions, would be negated. Without this right vested in each person, there would be nothing to stop a ruler from assuming the right to sacrifice any number of human lives for his own purposes. In the words of a communist Russian leader, it would be an unquestioned privilege of the ruling potentate to break the eggs at will in order to make a social omelet of his own personal design.

If there is the right to life, it follows that you have:

(2) *The Right to Sustain Your Life.* You have the right to use your life as you will, so long as you do not violate the same right of others. The right to life assumes, in other words, your right to devote your efforts to sustaining and developing both your own life and whatever else you deem worthwhile.

In working to sustain your life, you have:

(3) *The Right to What You Produce.* This right derives its validity from the fact that life is sustained by the production of scarce things—economic things, desired beyond the available supply. Food is basic among these needs, but there are numberless other things that are also essential to a full life.

Flowing from the right to what you have produced is the right to keep it:

(4) *The Right to Own Property.* Whether you keep what you have produced for an instant or for a day or for a lifetime, under this right it is your property until you choose to do something else with it.

So the final right among this series of human rights, flowing logically from the right to life, is:

(5) *The Right to Dispose of Your Property.* When you do not wish to use your property yourself, you may sell it or trade it or give it away. You are beholden to nobody under this right. You may choose both the time and the terms yourself, so long as the other party agrees, accepting or rejecting the advice of others as you see fit.

Some Classic Codes of Conduct

Against this background of the nature of morals and the five sequential human rights, some classic codes of conduct may have more meaning in relation to the problem of tolerance.

Almost every great religion of the past, I am told, has had a code closely approximating the Decalogue and the Golden Rule of our leading present-day religions. Throughout all the varied societies of history—in widely differing times and conditions, under different leaders with differing claims to religious authority, with differing details and wording—all leading religions have had this much in common with one another.

This is not, of course, definite proof of the validity of this moral code. It merely evidences a great accumulation of human experience for survival, like the actions of infants which reflect the human instinct to protect themselves from mortal hazards to life. We may also assume a tendency for truth to persist and become evidenced in matters of moral conduct and lasting moral codes—the distillation of experience about moral truths. There can be errors in this sort of evidence, of course. Misinterpretations and adulterations creep into religious codes, which sometimes are no more than fanatical dogma. But available evidence, so far as the Decalogue and the Golden Rule are concerned, is that these have endured with the persistence of truth throughout the ages in all great religions.

What do these codes tell us? Among other things, we find:

Thou shalt not kill.
Thou shalt not steal.

The five rights listed above are in complete harmony with them. For if it is wrong to kill, a person must first have had a right to life. If it is wrong to steal, a person must first have had a right to the product of his labor and to other property

he has acquired without theft from others who previously owned it.

So these classic religious codes of conduct reinforce the validity of the five basic human rights listed above.

Proper Intolerance

Why all this concern about moral codes and human rights? It is because any consideration of intolerance must begin there. Any consideration of controls, from which taxes arise, must begin there. Of what conduct should we be intolerant? The question is entirely one of good and evil, or rights and violations of rights. Not all intolerance is evil, per se. How could intolerance of evil itself be evil?

If this analysis of good or evil is sound, so that we can identify human rights and human wrongs, we thereby have a basis for identifying proper social intolerance:

Social intolerance is justified against all violations of basic human rights; against violations of the Decalogue and the Golden Rule, as embodied in human rights.

The greatest intolerance of all should be directed to one's own conduct in violation of this moral code. For in starting as we did by saying that man is free, that he has a moral nature involving choices, that he is responsible for his own conduct, then one's own conduct is surely his first order of business.

Even at the risk of preaching beyond my ability to practice, I would ask: Is not one's own conduct his sole task? Perhaps one should not waste his time trying to do anything about the misconduct of others until his own attainment in this respect has become lily white. And isn't that a full-time task for us all? Such a rule would change our way of life considerably; and if we were to abide by it, the whole problem of taxes would be resolved at once.

By going through the moral code and listing of rights step by step, anyone can see that taking care of one's own conduct

is a challenge to the best of us. Who among us has any license to concern himself at all with the task of controlling or changing the conduct of others, if he must perfect himself first in order to obtain that license?

Defensive Intolerance

But perhaps this is too strict a test. Perhaps we have a perfect right to be intolerant of the misconduct of others under certain circumstances. Take, for instance, the murderer or thief who may be attacking you and your property. Surely you have the right to defend yourself, the right to protect and retain that which is yours. That right, I assume, is really a part of the right to life and property in the first place. You have as much right to keep life and property, or to recover property as to have had them at the outset.

I see no reason for questioning your right, then, to defend yourself and that which is your own; to recover your property, if you can; to cooperate with any other person or persons in such endeavors, insofar as all participants individually accept the cooperation and the terms of the arrangement, as separate and free persons.

But at the same time, I would strongly emphasize that no one person has the right to force participation in these endeavors upon another person if it is not freely acceptable to him. A good end does not justify an evil means. Human rights cannot be defended by violating them; morals cannot be upheld by their violation.

Let me illustrate: You and I may fully agree that a person has a right to life; that it is wrong to kill; that it is proper to restrain acts of murder. Now suppose that I say I am going to Africa to kill a person who is going to kill somebody. I ask your support, but you refuse me. Would I be justified in stealing from you to finance my trip? I think not. It seems to me that you have a perfect right to resist my theft of your property; that in resisting theft you do not become a murderer, in failing to finance my project.

Such are the limits of justifiable intolerance, as I see it. One may properly be intolerant of all violations of the basic moral code embodied in the Decalogue and the Golden Rule. He must first take care of his own conduct in these respects as a part of protecting himself, his dependents, and his property. He may also cooperate with others to this end, employing his own time and means to do so.

Jobs for All (Who Want To Work)

If our society were economically sound, there would be jobs for all who want to work. Whenever such jobs are not available in any society, it is certain evidence that some serious economic disease is invading the affairs of men.

The following analysis is directed at those conditions that force persons into idleness against their will. Not only does this reduce production and therefore the welfare of society, overall, but it unjustly strikes some persons harder than others. Those who suffer most are: (1) unfortunate persons who, through no direct fault of their own, are denied jobs at which they would like to work, while others continue in fulltime jobs at the same, or even higher pay, and (2) employers who have saved, whose savings suffer because they are denied the chance to hire those who want to work.

The Present Situation

“Unemployment” has been four million persons, more or less, in recent months. This is only six per cent of the labor force—not especially alarming, viewed against the background of the many rosy economic forecasts which heralded the decade of the 1960s.

But economic forecasting is a hazardous sport. If one were to be absolutely certain about the future, in both time and degree, he would have to know much that is unknown about all the complex forces that make events what they are. Yet nobody can avoid the risk of forecasting, if he is to live and act at all. A storekeeper forecasts when he opens his doors tomorrow; a housewife forecasts when she goes there to buy. A wise economist knows this, and is full of uncertainty even though, as a living and acting person, he cannot avoid making one assumption or another about the future. To forecast the future on the basis of the present and the recent past, is almost unavoidably

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tempting. All who use this method now are complacent and strongly optimistic about the future.

Some Danger Signals

Signs abound that all is not well within the economy of the United States. Other countries may be in danger, too. One would be remiss to dismiss all these danger signals as trivial. When adversity hits, we should be as well prepared as possible; to expect adversity sooner or later in some form, is the first step in preparation. Then if we understand the cause, the correct remedy can be applied with the promptness and forthright courage that the occasion will surely demand.

Serious economic adversity in the United States is within the adult business experience of few persons under forty-five years of age. For all of them, each year has seemed better than the previous year; prices were generally rising, so that delayed buying proved costly and advanced buying proved economical. Few such persons are wise enough to prepare themselves for adversities contrary to experience, about which they may have only read in books.

Yet for all who either know the history of the past or who reason correctly about the nature of man's actions, a continuous one-way economic street is the least safe forecast of all. The one certain way to be wrong at every turn is to persist in forecasting the future on the basis of the present and recent past.

Every period during which adversity has long been delayed has spawned its own form of rationalized complacency. In the 1920's, there was the vague "new era" in which former dangers no longer ruled. Recently, there has arisen reliance on the "built-in economic stabilizers." But can these stabilizers be relied upon, in the face of mounting threats to our money and our economy? Have we truly learned how to evade the consequences of careless living and profligate borrowing and squandering? I believe not, despite uncertainty about the time and the precise form of the day of reckoning.

The late Felix Somary, a Swiss banker whose unique forecast of the debacle of the 1930's brought him a fame he little sought

or prized, gave a second dire forecast in an informal paper delivered before high officials of Harvard University four years ago.¹ Somary foresaw what he called an unavoidable crisis. Though he carefully avoided giving either a precisely dated prediction or the exact form the crisis might take, many have guffawed at his concern while our economy continues to evidence no visible crisis.

In speaking of the “stabilizers” in our economy, Elliott Bell once reminded us that “thus far, however, we have had no really critical test of our capacity to stabilize the business cycle.”²

Many persons feel that continuous prosperity is assured by the outlook for continuous world-wide inflation. Is this a safe assumption? Per Jacobson has averred: “In all likelihood, world inflation is over.”³

Professor Robert Triffin of Yale University has warned of a “liquidity crisis”—a fear that obligations cannot be met with cash or nearcash—in international finance, which could spread from country to country. It has been created in large part by building up “reserves” abroad at the price of persistent deterioration of our own reserve position.⁴ In any event, within a few months the foreign claims against dollars are likely to exceed our total gold reserves. Outsiders can redeem these claims in gold bullion.

Gold—the direct and indirect base for money in our part of the world—has been for years in low rates of monetary accretion, due to the historic lows in its exchange worth. This puts a heavy drag on commodity prices, in gold-money terms.

Taking a longer view, wars more than any other one thing have generated major economic crises in our country. If recent wars do not bring some sort of crisis, sooner or later, it will be unique. There has, however, been a tendency for the time to lengthen between the end of the war and the subsequent economic debacle:

	<i>Date of economic collapse</i>	
	<i>Years after start of war</i>	<i>Years after end of war</i>
Napoleonic War	14	4
War Between the States	12	8

World War I	15	11
World War II and Korean War	?	?

So as to timing for any forthcoming economic setback, and its form, each person must make his own estimate. It might come soon, or later; it might take the form of declining business and rising unemployment, or of considerable inflation from trying to avoid them, or both.

Prior to and during the early stages of any crisis, we can expect repeated assurances of national economic health from business and political leaders, especially the latter. Like a cook asked about the meal's prospect, or a taxi driver about the chances of missing the lamp post, any politician is more than inclined toward optimism under his reign. Samples of such predictions during the early months of the depression starting in 1929 are worth rereading.⁵ Perhaps some enterprising person even now is assembling evidence for another edition of "Oh Yeah!"

Top-Selling Cures

Once a depression starts, and deepens, economic medicinals are more and more in demand. Certain nostrums lead all others in sales and popularity:

1. Confidence
2. Political invasion of economic affairs
3. Higher wages

But if these will cure a depression, why did they fail to prevent its onset? They are usually in abundance beforehand. Confidence is never so high as just before a depression. Wages are usually at their peak, and rising. Political invasion of economic affairs is in vogue. Yet depressions have repeatedly struck in spite of all this—due, evidently, to something else.

Before speaking of the underlying cause of business declines, let us first consider these nostrums one by one.

The Faith Cure

Confidence alone will not move economic mountains. It fol-

lows rather than leads changes in underlying economic forces.

Consider a specific instance. Mrs. Jones refuses to buy a \$29.95 dress which Miss Smith has made and is offering for sale. Why? Because she prefers the \$29.95 more than the dress. So she keeps her cash.

According to the confidence nostrum, we would ask Mrs. Jones to engage in positive thinking and have faith—in short, to live dangerously and trade the money she prizes more, for the dress she prizes less. In other words, we would ask Mrs. Jones to have more confidence in the dress and less confidence in the cash.

Suppose Mrs. Jones buys the dress. Now it is Miss Smith who lacks confidence—in the dress, that is. Otherwise, she would buy the dress back. Would her “lack of confidence” cause a depression? Mrs. Jones’ would, but Miss Smith’s wouldn’t.

Confidence alone solves nothing. The question is one of relative preferences. Mrs. Jones has plenty of confidence, but it is bestowed on the \$29.95 rather than on the dress; Miss Smith has plenty of confidence, too, but her preference is also for Mrs. Jones’ \$29.95 rather than for the dress she is trying to sell. Not until Miss Smith offers a better dress at the price, or this one at a lower price, will Mrs. Jones acquire enough confidence in the dress to lead her to part with her money. Only in this way can a willing trade be consummated. There is no other way.

The confidence nostrum for curing depressions amounts to asking one person to alter his judgment of worth as between two things in the market of trades, to accommodate some other person. So long as the two persons agree as to which of the two things is worth the more, no voluntary trade can occur. Things must be priced so that there is disagreement, before there can ever be a willing trade.

Admonishing the need for confidence in general is not a cure for adverse economic conditions. Confidence, overall, is never lacking. Confidence in certain things is lacking, but at the same time there is excessive confidence in other things. The underlying problem is that of price relationships, which have gotten out of gear with what buyers think they are worth.

Political Nostrums

A concept of the place of government in our society which is ascribed to Lincoln by its frequent and approving users is this:

“The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all, or cannot do so well for themselves, in their separate and individual capacities.”⁶

This belief has done unbelievable harm to liberty, because it gives an aura of respectability to many advances into slavery.

It seems fine for the government to do for us what we cannot do for ourselves. If I fail to earn enough to buy a \$10,000 car, or perhaps two or three, should the government give them to me—that which I cannot do for myself?

A totally different concept of government which the Founding Fathers envisaged is this: To protect every right of persons to do things for themselves, either separately or together in voluntary arrangements, each using his own time and means, or that which has been properly assigned to him by some other person. The distinction between “doing things for people,” and protecting their rights as free men to do things for themselves, is great indeed.

The government could do for us what we cannot do for ourselves only if it sits on the right hand of Creation itself. Otherwise, unless it be possessed of the powers of God, it cannot possibly do anything that people can't do for themselves, for the simple reason that people comprise all that is government. Government is manned by the very same persons whose deficiencies are presumed to disappear when combined into a legal structure with bureaucratic, political trappings—a process which makes an ordinary person, if anything, less able than before to accomplish things. The bureaucratic whole is, for this reason, really less than the sum of its freely cooperating individual parts. Yet we continue to follow the piper's tune that government can do for us what we cannot do for ourselves in accomplishments like curing a depression.

Political prescriptions as cures for depressions are legion, but mainly of two types:

1. Have government collect less in taxes;
2. Have government spend more.

Tax Reduction Fraud

A fraud is implied in asking the government to collect fewer taxes without reducing its own expenditures. Government has no funds except those it gets from the people by one or another form of tax. Every cent of the government's yearly expenditures, therefore, must come from the people in taxes, no matter what else we may call them; no matter whether collected from the citizens directly and openly, or indirectly by concealed means.

Let us say that the government spends \$80 billion and collects only \$70 billion in "taxes"—through forms of taxation commonly referred to by that name, that is. Where does the \$10 billion deficit come from? It can come only from the people, because there is no other source. But the game is faster than the eye, and we often fail to realize that they are taxes just the same.

Where does the government get the required \$10 billion? By manufacturing it, by inflating the money of the land. Persons who receive this newly-made money have in their hands "legal tender," with rights in the market equal to those of any other people with any other money. So everyone's money becomes diluted and every dollar is taxed in buying power. It should always be thought of as a tax.

So there is absolutely no way for the government to reduce taxes except by reducing its expenditures. A "tax reduction" scheme changes the form of the tax, but not the amount.

Increased Government Spending

Having the government take more of our money and spend it for us is surely not something we cannot do for ourselves—not a thing the government must do for that reason. When the government spends more, all it is doing is to dip deeper into the citizens' pockets; take out even more money; spend it according to political whims rather than by the personal choice of those to whom it belonged previously.

Take, for instance, the case of Mrs. Jones and the \$29.95 dress. The government might increase Mrs. Jones' taxes by \$29.95, then buy the dress and turn it over to Mrs. Jones. But that is what she had rejected because she valued the \$29.95 more than the dress. Anything else the government were to do with her \$29.95 probably would suit Mrs. Jones even less than the dress she didn't deem worth the price, even without the sizeable governmental handling fee.

Surely, there is some way to accomplish the objective of restoring exchanges in the market place that is better than for the government to take money from people by force, and spend it for them. Though not a serious proposal, would it not be better to merely give each of us the right to draw on each other's bank accounts, or the right to claim each other's paychecks? This would be another way to spend for people what they do not choose to spend for themselves.

So having the government increase its own spending to cure a depression merely assures that the depression will be needlessly severe. And to allow consumers to increase their spending by reducing their taxes requires that the government reduce its own expenditures, not increase them.

Purchasing Power

It is commonly argued that the cause of a depression is lack of money in consumers' hands. In trying to cure this, another highly dangerous nostrum is proposed: "Wage rates should be increased—if necessary, through overt government action—to give people the added buying power necessary to buy things unsold in the market."

The reasoning goes like this: A thing remains unsold in the market because the buyer lacks enough money to buy it. Unsold things cause producers to quit producing. If more money were in the buyers' pockets, they would buy the excess inventories and unemployment would disappear.

Let's try out this purchasing power idea on Mrs. Jones and Miss Smith, and the \$29.95 dress. Mrs. Jones, let us say, considers the dress worth \$29.00 but not a cent more. So in terms of

purchasing power, she lacks the 95 cents which would induce her to trade. The only real source for the 95 cents is to get it from Miss Smith.⁷

There are only two ways of getting the 95 cents from Miss Smith, either voluntarily or by force. By the voluntary method Miss Smith could merely reduce the price to \$29.00, which she has refused to do. The only other way is to take the 95 cents from Miss Smith by force and give it to Mrs. Jones.

The purchasing power notion is so prevalent it may be worth another illustration, to test its validity. Leaving aside the device of money for trading, not really relevant to present purposes, let us assume a direct trading situation between two farmers. One has two bushels of wheat for trade; the other, three bushels of corn. They alone comprise the trading community. One day they meet, and attempt a trade. The wheat grower is willing to part with his two bushels if he can get the three bushels of corn in exchange. But the corn producer will part with his corn for no less than $2\frac{1}{4}$ bushels of wheat, at which ratio the wheat man refuses to trade. The purchasing power nostrum would say that the trouble is insufficient purchasing power. How much "deficient" purchasing power now exists? The total purchasing power is exactly two bushels of wheat and three bushels of corn. More purchasing power will exist only after more wheat or corn, or something else, has been produced for the market. There is no other source of increased buying power.

Trade between the wheat grower and the corn grower was prohibited only because the offer of one was not acceptable to the other. What prohibits an exchange is the offers being made between parts of existing purchasing power, not a deficiency of overall purchasing power per se.

If more purchasing power should arise from an increased production of the things of trade, there could then be an increase in trading. But if the terms of trade remained unsatisfactory to either person, trade would still be prohibited. Changing the terms of the offers would be the only way for trade to be resumed.

Introducing money into the mechanics of trade changes the

above analysis only in detail, but not in principle. In a money economy, it is still the offered terms of trade and not the total of purchasing power which either allows or prohibits trade. In a money economy, if trade is being prohibited, it is due to somebody's price offer and not the total of purchasing power.

The correct diagnosis of a depression is that things in the market remain unsold because, at prevailing prices, people have more confidence in what their money will buy later, or elsewhere, than they have in what is being offered. That is the only reason why things ever remain unsold. Subsequently, production is curbed and unemployment rises; adjustments then follow in its wake—many of which prevent a correction of the basic cause.

Price and Trading

Adapting this concept of trading to the problem of depressions requires a tool to help in analysis.

When I was a graduate student, my economics professor in Value and Distribution gave this advice: "This will be a dry, drowsy course. Some of you may be asleep when I ask you a question. Should you awake just then, not having heard the question, you need only answer 'supply and demand' and you will probably be right."

That advice applies also to analyzing the causes of a depression. The principle of supply and demand as affected by price is so important that an illustrative chart for a single commodity can be most helpful. It is hypothetical in its detail, but correct in the general principles to be derived. (See chart, page 128.)

The simple ideas revealed by this chart are these:

1. Less of a thing will be wanted at a high price than a low price, progressively.
2. More of a thing will be produced in anticipation of a high price than of a low price, progressively.
3. Supply and demand are equal at only one point, which is the free market price where trading will be at a maximum. Prices forced either way from the free market point will reduce trading, creating increases in "surplus" on the way up and in "shortages" on the way down.

It can be seen, then, that the quantities available and the quantities wanted operate like a counterbalanced seesaw, moving in opposite directions as the price changes.

When individuals are left alone to buy and sell freely what is their own, equality between wants and offerings will be reached in the same way two bodies of water reach a common level, if connected and free to do so. No outsider is necessary to manipulate it. No superplan is required. The innumerable decisions of individual buyers and sellers will maximize trade at the free point of price.

Trade, economic welfare, and peace will be at their maximum at the free price. Prices rigged very high or very low will kill off practically all trading and reduce welfare to a meager point, generating terrific conflict.

The idea portrayed by this chart is an old one, common in every course in "Econ. 1." It is properly a part of even a high school course in the simple problems of living. Its newness, if so it seems, is only in this particular design.

This concept is readily accepted for beans, for potatoes, for shoes. It is, however, almost never applied to the idea of pay for hired work. And therein lies a form of ignorance which does unbelievable harm to the welfare of employees at times like these.

Pricing Work

It has become fashionable to assert that since we discarded slavery a century ago, labor is not a commodity and therefore the price of work—wages—does not act like the price of a commodity. This illusion does not square with the facts. For in principle, the supply and demand for hired labor—most clearly the demand for labor, as applied to this analysis—responds to changes in its price (wage) exactly as does any commodity.

True, persons in the flesh are no longer bought and sold on the slave auction block in our country. But the services men offer in the market place are subject to the same economic rules as beans and automobiles, because it is only what the services produce that makes them worth anything. When a person offers his services to an employer at a price, or when an employer offers a

job to someone at a price, the other party responds favorably or unfavorably in the same way as does a farmer selling his produce or an auto dealer discussing a trade with a prospect. There is really no difference, in this sense, whether a farmer is selling the potatoes he has grown or is offering his services to a neighbor to help grow potatoes.

Unionized labor obscures the pricing process as applied to hired work but it does not change the principles of price action. The only difference unionization makes is that the package being traded is larger than when each single person sells his own services. A mistake is more serious when more people are affected. So unionization of labor, rather than freeing members from the rule of price action, makes it all the more imperative that these laws be known and observed in all wage negotiations.

Productive work of any type and under any selling arrangement has a price and is subject to all the rules of price action.

Penalty of Over-Wage

When the price of a commodity like potatoes is set above the free market level, fewer are wanted and more will be produced as quickly as incentive can become an accomplished fact. With fewer wanted and more offered, a “surplus” results for which there is no other cause. The higher the over-price, the larger the surplus and the less trading there will be.

Exactly the same thing happens when services are offered in the market. At the free market point—and at no other—those wanting work and those for whom work is waiting will be equal; there will be no real unemployment. As wages rise above the free market point, however, more people want to work and fewer people are wanted at hire; trading declines; unemployment rises, as more and more people want jobs that do not exist *at that wage level*.

No man is wise enough to know, without evidence of the market's action, what the free price for potatoes should be at any time. He knows it only after the fact; if a surplus exists, the price will be known to have been above the free market point; if a shortage exists, he knows that it was too low. He knows the trail of the free price, in other words, only by the tracks it leaves in

terms of surplus or shortage.

The same can be said for hired labor. The trail of the free price can be found only by the unemployment tracks it leaves. The more unemployment, the higher the over-wage must be.

All of us know how this works if we reduce the problems to instances within our own experience. When we say that millions are employed or millions are unemployed, these are only summations of individual experiences.

One can surely think of some task around home where the wages being asked by those for hire are just too much to pay, so he does the job himself—perhaps he paints his own house or repairs his own roof. Or he may decide to do without something the high wage puts out of his reach. Perhaps he lets the painting go for another year or two, or leaves his locks uncut a few more days—barber rates being essentially the same thing as a hired wage.

Moving from direct work to products in our complex economy, we find the same thing. Deciding that new car prices are too high, one may use the old one another year or two, or forgo acquiring a second car. When he does any of these things, he is in effect discharging—through remote control—all the workers who would have produced and assembled the car and all its parts. But rather than to reject the wage offer directly as with a house painter, the message is sent indirectly to unknown auto workers all along the long chain of jobs involved in its production. It takes time to send the message all this distance, during which inventories pile up. Unemployment piles up, too, becoming a serious problem because the price message was not transmitted quickly and accurately.

So for indirect work, the prices process still works the same as with direct work, but suffers delays and temporary mistakes.

Since excessive wage cause more and more unemployment, wage changes can cure unemployment and boost business activity. We know how this works for one person in a specific job, and for another person in another specific job; so it must work for the entire labor force when viewed as an aggregate.

Unemployment depends on the wage level, and on the top wage the consumer market will offer.

Wage Changes

The notion prevails that during depressions wages would, under free market pricing, fall to starvation levels and leave untold numbers of persons without work at any price. It is true that as an economy becomes more and more complex, it is more and more difficult to see how its problems could be resolved. An intricate machine is the work of many hands. So when the economic machine fails to operate, it affects many persons. This means that mistakes in a complex economy are more serious than in a primitive one. By the same token, more persons should want to prevent pricing errors.

Economic complexity does not mean that wages would go to near zero under free pricing, even in times of depression. Some of the best work on this question has been done by Douglas and Pigou.⁸ Their studies indicate that employment, instead of responding sluggishly to wage changes, responds by large amounts. Their conclusions, essentially in agreement, show that a decline of one per cent in wages will uncover jobs for 3 or 4 per cent more persons.

If we apply their minimum figure of 3 per cent to the total urban hired labor force of 53 million persons, in a manner indicated by the earlier chart, we can see the power of wage rates in causing and curing unemployment:

<i>Wages as per cent above free market</i>	<i>Unemployment in millions</i>
0 (Free market)	2.0 ("normal") ⁹
1	3.6
2	5.1
3	6.6
4	8.1
5	9.6
6	11.0
7	12.4
8	13.8
9	15.1
10	16.5

From these figures we may conclude that the 1958 high of 5½ million excess unemployment was the result of over-pricing hired labor by an average of only 2 per cent; that the above-normal unemployment could have been cured by dropping wages where they were too high by an average of only 2 per cent.

From these figures we can also estimate, based on the Douglas-Pigou studies, the levels of unemployment we would have if we pushed wages higher and higher in relation to the free market level. For instance, a wage-rate excess of only 5 per cent would presumably disemploy about 10 million persons; 10 per cent, about 16½ million persons.

This danger is important in the face of a continuing tendency for wages to outrun productivity; for prices to be pushed up more and more in relation to prices in the international markets. Many workers in major industries have been given automatic raises, irrespective of the unemployment these may generate.

We get whatever level of unemployment we deserve, according to the powerful leverage of wage rates and the consumer responses to resulting prices.

Inflation's Effect

As inflationary money is poured into the money stream, higher wages are not what they seem. Inflation robs dollars of a part of their buying power, reducing the worth of the higher wage in terms of what it will buy. It takes cents out of each dollar, in buying power.

There are plenty of reasons to oppose inflation, but it must be admitted that inflation could reduce unemployment to the extent it outruns wage increases and makes them a lesser burden. The "cost of living" escalators in wage contracts, however, automatically prevent this adjustment. They prohibit even this one advantage of inflation, as a crude way to cure unemployment.

The way these escalators work is well illustrated by repeated events in the automobile industry. An increase in the basic wage of auto workers pushes up the prices of cars. The higher car prices then become the major factor in a new rise in the index of the cost of living, which in turn escalates the wages of auto

workers still higher. The circuit is then ready for another whirl. Such a process will no more adjust affairs in a depression than would climbing a ladder even higher and higher get you back down to ground level—short of a fall.

So long as organized labor is empowered to force wages above the free market level, only a chronic optimist could assume that this power will not be used in a futile pursuit of inflated prices. And so long as that power exists, the effect will surely be to perpetuate unemployment and deepen depressions.

Historical Tests

This theory of how wage rates cause and cure unemployment is not an untested theory of the Douglas-Pigou ivory towers. Depressions have tested the matter, time and again.

The depression which began in 1929 and reached its depth in 1932-1933 caused unemployment of over one-third of our employee labor force at that time. As best we can judge, this was the consequence of wage rates less than 15 per cent above the free market level. Unemployment continued at a somewhat lesser level from 1933 to 1939, when unemployment was still almost ten million. Never in that entire period did wage rates adjust to the free market point.¹⁰

Another interesting test of this concept is the experience of Britain following World War I, as reported in two articles by Sir Josiah Stamp in the *London Times*, June 11 and 12, 1931. His articles brought up to date the work originally done in 1925 by M. Jacques Rueff, a brilliant young French economist. By relating wage rates in Britain to the market prices of the things they produced—essentially the same concept being discussed here—Professor Rueff had been able to determine unemployment in Britain from 1919 to 1925 with some 95 per cent accuracy. When Sir Josiah Stamp had the relationship tested again for the years following 1927, it showed a continuing high degree of accuracy (89 per cent).

Doles Instead of Jobs

In Britain following World War I, as wages came more and more in line with prices, unemployment continued to decline. Then, in 1923, unemployment reached a floor of 1,200,000, resisting further decline. At first this perplexed the inquirer, until he realized that the British dole at this point maintained the level of unemployment.

The dole was set so high that the least productive workers and the sloths were being given more income for doing nothing than they produced at work. These persons would ask themselves: Why take a job, if well paid for doing nothing? The 1,200,000 persons who looked at it this way became the chronic unemployed of Britain in the 1920's. Their support in paid idleness had to be borne by those who worked.

The same plight will surely plague us here in the United States, if we likewise reward idleness. If a dole chases wage rates up, so that a "wage for doing nothing" competes with jobs, we shall permanently saddle ourselves with the costs of untold numbers who will live in idleness and mischief.

To illustrate, unemployment benefits in the amount of \$45 a week mean \$1.12 per hour for doing nothing for 40 hours per week—if it makes any sense to speak of the length of a work week not worked. Or we can look at it this way: Working 40 hours a week at the legal minimum of \$1.00 per hour would earn \$5.00 a week less than this dole for doing nothing.

Suppose you wanted to hire an unemployed person at half again the legal minimum, or \$1.50 an hour for 40 hours, i.e., \$60 a week. Being able to get \$45 a week for not working, your offer yields only \$15 a week—37½ cents an hour—for all the pain of working, for the expense of getting to and from work, and the like. This "starvation wage rate" of 37½ cents is created by the unemployment benefits offered for not working. The effect of these "benefits" is to reduce your wage offer, in effect, from \$1.50 per hour to a mere 37½ cents an hour. And you are, in addition, taxed to pay the dole for idleness.

In fact, the situation is even worse. The \$45 dole is tax free,

whereas if he accepts your offer and takes the job, he will be taxed on the pay for work done.

So the higher the dole is boosted for not working, the less attractive becomes any wage as compared with idleness. That is why the British dole maintained high unemployment during the 1920's; why a dole can permanently saddle our economy with the burdens of idleness, as we repeat the same mistakes here.

The selfish advantages of paid idleness are evidently apparent to labor union leaders. Witness how the United Auto Workers in 1958 demanded that employers lay off some workers completely, rather than spread available work among all workers. Why? Because they knew that unemployment compensation plus supplemental unemployment benefits would exceed the pay for working. The fact that these "gains" had to be paid by those who continued to work seemed of no concern to them.

The Cost of Wage Excesses

The cost to the entire economy of excessive wage rates is fabulous, indeed. An unemployed person produces nothing for the market, so whatever he gets must be provided by those who work.

In speaking of wage rates forced above the free market point by monopoly privilege, Professor Simon Rottenberg has identified it with corruption in unions.¹¹ This astute observation amounts to saying that the free market wage is justice; that a higher wage becomes a fund that can spawn corruption of varied sorts.

Let us illustrate the price we pay for excessive wage rates by specific figures. Were the average wage rate to be set by decree at 10 per cent above the free market level, and kept there, I would estimate that production lost as its consequence would reduce the level of living for the average family in the United States by more than one-fifth—an expensive "benefit."

The burden of excessive wage rates, however, does not fall evenly on all the people. Those who fare the best will be those who enjoy longtime contracts or monopoly status—government

employees, for instance, whose fixed incomes while prices are falling give them every reason to welcome a depression. The burden falls most heavily on those who lose their jobs, except for a dole which they may be able to extract legally from their fellow men.

Taking a single person who has overpriced his services, we can see its foolishness most clearly. Let us say that he is now getting the limit the market will bear, \$2.50 an hour; that at \$2.51 an hour the market will refuse to take what he produces; that at \$2.51 his employer would have to terminate his employment. If he demands the \$2.51 wage "to raise the purchasing power of the nation," he will instead lose the \$2.50. In forcing one's wage to where the job disappears, it reduces to zero the earned purchasing power of that person. A mere one cent excessive wage demand will eliminate the job and what it could produce.

One wonders how many New York workers will feel they can pay three hours for one, to buy electrical work under their new wage contract? Or how many West Coast workers can pay four hours for one for plumbers and electricians; or more than one for one to hire ordinary garden or other unskilled labor?

A Quick Cure

Depressions are a price we pay for our economic ignorance of how an advanced economy works. Were we wise enough, we would realize that we can create any level of unemployment through the asking price set on wages; that for the same reason, we can cure any level of unemployment, promptly, by eliminating the overpricing of wages and the products of labor.

When wages are overpriced and buyers fail to buy, for the nation as a whole it is a case of refusing to pay ourselves the prices we demand in wages. The housewife, so to speak, is refusing to pay the price necessitated by her own husband's wage demands. I dare say that plenty of automobile workers are among those rebelling against the automobile prices necessitated by their zooming wages over recent years; that many steel workers bypass in the market place the products made from their steel, because of the "excessive prices."

In a complex economy like ours, of course, the lines that connect wage demands and the retail counters are long and entangled. Were they shorter and more direct, we could see this relationship more clearly and accurately, and we would deal with such problems more wisely. But in failing to realize that pay for current work is about 85 per cent of the average price of things for sale—rents, royalties, interest, and dividends combined being only about 15 per cent—we commonly pin the tail on the wrong donkey, in placing blame for high prices.

If employees would only accept a continuation of employment as of even more concern than any particular wage rate, I am confident—based on figures given earlier—that abnormal unemployment could at any time be eliminated by an amazingly small reduction in hourly wages.

Suppose, for instance, that the manager of a certain firm enjoyed sufficient confidence of his employees for them to negotiate an agreement like this:

“We prefer that all continue working at whatever wages we can earn. Whenever the prices and wages which previously prevailed no longer enjoy a market for the full output, we propose, for the duration of the emergency, a continuation of full output. This will be sold at the best prices the market will pay. After paying all costs other than payroll and profits, management will divide the proceeds proportionately among the participants, share and share alike. We trust management to honestly account to us on this basis, paying us the highest possible wage the market will allow for full employment in continued productive work.”

This program would, without question, cure unemployment wherever it were to be adopted. In most instances, I believe the decline in “real” wage would be surprisingly small—especially as firms in increasing numbers joined in the same program of full employment.

Such a procedure, however brought to pass, is the only way to really cure unemployment. The quicker it is done, the better for all concerned. But it is a program that employees and management of individual firms can start whenever they decide to do so, curing their own unemployment at once, hoping that the rest of

the economy will do likewise.

Those who take such a step might object to having to carry the heavy costs of a dole to those who refuse to do likewise. Then pressure would mount to eliminate the dole in favor of adjusted wage rates and voluntary full employment; that would be wholesome, too.

The Dismal Science

Economics has been called the dismal science, possibly because it denies that (economically) 2 plus 2 can equal 5; it denies that we can consume what has not been produced; it denies that we can raise buying power merely by raising wage rates; it denies that we can cure unemployment by asking for even higher wages—already so high that consumers are refusing to pay the prices they necessitate.

It is strange that economics alone is called a dismal science, merely because Utopian schemes are denied by evident truths. After all, other disciplines and sciences are rigid, too. Algebra is strict in matters of equality within an equation. Geometry holds firmly to the total of the angles within a triangle. Chemistry identifies anything other than sodium and chlorine as impurities in table salt. Rigidities are parts of an ordered universe.

Depressions call for prescriptions that will cure the patient, not make him worse. What is needed is to find prices and wages at which full employment will again prevail. Why not enthrone a dictator? Pareto found that for a simple community of 100 persons trading 700 products, a dictator had to know facts he could not know and keep solving 70,699 simultaneous equations. Yet the solution is found “automatically” in a free market by persons who can barely count; each solves only that which is *his* business.

Outlook

There may now be even less general understanding of what causes depressions and what will cure them, than there was in 1929; less understanding that labor is subject to the same laws of

price as is any commodity; less understanding that unemployment is the fever on the brow of an over-priced wage economy; less understanding that purchasing power of employees can be raised by *lowering* wages instead of raising them, in times of depression.

The next economic upheaval, when it comes, will probably not be a near-image of the 1929-1939 depression. Each seems to have its own pattern. But in one way or another, wage rates and unemployment will probably again be in the forefront. We might then sow the seeds for the greatest peacetime inflation this country has ever known, while fiddling with political futilities to effect a cure. Or, we might do for ourselves what government can't do for us: *negotiate wages at the free market point and restore jobs to all who want to work.*

NOTES

1. "Reflections on the Dangers of the Present Economic Situation."
2. Editor and Publisher of *Business Week*, in an address before the Savings Bank Association, Washington, D.C., October 3, 1955.
3. Swedish Economist: Managing Director, International Monetary Fund.
4. World Conference of the International Economic Association, Denmark, September, 1959.
5. Angly, Edward, *Oh Yeah!*, New York: Viking Press, 1931.
6. From his unused notes for a speech. See Caroline Thomas Harnsberger, *The Lincoln Treasury*. Chicago: Wilcox & Follett Co., 1950, pp. 117-118.
7. In an economic system as a whole, composed of many persons, more money for the buyers can come only from the sellers. For illustrative purposes, it is here assumed that Miss Smith is the only seller.
8. Douglas, Paul H. *The Theory of Wages*. New York: The Macmillan Company, 1934, p. 501.
9. Pigou, A. C. *Theory of Unemployment*. New York: The Macmillan Company, 1933, p. 97.
9. The 2 million "normal unemployment" are persons voluntarily not working, for one reason or another, among those said to be in the labor force.

10. Evidence on wage rates in relation to labor output for this period is given in the author's book *Why Wages Rise*, which is reprinted in volume one of *The Writings of F. A. Harper*.

11. Rottenberg, Simon. "A Theory of Corruption in Trade Unions," 126th Meeting of the American Association for the Advancement of Science, December 31, 1959.

Defending Private Property: Devaluation and Inflation

These are extremely difficult times during which to protect private property and its buying power. Inflation and devaluations are causing increased monetary chaos around the world. . . . The primary responsibility of a free man is to defend himself, his family, and his private property. Unfree persons (slaves) with no private property are almost totally ineffective in helping others to be free. He serves mankind well who defends his own freedom and property.

Devaluation

Few things are more wisely used but less understood than *money*. The worth of a paper dollar could double or treble in value, or plummet to a trillionth of its former worth, without changing its size, weight, appearance, feel, or taste. When such things are done to money, they go largely unnoticed by most of the victims and baffle most of the others. . . .

To understand the effects of devaluation, one must first grasp a few simple fundamentals about money and exchange. Unless this is done, the endless violations of sound money that occur in countries the world over are confusing indeed.

To understand the essence of money, one must think of the money of each country as if it were an economic commodity, which it is, just like any other commodity. Whether money is gold, silver, or something else is irrelevant here. What is important is that money is a commodity and acts as a commodity economically.

Any economic commodity has value only because (1) people want it and (2) it is scarce. Because it is scarce, there must be some method to determine who gets what there is. Some who want it

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must go without. No amount of wishing otherwise and no scheme of “common ownership” can change that fact.

By what test of merit should the selection be made? Before trying to answer that question, we should first consider how any commodity acts in the marketplace.

The chart on page 128 answers many important questions. The principles it teaches apply to any commodity, including real money. From the chart we can conclude:

1. The lower the price, the more will be wanted.
2. The lower the price, the less will be produced and offered for sale.
3. Freedom in the marketplace pulls the price toward that point where the amount wanted will equal the amount offered—at that price.
4. Prices pushed above the free-market point cause “surpluses;” prices pulled below the free-market point cause “shortages;” surpluses and shortages are economically, not physically, determined.
5. At the free-market price, the greatest quantity will be traded, therefore the greatest prosperity will occur; both trading and prosperity will decline as the price is forced either above or below the free-market price.

Money, like any other commodity, obeys those principles.

To understand the value of money, we must first consider what “value” means. Two features are important:

1. *Value is a ratio of worth between two things.* Nothing has a fixed or intrinsic value aside from other things. To ask, “What is the value of wheat?” is meaningless until we inquire, “Relative to what?” If the reply is “relative to corn,” for instance, then one might say that a pound of wheat is worth two pounds of corn. This is the same as saying that the value of corn is half that of wheat, per pound. One cannot speak of the value of wheat alone, nor of corn alone.
2. *Value is subjective, not objective.* Value is determined by each person’s subjective judgment at any given time, and this keeps changing for all sorts of reasons. Measures in the

physical world, such as distance, can be viewed alike by all persons and measured with a common ruler. Values, on the contrary, are determined by each person differently from every other person.

The subjective and changing nature of value is extremely important. It is the basic reason why freedom in the marketplace is essential to freedom elsewhere. It is why every control, without exception, brings trouble and distress; controls move people toward poverty and destitution instead of toward economic betterment. Subjective value applies to money as well as to other things.

We come, then, to the question of the value of money, and we must ask, "*Which money, and relative to what?*"

"Price" is a ratio of exchange between money and some other commodity. Money is one end of every price ratio. If a bushel of wheat sells for two dollars, we call this ratio its price. Or, at the same ratio, we could say that one dollar is worth half a bushel of wheat.

The value of money, then, calls for a different answer for each and every one of untold millions of things that are being bought and sold. Need we go further in trying to answer the endless question of *money's value*?

How fantastic it is that governments presume to be able to regulate the value of money! Yet governments persist in trying. And citizens persist in requesting their governments to try to regulate the value of money.

Even the United States Constitution contains this provision: "Congress shall have the power . . . to coin money, regulate the value thereof, and foreign coin. . . ." *Regulate the value thereof?* What a fantastic illusion this is! No government can really regulate the value of anything. The nature of things denies government this power. Only people can do it individually as they determine values and express them in the marketplace. And the larger the combination of governments that attempts to regulate value, the greater will be the failure and the worse in the end will be the debacle.

Just as two commodities have a ratio of value between them

(like a pound of wheat being worth two pounds of corn), and each has a ratio in terms of money (wheat valued at \$2 per bushel), in like manner two monies have a value ratio between them. For example, until 1967 the United States currency price of sterling was \$2.80 to the British pound (or vice versa). Every country's money has a value in terms of the money of every other country.

Devaluation is the arbitrary change by a government of the official ratio of its money to other money. This may take either of two forms:

1. A change in the country's price of the commodity that underlies its own currency. For instance, when the United States in the early 1930s changed the price of gold from \$20.67 an ounce to \$35.00 an ounce, this was one form of devaluation. (To de-value means to take value away from something. In this instance, the dollar was devalued by 69 per cent in terms of gold.)
2. A change by one country of its price for another country's currency. Britain's 1967 devaluation was of this type. The dollar price of the pound sterling was reduced (devalued) from \$2.80 to \$2.40. Thus, sterling became less valuable in terms of the dollar. No other currency was necessarily affected, except as other countries chose to act in accord with the British action and did likewise. The currencies of uninvolved countries—Switzerland and Germany, for instance—were not devalued in terms of the other, and trades between them remained unaffected.

Britain's devaluation was relative to the dollar and not directly relative to gold. But indirectly the devaluation automatically devalued the British pound in terms of gold, to whatever extent and so long as United States money is based on gold. Indirectly, the devaluation raised Britain's currency price of gold by one-seventh.

Another type of action might also be mentioned. It is possible, but most unlikely, that every country in the world would raise the price of gold by the same amount and simultaneously; hence,

exchange rates between currencies would remain unchanged. We could then say that every currency was devalued in terms of gold but not in terms of each other's monies. This is a highly unlikely event and deserves only brief mention.

The effects of a worldwide monetary up-pricing of gold would be these: Each unit of paper money would then buy proportionately less gold; each ounce of gold, either newly mined or sold from existing supplies, would buy that much more paper money or other things until other prices rose; gold mining would be stimulated; much privately owned gold would be sold for industrial and monetary uses; the bases for governmental issuance of paper money would be increased unless offset by curbs on currency issue; inflation would run apace with the increase in paper money issuance and/or credit expansion; the inflationary effects would appear the same as from any other cause.

It should be emphasized, however, that an increase in the monetary price of gold up to the free-market point would not be inflationary in an adverse and improper economic sense; it would merely permit gold to resume its proper place in human affairs and welfare as a semi-industrial metal. The "shortage" of gold would disappear throughout the world almost immediately.

The British devaluation was an arbitrary change in the controlled price of United States money—that is, in the controlled exchange rate between British and United States currencies. The control operates under the state monopoly of the power to issue money. The British government increased the price of the dollar from 7.14 shillings to 8.33 shillings in the same arbitrary way it might increase the controlled price of any commodity from 6 shillings to 7 shillings. Thus, British money immediately lost one-seventh of its value in terms of the official exchange rate for United States money, and vice versa.

Trading money for money is not the heart of our question, however. Monies are used mainly to buy other things. So the immediate practical effect of British devaluation was to change the *relative* prices of things for buyers in the two countries. A

British car selling for 1,000 pounds sterling formerly cost a United States buyer \$2,800; after devaluation it suddenly cost only \$2,400. In like manner, a United States car selling for \$2,800 formerly cost a British buyer 1,000 pounds sterling; after devaluation it shot to 1,167 pounds sterling. Bargains suddenly appeared for dollars buying things in Britain and disappeared for pounds sterling buying things in the United States. The stimulus to British sales and curbing of United States sales will persist until and unless export prices rise in Britain and/or decline in the United States to offset the amount of devaluation. Until then, the influence on business volume, employment, profits, and stock prices in the two countries is clearly to the short-term advantage of Britain and to the short-term disadvantage of the United States.

The speed of adjustment in prices between the two countries will depend on circumstances. All sorts of adjustments to the change begin at once, of course, and immediately affect the new situation that devaluation has brought about, but at different rates for different things. One may compare it to two tubs that contain a variety of fluids and other items and are connected with conduits. Let us assume that the contents of the two tubs have been at the same level for some time. If suddenly one of the tubs is elevated, some of its contents will begin to move through the conduits to the other tub. The rate of flow will be fastest for the most free-flowing items, and more slowly or not at all for other items.

Let us now consider commodity prices in two countries whose foreign exchange rate has been changed by one of them, as was Britain's in the 1967 devaluation of the pound sterling from \$2.80 to \$2.40.

For a commodity widely traded in world markets and easy to move from one country to the other, such as platinum and silver, the *relative* prices can be expected to adjust almost immediately in exact response to the degree of devaluation. Let us say that before devaluation a certain commodity of this type was selling in the United States at \$2.80 an ounce and in Britain at one

pound sterling per ounce. Immediately after devaluation but before prices have adjusted to the \$2.40 situation, anyone in the world with \$2.80 in his pocket can buy 1-1/6 ounces of it in Britain, but only one ounce in the United States. Anyone anywhere in the world with a pound sterling in his pocket can buy one ounce in Britain but only 6/7 of an ounce in the United States. Fantastic profits can be made by buying it with either currency in Britain and then selling it in the United States. Very little is likely to move, however, because free-market trading will close the price gap almost immediately and eliminate the profit that devaluation introduced. Once the gap has been closed, the price within the United States might still be \$2.80 as before, in which event its price in Britain would have risen by 1/6; or the gap could be closed at some other price.

That effect of devaluation would be automatic and precise if markets were free and if there were no costs of moving the commodity from one country to the other. It is well illustrated by the action of the price of silver in London at the time of the 1967 devaluation; immediately after the British price of the dollar went up one-sixth on Saturday, November 18, the price of silver also went up one-sixth (relative to New York prices) after some temporary market confusion.

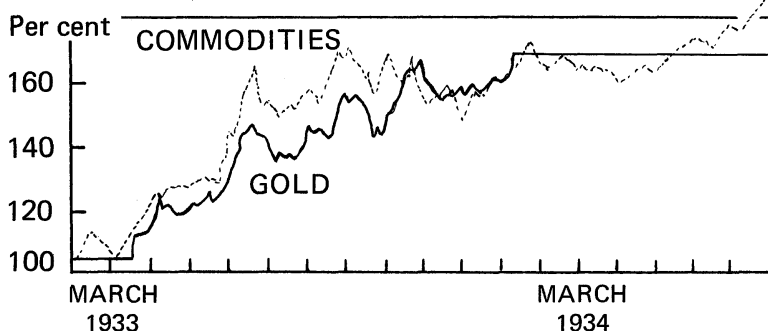
Rents in London, on the other hand, were the same on Monday as on the Friday before devaluation. Slowly the effect of devaluation flowed into rents, however, which rose due to suddenly having become cheaper than silver and other things.

Prices of other things respond somewhere between the two types illustrated by silver and rents, which represent objects with the most and the least sensitivity. . . .

To illustrate the action of commodities that respond acutely to influences such as devaluation, it is worth reviewing what happened in 1933-34. The United States left the gold standard, in effect, on March 3, 1933. No control was placed on gold prices for more than eight months, after which an escalating price control was used. Finally, a price of \$35 an ounce was reached, or 69 per cent above the previous year's price. When the price was

freed in March, 1933, the price of gold rose rapidly but fluctuated as waves of opinion swept back and forth about prospective inflationary and deflationary acts of the various governments. The overall action of commodity prices relative to the price of gold during that period is shown by the chart below. It can be seen that the patterns are highly similar, though differing in detail and for short periods.

PRICE CHANGES: Gold & 30 Basic Commodities, U.S.



It is well to remember, especially under conditions of such uncertainty, that economic decisions and prices in the market are made by all sorts of people, for reasons that may or may not seem reasonable to others. . . . What makes the price of anything is the amount of money laid on the line in the marketplace, not the intelligence of those who placed it there or their reasons for doing so. A free price is always at the point of balance between those who think the price is “too high” and those who think it is “too low”. . . .

A successful manager of funds and property will, therefore, set sail on a wise course guided by the long-term fundamentals of the situation. He will also leave plenty of room for intermediate swings caused by unpredictable persons and events. One who thinks there will be devaluation would be wise to act by these general guides:

1. A higher gold price is inflationary of both the money supply and prices.

2. During inflation, “things” rise in value but money loses value.
3. The borrower gains and the lender loses, in terms of buying power.
4. Things that are easily traded, easily moved, and cheaply stored will rise quicker and more in price than other things lacking these features. Precious metals illustrate the primary beneficiaries of inflation, especially when persons the world over are wanting more and more to keep their savings in such things rather than in paper money or bank accounts.

Inflation

Inflation means too much money. The way to prevent inflation is to close down the money factory. It is just that simple. All the complicated gibberish one hears and reads about inflation simply blocks an understanding of the essentials of the problem. Making the task of preventing inflation seem hopelessly complicated, however, may impress the ignorant or hide the negligence of those responsible for inflation.

The money factory in our present money system is operated by the federal government, either directly or by farming it out to subcontractors under government control. Government makes paper money to replace that which is dirty or worn out. It makes new paper money to increase the supply. It makes pennies, nickels, and other coins. It permits the banks to grant credit to borrowers, which becomes money that is interchangeable with any of the other forms of money in use.

For purposes of seeing where responsibility lies in the inflation problem, however, we need not concern ourselves with all these different kinds of money. It is necessary only to say that at present all forms of money come out of the government factory, or are controlled by the government, under a complete monopoly.

If anyone doubts the existence of the government money monopoly, he can test it by manufacturing some money himself—even one cent. He would then be charged with coun-

terfeiting and be given a penitentiary sentence for having infringed on the monopoly. The policeman—prosecutor and judge in this instance—actually enforces the monopoly!

The money monopoly is a strange one. We usually think a monopoly restricts output, which can then be sold at a much higher price. But in the money monopoly the government can force the citizens to take the entire output of its product.

Not only that, but the operation is highly profitable—nearly 100 per cent, or almost the entire price of the product. This is one clear case of an “excess profit” that victimized customers are forced to pay.

If the money monopoly were not so profitable, there would now be no inflation problem. The profit incentive works with money and stimulates its production, just as it does with anything else. In olden days when some otherwise useful commodity, gold for instance, was used as money, anyone who wished could produce as much of it as he liked. The production of money was then legal and competitive, rather than a crime as it is today. Its production was so costly in time and expense that inefficient producers were crowded out, just as they are crowded out of the production of brooms or mousetraps.

This is not so with the paper bills and deposits that make up most of our present-day money of exchange. It doesn't cost much for the paper and ink and printing needed to make a \$100 bill. It is probably the most profitable monopoly that ever existed, and the entire force of the federal government is available to protect its monopoly against the infringement of private counterfeiting.

When a private citizen counterfeits money, the wrath of other citizens is aroused. They say, “He did no useful work to get that money, yet he spends it in the marketplace, taking food, clothing, and other things away from those of us who earned our money by working for it. He takes useful things out of the market without producing other useful things to go into the market, as we do. The effect of his chicanery is that prices go up, and the rest of us receive less and less for our money.”

That is a correct statement of what happens under counterfeiting. It is the reason for objecting to counterfeiting, because the counterfeiter gets something for nothing. It is also the reason for objecting to legal counterfeiting. If everybody tried to live off counterfeit money, one would discover at once its effect in the extreme. There would be nothing to buy with the money; it would be completely worthless.

When the government makes new money and spends it, the effect on the supply of things in the market and the effect on prices are exactly the same as when any private counterfeiter does so. The only difference between the two is whether it is a private counterfeiter who gets benefits looted from others, or whether it is a counterfeiting government spending it on pet projects—projects that citizens are unwilling to finance either by private investment or by tax payments. . . .

The government makes this new money in order to cover what it spends in excess of its income—its cost in excess of its tax revenues. The government makes up the shortage with the new money made in its monopolistic money factory. For our present purposes, it makes no difference whether this is done with paper bills directly or with bills that it obtains by issuing another form of paper money, government bonds, which are forced upon the banking system.

What the government does is like a counterfeiter who continuously spends more than his earnings and who goes to his basement print shop each evening and makes enough counterfeit money to balance the shortage. His print shop might put out either paper money directly or counterfeit bonds that he sells to banks in exchange for money; the effect would be the same in either instance.

The way—the only way—to stop this form of inflation is for the government to live within its income. This can be done either by raising enough taxes to meet its costs or by paring down its costs to equal its income.

A family's breadwinner might try the former method by asking for a raise or hustling for more sales, but in the end a family

must always resolve the problem by spending less than it would like to spend and by living within its income.

The government holds unlimited power to tax every family in the nation and for several decades has been raising more and more taxes. But it has never resolved the problem that way. It appears to have forgotten the possibility of reducing expenses as the means of living within its income and avoiding inflation.

The only way to prevent inflation is to prevent governmental deficits—to pay currently and in full all the expenses of government that we either demand or tolerate. To do this it is necessary either to increase taxes or to cut government costs. We are only kidding ourselves if we say that we can avoid both taxes and governmental frugality, by inflation-financing of the excess of costs over income.

Inflation of the type we are discussing is in reality a form of tax, not an alternative to taxes. It is, in fact, perhaps the most pernicious form of tax, for the reason that it is not recognized as such. It can ply its evil way under cover of ignorance and without the resistances and disciplines of a tax that is open and recognized.

We speak of direct and indirect taxes. Property taxes or income taxes that are paid by individuals are direct taxes; only about one-third of all taxes are of the type we can see clearly. Indirect taxes, making up the other two-thirds, are collected at some point away from the consumer and are buried in the prices of things we buy and the services we employ. All these direct and indirect taxes are at specific rates that are set by a government body charged with that responsibility. They decide what will be taxed, and how much.

With inflation, however, which is also in reality a tax, it is not these taxing bodies that designate the tax. It is a tax created by default. When the spending part of government outruns the taxing part, the difference is financed by governmental counterfeit, by inflation that falls as a tax on each person in the marketplace in the form of higher prices for what he buys. Everyone who uses money for buying in the market pays some of this form

of tax. It is the close equivalent of a sales tax on everything. One who favors deficit spending—the “inflation-tax”—should not be opposed to a sales tax imposed on all purchases of goods and services, without exceptions. The only important difference is that the sales tax is known to be a tax, but the inflation-tax is thought to be avoidance or postponement of the tax. Also, the inflation-tax penalizes the saver more than does a sales tax.

People who would otherwise protest and curb the extravagances of government are lulled by the foolish notion that inflation is a means of postponing payment of some of the current costs of government. It is especially tempting to try to avoid taxes when the government is spending with abandon for a “national emergency.” It is then argued that, since the expensive projects of government are largely for the benefit of later generations, why shouldn’t part of the costs be left for them to pay?

The truth is, however, that if the government this year dips into the national punch bowl of goods and services that are produced and available, what it takes out and squanders this year is not there for others this year. The more government takes and squanders this year, the less someone will get back this year compared with what he produces.

Why, if we ignore the item of foreign trade balances, is it believed that a nation can postpone this year’s cost of government? Probably it is the presence of money that confuses us. If we were to think only of punch and potatoes, and things exchanged by barter, we would not be confused because we would then realize that we cannot eat potatoes this year that are to be grown next year.

A whole nation of persons can’t go on year after year consuming more than it has to consume. It can’t do it for one year or even for one day. It can’t do it by allowing inflation or by any other means. Failure to realize that inflation is a form of tax leads to the false belief that inflation affords a means of postponing some of the costs of government. . . .

Our present situation comes into clearer focus when inflation

as a form of tax is understood as such. A part of the cost of government is paid for by what is commonly called taxes, in both direct and hidden forms, levied by the taxing part of government. The remainder of the cost of government is paid for by the inflation-tax, which is in reality levied by the appropriations part of government over the protest of the taxing part of government that has refused to raise all the taxes needed to cover all appropriations. This results in inflation, and prices rise.

Then there is said to arise a “need” for another big project in government—the “inflation fighters.” A big force of lawyers, economists, and “policemen” is hired. They organize the citizens into community inflation-fighting gangs, to lend an appearance of local respectability to the endeavor. These local organizations also insure that neighbors will be enrolled to serve as policemen over their neighbors in the front line trenches where the fiercest fighting is most likely to occur.

Why does all this new machinery seem to be necessary? What are they doing? The new branch of government is set up for the purpose of fighting the payment of the inflation-tax that has been assessed by another branch of government—the appropriations division. It would be as logical to have the government set up a big unit in Washington with citizen committees to conduct a tax revolt against the payment of income taxes—to fight the Internal Revenue branch of the Treasury Department.

Every illusion floats on a plausibility. . . . When there is inflation, prices rise. It would appear, then, that inflation is caused by rising prices. And this is the weapon of plausibility selected by the price-control part of government to justify its fight against the appropriations part: “The way to fight inflation is simple—just establish price controls, and prohibit prices from rising.”

There are two ways, in general, to test the truth of a proposal like this and to prevent the practice of quackery: judging from experience, and reasoning to the right answer. By both of these tests, price control is shown to be economic quackery.

There has been a wealth of *historical experience* with price controls. In fact, a recent archaeological discovery reveals that the

oldest known laws in the world were price control laws—3,800 years ago in Babylonia.

One of the best summaries of historical experience with price controls is easily accessible to government officials and others. In 1922, Mary G. Lacy, librarian of the government's Bureau of Agricultural Economics, addressed the Agricultural History Society on the topic, "Food Control During Forty-six Centuries." She pointed out how her search of history over this entire period revealed repeated attempts in many nations to curb by law inflationary price rises. She reported:

The results have been astonishingly uniform. . . . The history of government limitation of price seems to teach one clear lesson: That in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater The man, or class of men, who controls the supply of essential foods is in possession of supreme power. . . . They had to exercise this control in order to hold supreme power, because all the people need food and it is the only commodity of which this is true.

We need not go so far back into history, and to a foreign land, for evidence. During World War II we were experiencing some of the vivid consequences of these controls in the form of the "meat famine." It was not a true shortage of meat at all. The trouble was that controls were preventing its exchange, all along the lines of trade from producer to consumer. This was only one small sample of the consequences of those wartime controls. How short are our memories?

Some may be tempted to ignore the long history of failure of price controls on grounds that "conditions are now different." Then they evidently do not understand the *reasons* why price controls must always fail. These reasons are perhaps the best test of whether price controls are likely to fail at any time.

It is impossible to consume something that has not been produced, and it is foolish to produce something that is not going to be consumed—to throw it away or let it rot. It follows, then, that a balance between what is produced and what is consumed is the most desirable condition—if, in fact, it is not economically im-

perative to have this balance. How is this balance of “supply” and “demand” to be attained?

Under a condition of price freedom, those who produce and those who consume will resolve the problem peacefully. The means by which they do it can best be visualized by reexamining the chart on page 128. The details, shown here as equal changes in price and quantities, differ from one product or service to another and change with passing time. But despite these differences, the principles we shall derive apply to each product; and they apply whether the price is controlled directly by government or by any other form of monopoly.

These are the principles of price—free and controlled—revealed by the chart:

1. Reductions in price cause increases in the quantities wanted (on the chart, five times as much at 10 cents as at 50 cents).
2. Reductions in price cause decreases in the quantities offered (one-fifth as much at 10 cents as at 50 cents).
3. Supply and demand are equal at only one point—the free-market price (30 cents); higher prices always cause surpluses (four-fifths remaining unsold at 50 cents); lower prices always cause shortages (four-fifths or the demand not supplied at 10 cents).
4. Trading and the economic welfare of both producers and consumers are greatest at the free-market price and are prevented as prices are forced either higher or lower.

The only instance in which “price fixing” fails to have these consequences occurs when it is set at the free-market level (30 cents), in which event the governmental edict is a sham because that is what the price would be in the absence of this pointless edict. This is the point where people are freely acting in response to the inexorable signals of the marketplace. Yet, doing business at this price becomes “lawlessness” and “irresponsibility” by edict when price control sets it elsewhere.

Prices that are rigged very high or very low will kill off practically all trading. Attempts to stimulate production, consumption, and trading by forced labor, the socializing of property, and

the subsidizing of producers and consumers, are all awkward attempts to replace the performance of people in a free market.

Under controls, those near the source of supply get most of it, and those at a distance have to go without. Black markets spring up. Distant consumers try to get some of the supply. Confusion increases and tempers mount. More and more price policemen are hired who, instead of producing useful things, try to quell the confusion and the chaos. The bill for their salaries and other costs is sent to the unfortunate victims of the controls.

The chart reveals the answer to the question: Will price control stop inflation? All history has shown it has failed. There is only one point of price where supply and demand are in balance, where both shortage and surplus are avoided, where trade is most peaceful, and where true welfare is at a maximum. If this incontestable fact is understood, the belief that we can escape reality by enacting price control laws must be dispelled as an illusion.

Price control really means that laws are passed to make official prices tell lies. One of the penalties for such lying is the creation of shortages that cannot be peacefully resolved.

The shortage, once created, must be dealt with by further powers of government and law. There must be "rationing" by the government of the shortage it has created by law, rationing of goods and services to individuals because the government failed to limit the output of its money factory.

When the free market is allowed to operate and to set the price at a point where supply and demand will equate, each person will have tickets, or purchase rights, in the market that correspond to the supply of something he puts into the market. Gifts, of course, are an exception; but in the case of gifts, the rights to draw on the market are still given by the person who supplied the market with something to be bought. These purchase rights are tickets of merit based on production. And the whole thing balances out, as we have said, peacefully.

When the government intervenes with price control laws, the balance is no longer maintained. There are now more tickets for things than there are things to redeem. There are shortages

created by law. Then governmental rationing seems to be needed, whereby government officials are empowered to decide who shall get the short supplies. Those interventions substitute political considerations for the merit of production under a free price in a free market.

Not only do government-controlled prices lie, but the process also rapidly promotes dishonesty among all groups—merchants, producers, consumers, government employees, everybody. The temptation to bribe government officials becomes great. In the last days of World War II, a grocer of extremely high integrity and wide experience told me that it was absolutely impossible for any grocer to practice honesty according to the law and still stay in business under price controls. The reason for this should be clear when we consider the legislated falseness and interference with business operations that become involved.

If the United States is to play a part in the world's moral leadership, it will have to be grounded in the morality of individual persons. This base is destroyed by such laws.

The shortages that result from price and wage controls are purely a legal creation, created by the price control law and nothing else. In an otherwise free economy, the "success" of any price control law can be measured by the extent of the shortage it creates or the decline in production it causes. And if such controls were complete and effective, they would probably stop all production for trade that uses money. This conclusion is inescapable.

Under modern conditions of inflation, caused by rampant governmental spending—with laws aimed at the symptoms of inflation rather than dealing with its cause—the time is short for making an important choice. Its nature is indicated by what Lenin allegedly said in 1924: "Some day we shall force the United States to spend itself into destruction." And Lord Keynes reports: "Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their

citizens.” Lenin probably knew that price and other controls—one of the main objectives of the system he favored—would then be imposed.

The disrupting influence of strict price-control laws will lead to governmental enslavement of labor and confiscation of production facilities. They will lead us to adopt, in other words, a socialist-communist system, which the United States presumably opposes.

The only escape from the consequences of these laws seems to be for citizens to ignore them. This means lawlessness, technically, in the form of black market operations and other forms of evasion. It places the honest citizen who favors human liberty in a strange dilemma. He must choose between practicing lawlessness, in this technical sense, or supporting socialist-communist measures.

If we add to a moral breakdown of the people the confusion created when illusions and wishful thinking bump up against economic laws that cannot be revoked by man-made laws, and add to that the animosity that grows under these conditions and the utter distrust of one another that is aroused, then the prospect is too sobering to be ignored.

A step in the direction of taking away the government’s monopoly in the production of money and restricting government to the judicial aspects of exchange, would be to compel the government to live within its income. This means limiting government expenditures, strictly and absolutely, to taxes that are openly acknowledged to be taxes. It means prohibition of the concealed and deceptive tax of inflation. If this were to be done, there would no longer be an inflation problem, and there would no longer be any excuse for the enactment of socialist-communist measures—these deceptive processes of legalized price fictions and interference with exchange. If this were to be done, it would no longer be “necessary” to give up our liberty under futile controls aimed at the consequences of inflation rather than at its cause. . . .

Money is of primary importance to liberty and private property. Money is the greatest invention of all time for economic betterment. It began as private property for purposes of exchange. But with passing time and the rise of states, the state control of money developed as a means of gaining and holding authoritarian power. Persons were permitted to possess money, of course, but always strictly under state control.

“Coin clipping” by the state, in whatever form and by whatever name, has been a traditional method by which the state exerts and extends power over its subjects. Inflation is a concealed form of tax. The inflation-tax causes privation and unrest, in response to which the state commonly imposes yet another intervention—price control. Unless reversed, one control leads to another until the completely authoritarian state emerges.

Other Economic Essays

Economic Witch Doctors

It would become an endless task to deal with every economic fallacy held by someone. Every problem, every question, has only one right answer but it has innumerable wrong ones: this applies to economic questions in the same way as it applies to the product of 10 times 10, or to the distance to Mars, or to the composition of water, or the cause of a disease.

The distressing feature of the economic world of today is the way in which economic fallacies keep recurring over and over again. Hegel may have had this in mind in his cynical philosophy of history, that "we learn from history that man will not learn from history." That philosophy has been all too true in economic affairs. Why?

The reason why we have not learned from history, in economics, is that we have failed to treat it as the science that it is. This same fatalistic view formerly prevailed in all scientific fields at one time or another. Medicine is a good illustration.

Before Medicine Became a Science

In the early days before the fundamentals of medicine, for example, before the germ theory of disease had been discovered and before it became widely accepted—the treatment of illness was full of fallacies. Death recurred over and over again as a result of treatments based on these fallacies. No progress seemed to be made. Superstitions of all sorts were prevalent. In this environment of confusion it is not surprising that medical dictators arose who claimed that they could cure all ills. They were known in those days as "witch doctors" or "medicine-men," and plied their trade in a shroud of

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mystery, the more mysterious the better, as a shield for their fraudulent practices. We are amazed now at how they were able to continue in their practice of fraud. Why did people patronize these continuous failures? And what brought about the change we enjoy in our day?

Witch doctors were able to continue in practice because no one knew more about illness than they did. Medicine had not yet become a science wherein careful study of cause and effect led to some apparent truths about the cause of illness and how to treat it. Until medicine became a science and "grew up," there was little use in shooting the witch doctor, because he would immediately be replaced by another who founded his practice on fallacies equally devoid of truth.

Economic Quackery

Shooting the witch doctor is not the way to reveal medical truth. Nor is the solution solely the exposure of fallacies. What finally destroys the practice of the witch doctor and exposes his fallacies, in one fell stroke, is the revealing of the true cause and cure of the illness. The discovery of truth (medical research) and the widespread understanding of it through education is the only positive and permanent solution to the problem brought about by a hopeless pursuit of medical fallacies.

Economics is today wallowing in a mire of superstition much as was the treatment of illness a few decades ago. Economic witch doctors are in the saddle in the treatment of economic illnesses, and their kits contain seemingly numberless vials of nostrums. Yet the consequences of economic malpractice are far more serious as a threat to mankind than quack medicine ever was. Quack medicine was practiced largely on patients who submitted voluntarily as single individuals; the patients submitted to the quackery only when already ill, so that about the worst that could be charged against it was failure to cure a person already ill; their medicine was merely ineffective. Economic quackery is far more serious. The medicine prescribed is usually poisonous

rather than merely ineffective; it is applied through coercion to economically healthy patients; the patients are usually entire nations rather than a spattering of gullible individuals. But, most important, the consequences of economic fallacies, imposed on a healthy nation, spread as does a virulent disease to other nations and to the entire world.

The problem of economic quackery is serious and the hour is late. What is to be done? The needs are three: (1) recognition of economics as a science, (2) promotion of economic research, and (3) promotion of sound economic education based on the findings of research.

The hour is late, because economic fallacies nullify much of the marvelous progress that has been made in other fields of science—medicine, engineering, etc.—because an unhealthy economic body cannot afford the luxuries made possible by progress in these other sciences.

The economic counterpart of the medical witch doctors, who were medical dictators of their day, are the economic dictators and economic bureaucrats of today.

Economics as a Science

One of the greatest barriers to the pursuit of economic truth, and the dispelling of economic illusions, is the failure to treat economics as a science. The concept of any science rests on the existence of exact cause-and-effect relationships. Medicine could not have become a science until there was acceptance, as a starting assumption, that illness is caused by something tangible and preventable; it deals with causes and effects. The same applies to all the other sciences, to chemistry, to physics, etc.

Until this starting assumption has been accepted, research in any of these fields could not have been approached scientifically. No one would have searched for cause-effect relationships until it was assumed that they *could* exist. Evidence of truth would then have remained unrecognized, with the result that truth and fallacy would stand side by side as apparently of equal validity.

As with other areas of human interest, so it is with economics; there must be a recognition that it can be scientific, in that it deals with causes and effects. It must be recognized that economic actions have direct and definite economic consequences. This applies to all questions like fixing prices, raising or lowering wages, social security programs, governmental finance, monopolies, etc. There must be the starting assumption that the effects are just as predictable as is the weight that an engineering structure, like a bridge, will support. It must be acknowledged as a starting assumption that any economic problem has only one right answer, not two or three or four; but it has innumerable wrong answers.

Science requires another concept, too, which must be applied before economics can be raised from its present mire of mystery and confusion. As with other sciences, in the study of economics there must be recognition of the existence of certain forces of the type commonly called "natural law."

Natural law, like truth, is a creation of God and not of man. Man neither creates nor alters truth; at best he only discovers it, acts in harmony with it, uses it. He does not cause the product of 10 times 10 to yield 100; he only discovers the rule and applies it. He does not create the law of gravity; he only discovers it and works with it. He does not even alter the law of gravity when he builds bridges and airplanes; he only develops uses that maintain respect for the law of gravity, and which operate in harmony with it.

Natural laws are supreme. The penalty for violation of them is serious. When the laws of gravity and of inertia are violated, for example, when one jumps off a high bridge or is involved in an automobile accident—the penalty may be death.

Promotion of Economic Research

So it is with economic law and economic truth. People suffer and even starve when they violate economic laws. The obligation of economic science is to discover these economic

laws, and the first step in their discovery is to accept the possibility that they exist.

The prevalent belief that economics is not, and cannot be, a science is no more than a reflection of its infancy as a science. Since economics has not gained the stature of maturity already attained by other sciences now centuries old, it is concluded that it is not susceptible to the scientific approach. The evidence that will finally convince most people on this point will be education about scientific economic discoveries, not parlor arguments embracing only logic.

As to the need for economic research, little comment is required. This is the only means of discovering economic truth. The connection between cause and effect must be observed and verified before one can know what will happen if a certain economic action is taken, or before one can know what caused something to happen.

Economic research involves putting into action, in the search for truth, the concept that economics is a science. As one realizes that the precision of cause and effect operates in the economic realm as well as in medicine, physics, and chemistry, he is then ready to begin the search for its truths.

The research method most useful in discovering truths in economics differs from that of many other sciences. But that does not deny its existence as a science, nor does it reduce the need for research. The contrast can be illustrated by two events highly publicized during the recent war—one was the development of the atomic bomb and the other was price control. One was conducted with great secrecy in laboratories obscure from the eyes of the general public, and it dealt with minute quantities of physical matter. The other was conducted on a national scale and was conspicuous to the extent that it was a popular nuisance; it dealt with the economic abstraction of pricemaking forces. How different the approach of research on these questions had to be! Yet both are real, both are scientific, both involve observations of cause-effect responses, both are phenomena operating subject to natural laws that man can neither rescind nor amend.

The Lessons of Economic History

The raw materials of research in economics are not lodged in the bowels of the earth, as in chemistry; they are found mainly in the day-by-day acts of people, or of organizations of people, or of governments. The experiments are not generally of special design, conducted in a specially-constructed laboratory; the laboratory of economics is in every marketplace of the nation, every workshop where laborers toil, every corporation office, every office of a governmental official. They are recorded in the annals of history, showing how various peoples and various governments did certain things, after which other things happened.

Though economics is new as a science—the pioneer work of Adam Smith, "*The Wealth of Nations*," is only 170 years old—almost every question now bothering us has bothered others in earlier days; almost every quack medicine now being tried as a cure for economic ills was tried on other occasions, and the results are written clearly into the historical record.

The Bible is, in parts, a remarkable document of economic truth in its record of events. Ancient Rome, some 2,000 years ago, conducted many economic experiments almost exactly like those now being imposed on on the people—the same old nostrums with new labels on them. There is the interpretive work of Adam Smith and of others who followed him. And 70 years ago, the renowned historian, Andrew Dickson White, wrote "*Fiat Money Inflation In France*," an address that is likely to become a classic as one of the most remarkable scientific economic documents of all time.

Such is the nature of economic research, as a science. Hegel's pessimistic philosophy can be repudiated; we can learn from history, if only we take the trouble to observe what it teaches.

Sound Economic Education

Economic education, to be sound, must be based on economic

“truths.” That means that it must be preceded by and based on careful economic research.

Two observations stand in apparent conflict: (1) the world economy is in a sorry plight, and the hour is late, as a result of the nearly world-wide reign of economic fallacy; and (2) relatively little of the world’s past scientific endeavor has been devoted to economic research, and it is, as a science, still in its infancy. So far as economic education is concerned, the first of these observations says, “hurry, hurry,” and the second says, “take it easy, until you are more sure of the nature of economic truths.” What is to be done under these circumstances?

The answer is to proceed in economic education with the greatest possible speed, using whatever economic truths are fairly well established as a result of research and observation. What is now known may seem to our descendants a few generations hence to be of kindergarten simplicity; we hope economics will then be advanced to that extent. But, however simple and elementary are the economic discoveries now well established, their adoption today as guides to our conduct would yield results as startling as present-day medical practices would have seemed in our great-grandfather’s day.

The crying need of these critical days is to practice what we now know, and to promptly dethrone present-day economic witch doctors from their positions of power over unwilling patients. This means economic education, conducted speedily. The simple economic truths that constitute present economic knowledge are ample fuel for great progress in understanding and in world welfare.

Economic Truths

What are some of these economic “truths,” now sufficiently established to serve as a basis for a major operation in economic education? The following partial list would seem, to the writer, to be fundamental in preventing much of the anguish which results from uneconomic sins currently in vogue:

1. Consumption is limited by what is produced.
2. A sound money is essential to the smooth operation of an exchange economy.
3. Only in a free market will people's effort, and the use of productive materials and equipment, be used for the greatest satisfaction of human wants.
4. A sound economy must be founded on:
 - a. protection of the right of those who produce to enjoy the full product of their labor, or the equivalent thereof if they choose to exchange it in a free market; and
 - b. protection of the rights of those who produce to postpone the consumption of their products, or of what is received in exchange.
5. Improvement in economic welfare of people has corresponded closely with the rate of growth of capital tools, by the use of which laborers have been able to produce more and more in an hour of work.
6. The prospect of profit induces people to be enterprising, to try new ventures, to save, and to create these new capital tools.
7. Profits are small, on the average; profit for some business units are nearly offset by the losses of others.
8. The economy of a community, or a nation, or the world is a complex system of offsets; an income to one person is equally a cost to someone else; nationalistic devices and centralization of economic power cannot allow economic music to be enjoyed without someone having to pay the fiddler.
9. An economic good or service is anything wanted, but is something not plentiful enough to be free; the only way for an exchange economy to operate is for price, or its equivalent as a means of resistance, to dictate who shall go without; the higher the price the less will be taken; the lower the price, the more will be taken.
10. A healthy economy requires that government perform the important function of preventing fraud, predation

and violence; it shall preserve equality of opportunity for all people (within the framework of those guides listed above, such as one's right to the product of one's own labor and the right of private property); it shall maintain the sanctity of contract, when entered into without coercion by either party.

Further progress of the science of economics in the future may lead to some changes in this listing. But probably most of these will stand the test of time. The changes of the future will probably be in the nature of additions to the list rather than alterations, as more and more is learned from economic research.

Uneconomic Programs

To many persons these points will seem to be almost axiomatic truths, unworthy of even the trouble of listing. But are they generally understood to this extent? Are they known and understood well enough so that they are used automatically in answering day to day questions as such questions arise? Apparently not; the evidence is overwhelming that they are not.

If these points were generally understood, how is one to explain acceptance of national programs such as inflating the currency as a means of attempting to postpone paying for the war and as a means of meeting the costs of "relief programs," or a "social security" system, or price controls and "rationing," or the protection by government of labor monopolies, or the operation of or protection by government of many other forms of monopoly, or the subsidization of many pressure-group gangs within the nation, or the socialization of housing?

The essence of many of these points can be reduced further, as guides to conduct, in the form of two simple statements not commonly labeled as economics:

1. Thou shalt not steal.
2. Do not do unto others what you would not have others do unto you.

Reduced to these two simple ideas, along with the ten given earlier in more detail, the answers to many perplexing current economic questions come easily and clearly. Against this background, it may then be asked, "how can a compulsory social security program be operated, for instance, without taking from people against their will some of the product of their labors, and without also taking from them some of the free choice of how and when their incomes will be spent; can it be operated without the exact equivalent of theft?" It should be noted that the guiding rule is *not* "thou shalt not steal in excess of — per cent of a person's income."

And does the coercive power of labor leaders over their union members, over the owners of the tools of production, and over the consumer's choice of products, square with the Golden Rule, and does it square with the right of people to save and invest their savings in productive tools and with their right to use those tools?

It is needless to go further here, in a detailed discussion of economic problems that currently confront this nation and the world. These serve as illustrations of why economic education is so badly needed. Economic specialists who are accomplished in their field must, by means of economic education, help others to diagnose economic ills and to prescribe the proper economic remedies.

A great problem and a serious threat to our nation as a democracy is that the right to vote, when coupled with the possibility of economic nostrums on a national basis, threatens to wreck the economy of the nation. Operating in this manner, economic ignorance has power over economic wisdom. What would we say, by comparison, if a dear friend was at death's door from an illness that baffled the family doctor, and if it was proposed that the question of whether or not to operate on the patient be submitted to a "conclusion of doctors" composed of citizens drawn at random from the community? What if such a solution were imposed by a compulsion, in harmony with the dangerous doctrine of the Divine Right of The Majority? This is exactly the manner in

which economic questions are now being settled.

Our plight will never be resolved except by widespread economic education, based on sound economic research. It must include education on the simplest economic principles. It must include help in solving current economic problems in the light of these principles. It must, to some extent, educate people as to the necessity of "seeing the economic doctor," wherever complex economic remedies are called for and where simple home diagnosis and simple home remedies are not adequate.

The need for economic education is great, and the hour is late.

Eating the Seed Corn

A person who has just borrowed some money at a bank, and walks away with a lot of it in his pocket or has it deposited to his checking account, is likely to feel prosperous. Now he can pay off all those bills. Perhaps he even has enough left over to make the down payment on a new car. The grocer and the doctor, whose bills he has now paid and who see him sporting the new car about town, agree that he has become prosperous. The fact that he is really in a worse financial fix than he was before borrowing from the bank is not generally known.

As the end of the month rolls around, he owes more bills, including the note at the bank and the monthly payment on the car. This makes him feel poor again—unless he can float another and even larger loan at the bank, in which event the prosperous feeling and appearance may be made to return. This can go on and on, as long as the bank will allow it.

But we know that real prosperity does not come this way. This is an illusory prosperity, leaving the victim in a poorer and poorer financial plight because of a debt that is ever growing larger and larger as compared with what he owns or what he is able to earn. Finally, the off-balance reaches a point where he is dumped into disaster, losing both his car and his other property. If death should come in time, he might be “saved from disaster;” but that would only throw the burden on his family instead.

A Mass Illusion

No escape from eventual disaster is to be found by having two persons engage in the same kind of financial arrangement; the debacle is merely enlarged. Nor for three persons to do so. Nor for a hundred. Nor for the 150 million who comprise this nation. Yet America today is suffering the illu-

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sion of mass escape from this form of certain, eventual disaster. There prevails a happy sense of national prosperity, as individually and collectively we go deeper and deeper into debt. We borrow from each other. We increase our "savings," according to the government's figures. We compliment each other on how well we are doing. Not only do we buy many new things for ourselves, but we also try to play the part of a continuous Santa Claus for favored groups both within the nation and throughout the whole world. The rules of simple first-grade arithmetic should warn us that there must be some catch in this Aliceous Wonderland. But where is the catch?

Economic Suicide

When we look at the record, we find that while our debts are going up and up, the tools and equipment necessary to maintain production and repay these debts are falling dismally behind. We are in the position of a man who spends all his income, and more, on fast living while making promises of good intentions about providing for his old age and infirmities; IOU's, made out to himself from himself, are placed into his strong box at the end of each month, thereupon confirming, he believes, his capacity for foresight and thrift.

Cutting through all economic and sociological gingerbread about the soundness of the procedure we are following, the sad fact is that we have for a long time been neglecting our industrial plant. We have been eating up the most fruitful part of our wealth. We have been eating the seed stock from which our high standard of living flows.

Our machines and factories have already fallen into obsolescence and lack of repair, although as yet the effects do not appear on the counters of the shops and stores where we, as consumers, can see them clearly. Our tax policy, as if skillfully contrived for such an evil purpose, has made it difficult if not impossible for industries to maintain and modernize their plants. New tools and new plants, needed to replace machines that have been worn out or have become obsolete,

and to meet the needs of an increasing population, are being sent abroad at the expense of a declining productive machine at home. This is economic suicide with a vengeance, and the fact that we may not realize what is happening does not alter the situation.

A 17 Per Cent Decrease

Let us look at our corporations—some 400,000 of them in all—to see what has been happening to that important part of our productive machine. We shall first look at what is happening to their productive plant in the form of real estate, buildings, and tools; and then at their holdings of government bonds, intended for use in replacing worn out or obsolete equipment. The facts to be used for evidence on this point are from the United States Treasury. These corporations conduct about half of all the economic activity of the nation; for the “industrial” part, the corporations do far more than half of the business of the country.

In 1946, the value of all the real estate, buildings, and equipment of the corporations was about 17 per cent *less* than it had been in 1930, even though the number of corporations in 1946 was greater than in 1930 by about one-tenth. This comparison includes information on all but about two per cent of corporate productive property for both years—1930 and 1946—leaving out some of the smaller companies.

This does not mean that no new buildings and equipment have been added between 1930 and 1946, because we know that there have been. What it means is that the wearing out of our productive machine, at rates of depreciation approved by the United States Treasury, has exceeded all these new buildings and machines. The loss in dollars of reported worth is \$20.7 billion, or about \$1 of every \$6 of the 1930 corporate investment in the productive machine.

These figures for 1946 are the latest available with full details. What has happened since, as indicated by Department of Commerce reports, suggests that net additions since 1946 have been no more than \$10 billion, and perhaps no more

than \$5 billion, at 1930 prices. This would mean a net loss from 1930 to 1950 of somewhere between \$10 billion and \$15 billion.

But this is not all. This loss occurred over a period during which the population of the United States increased by about one-fourth.

A \$100 Billion Lag

How much would be required to bring this productive machine up to its 1930 level per person? It would seem to require, at present prices, somewhere between \$75 billion and \$100 billion worth of productive equipment to make up the present shortage for these corporations alone. This is from \$1,500 to \$2,000 per family. This is the amount we are now in the hole, as compared with 1930, in the productive buildings and equipment of corporations in relation to the population of the nation. Even this does not allow for the increases in our productive plant necessary for an advancing economy.

Appearance Versus Reality

Now let us return to the 1946 figures. It may be asked: How can this be? The national income for 1946 was \$2.39 for each dollar it had been in 1930. Surely the national income could not have been so high if there had been any such decline in the equipment used in production.

But if we are to compare these two national income figures, they must first be put on the same basis of comparison. Four steps are required for such a comparison:

First, the 1946 national income is in inflated dollars. If we adjust for the lower worth of the dollar, the national income in 1946 was only \$1.70 for each dollar it had been in 1930.

Second, the civilian labor force was larger by about one-fifth in 1946 than in 1930. This made it possible to use the available equipment nearer full time. But more persons shared in the larger national income, too, as consumers.

Third, a machine that is nearly worn out—or even outmoded by known methods of production—can continue for a time to turn out large quantities of product. It may, in fact, turn out more for a time than would be possible if time were taken to make and install new and improved equipment. It is like the pioneer homesteaders who raced westward in their wagon caravans; one pioneer could pass others and lead in the race for a time, if he were not to stop and give his horses food, water, and rest; but if continued, his horses would die and he would be out of the race altogether. Buildings and machines do not, of course, give out all at once, as with the death of a horse or “the collapse of the one-hoss shay,” but the same thing happens in a slow and less spectacular manner.

Fourth, the national income includes “goods and services” other than the products which flow directly from the productive plant of these corporations. Those parts other than corporate business enjoyed more increase from 1930 to 1946 than did the corporations—mainly governmental activities, agriculture, and the wholesale and retail trades.

Living Beyond Our Means

Taking all these adjustments into account, the large increase in the dollar income of the nation since 1930 does not explain away the sorry state of neglect in the upkeep and replacement of industrial equipment. Apparently we have been living on our capital fat, and seeming to have a prosperity that is not capable of being sustained. As a nation, we have been like the man who went deeper and deeper into debt, as month by month he refused to face the realities of his plight, and continued to borrow more and more from the bank while living beyond his productive means.

Are Bonds Assets?

These machines and buildings of which we have been speaking are not the only assets of these corporations, of

course. They also have cash, investments such as government bonds, inventories, and the like. Do these brighten the gloomy picture?

More specifically, government bonds were said to have been used in recent years to build up a fund for later replacement of capital equipment. It is true that there was an increase of about \$100 billion in corporate holdings of government bonds from 1930 to 1946. Does not this make up for the shortage in buildings and equipment? Isn't it available to replace the depleted equipment?

It seems, if we look at the figures in dollars, that the increase in government bonds owned by these corporations far more than offsets the decline in buildings and equipment. But these bonds were held mainly by financial corporations, such as banks and insurance companies, rather than by the manufacturing or "industrial" corporations. And in any event, a government bond doesn't mill a piece of wood, or make a piece of metal into a useful gadget. Government bonds themselves are not productive equipment, which we are discussing. They could become productive equipment only after they have been cashed, and the cash has been used to pay for the making of new productive equipment not now in existence. Before this can be done, a buyer must be found for the bond that is to be sold—a buyer who is willing to forego the new cars and steak dinners the money will now buy, for the entire period while his money is tied up in buying and holding the bond. And further, someone must quit making bread and new cars for persons to enjoy, before he can be freed to help make the equipment to replace that which has been worn out.

Sharing the Deficit

It may even be questioned whether these billions of dollars of government bonds are really available as "national wealth" from which to finance the retooling of industry. They are listed as an asset by corporations, to be sure. But they came into being to pay for governmental deficits—money spent by

the government in excess of its income in former years. When the government did this, it printed shares in the deficit and sold them to the public to finance the deficit. They are, in effect, similar to a tax receipt in what they represent, except that the tax receipt carries no guarantee of repayment and is not called an “asset” by the taxpayer.

The clue to the answer to our question lies in the security behind these government bonds. What is behind them? What makes them worth anything? Only the power to tax. The government has no inventory of goods produced by the use of these funds, which can be sold to repay the bonds—as when a business borrows money to make cars or bread, and sells them to repay the debt. Government must tax to repay its bonds. And whom shall it tax? The citizens of the nation, including the depositors and owners of these very same banks and other corporations—the ones who list these bonds among their “assets.” The corporate owners, in fact, face a double tax to repay these bonds; they must pay a corporation tax in addition to the tax on any personal income received from the corporation by its owners.

Government Bonds are Liabilities

So, if these government bonds are “assets” to the business of America, they are also “liabilities” of the business of America. They should be on both sides of the balance sheet, or neither. There is no national *net* worth in these bonds, because as a nation we owe as much as we own. They are only a fiction of something of *net* worth. The depleted equipment of the nation cannot be replaced from assets which have no real *net* worth. A person who spends more than his income does not consider this deficit to be any asset on his statement of property he owns. Why, then, do we *as a nation* consider shares in governmental deficits to be “assets”?

A Sorry Picture

This idea that government bonds are national net worth,

and can be cashed to replace our depleted equipment *as a nation*, is one of the greatest illusions of our illusory time. It is the same as though we were to believe that a nation could be swept into prosperity by scattering I-owe-me's by airplane all over the land; you can't eat them; you can't wear them; you can't reside in them; at best the process might be credited with being a form of amusement.

This analysis paints a sorry picture of what has been happening to our capital seed stock. We have been "eating the seed corn" in a sort of Bacchanalian banquet. Its contrast with the pleasant aroma of prosperity is a measure of the illusion we are suffering. If sober thought is not given to the means of curing this creeping death, it will mean the end of America's industrial greatness. We then shall have lost our means of national defense, and also most of what is worth defending, while surrendering to a full-blown national socialism.

Prosperity by Procreation

Economics and obstetrics must have engaged in adultery to beget the new theory of baby prosperity.

A quarter of a century ago, when we were being plagued with imagined surpluses, many economists were concerned with what they called the nation's propensity to consume. Now this is being replaced with concern over the nation's propensity to procreate, and belief in baby prosperity is sweeping the land through publications ranging all the way from light reading for the layman's Sunday afternoon to technical business forecasts.

Here are a few samples: A popular magazine, having a thousand readers to *The Freeman's* one, recently published an article entitled "Our New Weapon Against Depression: The Baby Boom." A bankers' bulletin heaped more dirt on Malthus' bones by asserting: "It's hard to see much depression coming up if the present population is to increase two and two-thirds millions yearly through 1960." A renowned Harvard economist, speaking of an "extraordinarily bright" prospect for the economy, says: "In part, these bright prospects are the result of the rapid rate at which population has been increasing."

The baby prosperity argument goes like this: A click every twelve seconds on a machine in the Washington Census Bureau announces the birth of another consumer for the market in America. As every storekeeper knows, new consumers mean new business, and new business means prosperity. Stock which the merchant has sold must be replaced. This sets in motion a new wave of business all the way back to the manufacturer and the producer of raw materials—not overlooking all the related services.

Or, to express the idea another way: The national income this year is said to be about \$1,750 per person. Since there would have been no demand and no national income without any population, this amount is what the average person added to the market demand. Every newborn baby, then, adds \$1,750 (plus

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or minus) to the national income; he is precious not only to his parents but also to the general economy.

This concept that babies give birth to prosperity calls to mind the traditional Chamber of Commerce program of enticing new businesses and more people to come to the town. In promoting these programs, it is often implied that if the population of the town can be doubled, everyone will be twice as prosperous—well, much more prosperous at least. But since one town's gain is another's loss, the claim can be made that babies bring prosperity without provinciality and selfishness. The stork doesn't use any moving van and disadvantage some other town; everybody gains.

That is the idea in brief. The article already mentioned concludes with this beautiful economic rainbow: "The blueprint for tomorrow is clear—the Children's Decade is unquestionably America's wealthiest asset for a depression-proof future."

The Appeal to Patriotism

The idea of baby prosperity adds another appeal to the natural emotional urge toward parenthood. Every procreator a patriot! The prospective sire of even a moron can believe that in adding another child he is adding umpteen dollars to the national income. All countrymen should tender to him their thanks. The sleep of long-suffering parents may be disturbed in the process, but that sacrifice is for the national welfare.

It is perhaps not an accident that a popular theory of baby prosperity came just at this time. It came in the wake of a gloomy business forecast which threw quite a scare into business circles a few months ago. Dr. Colin Clark, the noted Australian and British economist, flatly predicted that the United States faced a major economic setback. Coming from such a source, it frightened the fearsome and most of their complacent cousins. Its influence as a gloomy forecast was so great that it received the distinction of inducing a counterprediction from Washington. But even that was not enough to allay economic fears in a nation that has come to treat the Statue of Liberty as though it were a symbol of Mammon.

More persuasive than the official pronouncements of business health, I believe, has been the growing faith in baby prosperity. Its power lies in its plausibility, since it is so much easier to understand than the complex curves and depression curatives usually found in the economist's kit.

In self-defense against misguided business advice, it behooves us to take a critical look at the theory. I do not believe that the baby boom and increasing population assures prosperity. We may have prosperity during a period of increasing population, but without the one being the cause of the other.

In challenging the theory I do not mean to predict, either, that an increasing population will bring a depression. I am merely saying that to predict the business future one must consult sources other than the stork and the mortician.

In challenging the theory of baby prosperity I am not presuming to advise parents about having offspring. That is for them to decide on their own responsibility. I only suggest they omit this national welfare buncombe from their precalculations, leaving it entirely to the Socialists for use as one of their political nostrums.

If the theory of baby prosperity were correct, why do we not find China among the most prosperous nations of the world? And India? They have a plenitude of offspring. They have great concentrations of population per square mile. If these make welfare in a nation, it should be rampant in such places. Yet they are among the least prosperous in the world. By looking at the matter in this way—simple observation and deductive reasoning—the theory is exposed as not only false, but false with a vengeance.

A Matter of Production

Its falseness, if we look beneath this surface evidence, lies in the simple fact that low production per person is what really causes the low level of living in any nation. Another baby does not raise the production per person automatically. After the baby has grown to a productive age, special conditions might result in increased production per person; but these conditions do not prevail in any nation already rather fully populated,

where more babies will almost certainly have the effect of reducing the level of living.

Every baby is born full of wants, and this adds to the pile of wants within the nation, to be sure. But it is production and not these wants which makes economic welfare. I have never known a person whose wants as a whole seemed to have any limit. One's want for a thing like salt is limited, but not his total wants for everything, including vacation trips and services and the like. If wants alone assured prosperity, there could never have been anything but unlimited prosperity anywhere in the world.

So the error in the theory of baby prosperity really lies in confusing wants with the things which satisfy these wants; in confusion between wants and effective market demand, or the means of buying. You and I want things but cannot have them unless we produce them, or produce the means of buying them, or have them given to us by someone who has produced them.

The level of living we now enjoy in the United States is in large degree due to the increased production made possible by the use of tools operated by electrical and other nonhuman sources of power. These tools have been accumulated for our use by persons who have saved and invested in them. I would say that perhaps 95 per cent of our level of living in the United States is due to the aid they have given to human hands. If we lacked most of these tools, as does the person in China or India, we would be producing little if any more—per person—than he does.

Baby Brings No Tool Kit

The newborn baby has neither goods nor real buying power attached to him when he comes. We are all born nude, economically as well as physically. And neither does he bring with him a kit of tools like those making possible some 95 per cent of what we are able to produce. So when he attains a productive age, others must share with him the use of tools already there. Everyone then has fewer tools to use and less can be produced—per person. The result is that the level of living must go down, not up.

Let us presume that the population were to double, due to a

friendly invasion from Mars. If the Martians brought with them no tools and we were to share our tools with them, the production and level of living of those already here would have to decline by half, plus or minus. Our economic welfare would go down.

When the population increases faster than the tools with which to work, the use of tools will have to be spread thinner and thinner. And since tools give productive leverage to hand and brawn, there would then be less production and a lower level of living, as surely as four divided by two is two.

He who projects his business plans on a false premise, such as the assumption that more babies assure prosperity, will some day come out of his economic stupor on the sheriff's doorstep, broke.

But a false basis for predicting business prospects is not the only danger in the idea of baby prosperity. The concept is dangerously close to denying the right of man to be free, and that is perhaps its most serious aspect.

The idea that babies are valuable is not new. In the Homeric period of ancient Greece parents sometimes sold their children into slavery. Like goats, children had a price in the market place. Anyone trying to promote Planned Parenthood in that day would have been laughed out of home and goat-yard alike.

Then a new idea came to dominate people's thinking. It was the belief in the dignity of each individual under God, under rights and responsibilities of self-ownership. The child was not for sale, nor was he thought of as an economic asset of any other person or any collective of persons, like a nation. He was not a digit of national wealth or income, for the calculations of some bureaucrat. So it came to pass that a child, in growing up to be a free man, was considered free from the day he was born and this new theological concept came to dominate the economic practices of mankind. And child slavery faded.

Over the intervening centuries the dominant culture of the Western world left the matter of the birth rate to the family, where it belongs—no longer weighing its children as economic assets. To do so has become a sacrilege. We love them, and that is that.

An Old Concept Reappears

And now the reactionary concept that babies are economic assets is again rearing its ugly head. To say that a baby is worth something to the market of America is dangerously close to saying that a baby has worth in the market as a direct object of sale. For a thing of worth is an asset, and an asset is saleable in the market.

The concept which made child slavery tolerable to ancient Greece is thus reappearing in respected intellectual circles, in the form of this idea of baby prosperity. It is a symptom of the collectivized thinking embodied in modern socialist-communist doctrine. We first accept the idea that our economic welfare is the responsibility of government rather than ourselves. Then we discover that babies are national economic assets, assuring prosperity. It is a perfectly logical derivative of this to say that the government may claim control of the means of welfare for which it has been acclaimed responsible.

And the government then becomes the logical manager of procreativity—perhaps, one day, under a new Department of Genopropagation empowered to select for you your mate and to control all your family affairs. The government in its new role, of course, must make the children work and produce when they are old enough.

Such steps into collectivism do not entail any disharmony of logic, and in that sense may not be as fantastic as they may at first appear. Children need not be auctioned off in a market place, as in ancient Greece. Enslavement to government is as truly servitude as if children are sold to private owners on the auction block.

It is never too early to destroy seed-thoughts which can grow into colossal destroyers of human dignity and freedom, like belief in baby prosperity.

Guaranteeing Your Income

A friend asked me to look into this so-called guaranteed income plan; to obtain a copy of the “model contract” and see what its provisions are.

So I wrote to a noted labor authority and to several other places. It seems that a model contract doesn't exist. At least I could not find one. The nearest I could come to it was a yellow pamphlet from the UAW-CIO entitled “Preparing A Guaranteed Employment Plan. . . . That Fits U.A.W. Members Like a Glove.” The main ideas of the plan are explained therein.

“*Who is to participate?*” All workers in any company that signs such a contract with the union are in it. If as one of them you object, you can't stay out.

“*What do I get out of it?*” If you are called to work at all during any week, you are to be paid the full week's wage even if you are laid off during part of the week—even if laid off an hour after arriving on the job Monday morning. And in event of a longer shutdown, you are to continue to receive pay for as much as a 52-week layoff. But such detailed specifications are still subject to change by negotiation for each individual contract.

“*What wage am I to receive while not working?*” You are to receive full pay for the week when you are laid off during the week. And if the layoff continues, or you are laid off for weeks at a time, you are to receive enough to enable you to maintain “the same living standards as when fully employed,” whatever that may mean. But these details are also subject to negotiation.

“*Does everyone get the full pay guarantee of 52 weeks unemployment?*” No. If you are a new worker, you first have to build up “seniority status.” This means that you must first work two years, or some such length of time to be determined by negotiation, before you attain the full 52-week pay status. New workers have lesser claims to layoff pay—less than 52 weeks—proportionately by the length of time they have worked.

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“After having drawn unemployment pay for a year on this basis, and having gone back to work, does a new 52-week claim come into existence at once?” No. It has to be rebuilt over a period of two years, or so, as with a new worker.

“Can I work at any other job during the layoff?” Yes, if the powers-that-be decide it is “suitable” work for you. They will assume control of that, in other words. But you will get guaranteed income payments only if needed to supplement your other pay and bring it up to the “living standard” figure.

“Who pays the costs?” The employer, except as state unemployment payments are available to cover a part of the guarantee.

“Where will the money come from?” Out of his current income from his sales, except that a small reserve fund is to be set up to be used for the 52-week pay guarantee, in amounts and under specifications to be negotiated with each contract.

“Who is to administer the plan?” A Board with an equal number of representatives of the employer and the union, plus an “impartial chairman to break deadlocks.” (One wonders how he could break a deadlock without being partial.)

And so it goes. Most of these specifications, as has been said, are left for determination by negotiation with each contract. And so it is futile to try to appraise the plan in terms of such things as whether payment rates are too high or not high enough, or whether reserves are adequate. Any precise specification becomes subject to specific attack, and so the UAW-CIO states that such details are flexible. Apparently, they do not want to endanger their general objective by stating details in advance. The union leaders firmly demand, however, that *some* sort of guaranteed annual income plan be instituted on the best terms obtainable in the contract.

The plan has unquestionable appeal to an employee. Who doesn't prefer some income to none at all? That is only a human urge we all must endure, like the desire that a recently deceased uncle shall have been industrious, frugal, and charitable toward all, especially toward his poor nephew.

Last year the union had pressed a similar proposal, which was

then stated in terms of “wage guarantee.” Then someone apparently discovered that employees’ families live the year around, and the proposal evolved into: “Wages the year round because families live the year round.” Perhaps next year it will evolve further and become: “Income for life because a person lives during his entire lifetime.”

Does the plan mean more income to you as an employee over the next few years than you would get without it? That is where several “ifs” enter the picture, which should be thought out carefully. Things are not always what they seem in such schemes.

First, suppose that your job is one where next year you were to have had full-time work on the job anyhow. In that event the plan would be of no use to you; and worse than that, you would lose by it because money that your employer could have used to pay you a higher wage would have to be used to pay the administrative costs of the plan and to build up the reserve fund required under the plan.

Now suppose that next year you are to be laid off for part of the year. Then, seemingly, you would gain from the plan because you would be receiving pay for the time laid off, whereas otherwise you would be receiving nothing. But . . .

Where does the employer get this money he is to pay you? A part of it is to come from him on a “pay-as-you-go basis,” which is a profound way of saying that he is expected to reach down into his pocket for it at the moment of payment, as he does for the church on Sunday. The other part comes from a reserve fund which the employer is supposed to have built up over the years. But it hasn’t been, so he must start that only after the plan is started. The reserve fund comes from his pocket, too. So it all comes out of the employer’s pocket.

Now how does it get into the employer’s pocket in the first place? This is important because unless it is to come from a safe and continuing source, you, as an employee, would be foolish to rely upon it in time of need. It comes from the sales of what is produced under his management. Unless he can keep his

outgo—including wages—below income from sales, there can be no fund and no continuing payments. If wages and other costs have been taking all the traffic could bear anyhow, there is no slack to be taken up to pay the costs of any pay-as-you-go guaranteed income.

Couldn't your employer obtain this money from his day-to-day operations? Perhaps. But that means that he will have to pay you less now as wages than he otherwise could have paid, in order to be able to meet these contracted obligations for guaranteed income. This applies not only to the pay-as-you-go part, but the reserve fund as well. They reduce what he is able to pay you as a current wage, just as an increase in any other cost would do—an increase in taxes, or coal prices, or freight rates. It should be noted that all available cash of all United States manufacturing corporations would carry their payrolls only about three months. Then they would be without any working cash whatsoever with which to carry on their businesses.

So somebody's current wage rates will have to carry the burden of the costs involved. If the employee's income is to be guaranteed, somebody will have to guarantee the market to the employer. And nobody but consumers can do that, however devious and concealed may be the picture as presented to us. The money can't really come from company reserves or from the government. The government has no independent source of income; all it pays out must first be taken from consumers. And if this is forgotten, and the government is once enthroned as a middleman, it will take a cut like any other middleman and will also then be in position to call the tune with union members who would, in effect, become government employees. Both company officials and union officials would then be acting as agents of the government.

The question then really becomes this: Would you rather have your employer keep back further money with which to pay any benefits under a guaranteed income plan, or would you prefer to get it now in current wages, to be used by you in whatever way you deem safest and best in guaranteeing your own future

income? Would you rather have it managed by your boss and your union under this plan—or perhaps through them by the government—or would you rather manage it for yourself?

Under the proposed plan of guaranteed income, if you don't like the way it is being operated and want to change it, you—and others of like mind—must either gain control of the union or buy out the owner. If you manage your own guaranteed income plan, however, you can change it the moment you decide how to improve its safety; and in event of need you can draw on your own private fund as lightly or as heavily as you wish, according to your prospects as you see them.

How about safety in the holding of your reserve fund? Would it be safer to keep it yourself? What will the company do with the fund? Will they keep it idle so that inflation will go on robbing it of its worth? What if the company uses the fund to overexpand and then goes broke with the first major depression—precisely at the time when you were depending on the fund to pay you some income? Or what if the company goes broke for any other reason—fund or no fund? Do you prefer to tie your future to one company in that way, or would it be safer for you to buy shares of ownership in several sound companies with your own guaranteed income fund?

When your company lays off part of its force, who gets laid off first—the better or the poorer workers? The poorer ones, of course. And presuming you are not one of these, do you want them to be paid from the reserve fund you have helped build up, so that when a more serious layoff hits, the fund will have been spent, leaving nothing to fulfill the guarantee of income—your income?

Suppose that through lower wages than could have been paid, you have helped build up a sizeable reserve fund in one company and then want to change jobs. Do you suppose that either the company or the union is going to allow you to withdraw any of the fund and take it with you? Or will the plan come to operate under national union control of all the reserve funds of all employees? Do you want to give anyone power to freeze you to your present job, or to control where you shall go?

Under the proposed plan, when you are laid off, somebody besides yourself becomes empowered to decide whether or not another job available to you during the layoff period is a "suitable" job. It may be suitable to you, but if it is not suitable to those in control, you will be forced to remain unemployed even though you want to work at something available to you. That forces you to live on "your reserves" unnecessarily, thus weakening your protection against additional layoffs.

Or what is to prevent some unscrupulous fellow-employees from quietly getting unapproved and unknown jobs on the side during periods of layoff? They would then be getting pay from another job while at the same time drawing unemployed "guaranteed income" from the fund you helped build up. That would erode your protection.

The whole thing boils down to the fact that the costs of any such plan of guaranteed income must, in essence and in the long run, be paid by the employees. No matter how the plan is stated, the employer cannot really pay it out of his share because his funds are insufficient to do it if he is to continue to operate a thriving business, safely financed. It cannot really be paid by the employer personally. He just deducts it from the pay check, that is all.

Who wants to work if he would be paid for not working? Under this plan it would be possible to get three years pay for two years work. And there is no way under God's heaven to produce three years product in two years time. So, since what isn't produced just isn't available, the level of living would have to suffer. No guarantee to maintain a living standard without work could supply even a loaf of bread that hasn't been produced.

Unemployment always is the result of a consumer rebellion against the price of the product. This means that it is a consumer rebellion against wage rates, really, because current pay for the nation as a whole is about five-sixths of the total cost of producing things. Careful students of these matters, like Senator Paul Douglas and Professor A. C. Pigou of Britain, have told us that unemployment can be reduced by as much as three or four per

cent, merely by reducing wage rates only one per cent. That course of action, if the union officials would only adopt it with an enthusiasm equal to that for the guaranteed income plan, would assure continuous employment for most everyone. It would prevent the necessity of any mass program of guaranteed income.

So the guaranteed income plan amounts to doing precisely the wrong thing. Since it is about the same thing as a wage increase in times when the consumer is already protesting against the high price of the product, it gives further upward pressure to prices when the product is already not selling. Who is going to guarantee the market for products already overpriced and unsold?

In casting doubt on the proposed plan of guaranteed income, I would not, of course, prohibit any really voluntary arrangement which both employer and employees of a given company may want. Such an arrangement is just another way of getting paid; and if both parties want it that way, they should be allowed to do so. It would be nothing more than like shifting part of the pay to a Christmas bonus. Firms like Nunn-Bush and Procter & Gamble have had a type of guaranteed income for a long enough time to say that some plan can be made to work successfully, if both sides really want it. What I question is only the forcing of any plan on either side by undue pressure or economic threat from the other side. And I doubt that any guaranteed income plan can be found that will be any panacea against the forces of unemployment on a national basis.

There is something incongruous when a union threatens a major work stoppage (strike) in the hope of gaining protection against work stoppages; when they are ready to spend \$25 million of their members' money in the process; when the "gain" promised is probably neither a gain nor the way to attain their laudable objective of continuous gainful employment for all who really want to work. And it is especially incongruous, if, as reported, the union has not bothered to canvass its members on the matter of whether they prefer to have their union and

company officials manage their security reserves, or do it for themselves.

This incongruity, as well as many of the problems I have raised about this plan, would be dispelled if the union would merely put it to the vote of their members, as in the following proposition:

Proposed, that the UAW-CIO set up its own guaranteed income plan; that the union dues be increased by whatever amount may be necessary to pay all the costs of the unemployment wage and the costs of its administration.

This would allow the union to operate the plan as efficiently as they can. It would avoid any interference from employers who may have diverse interests from that of union members. It would eliminate the necessity of such a thing as an "impartial" member of a committee of diverse interests. It would allow the preservation of a member's rights in the fund when—still as a union member—he moves to another job in the same union. No paralyzing strike would be required to force the plan upon any employer, since it would no longer be any of the employer's business. And the \$25 million to be devoted to pressing for this plan could be put into the fund as a nest egg, rather than to dissipate it in trying to start this plan.

Organized Incentives NOT To Work

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

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

The AFL-CIO argues that incentive pay “puts a strain on the entire collective bargaining process . . . creates friction between workers.” It charges that such schemes are “based on the notion that workers will not perform an ‘honest’ day’s work unless they are ‘bribed’ by the promise of ‘extra’ money,” and that employers, in hope of higher profits, promise monetary reward to induce workers to “produce more than a ‘fair days’ work.’” Then comes the frank admission: “When workers are paid according to their individual efforts, the union’s function of securing high guaranteed wages for all workers becomes more difficult. The local union’s ability to present a unified position for base rate increases is weakened.”

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

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A Continuing Problem

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

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

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

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

Something for Nothing

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

than on proficiency at the task. Many other illustrations could be given, too.

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

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

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

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

On Breeding Prosperity

The population explosion in our country and around the world is commonly met with mixed emotions. On the one hand, there is the discomfort of being so pressed together that we stand on each other's feet, elbow our way through crowded subways, become submerged in traffic jams, or find distant recreation forests about as peaceful as Times Square at 5:15 p.m. On the other hand, there is the appeal of more customers for all who believe that a rising population assures prosperity.

The fact that the population has been rising rapidly during recent decades, and that more is in prospect for some time, seems beyond question. A common prediction is that the present world population of nearly three billion will reach nearly five billion by 1984.

Some authors in a *Science* article a few years ago reported that by extrapolating from past trends of recorded data, the world population will approach infinity on November 13, AD 2026. But the outlook cannot be as gloomy as that. Before that time the trend would flatten out from a new Malthusian corrective because persons would become crushed to death. And even before that, as a university president once reminded us, the population increase will probably terminate before reaching the point of standing room only, due to other obvious reasons.

Leaving these predictions for others to ponder, our present concern is with an economic notion which seems even more prolific than the human organism itself, namely that increasing population assures prosperity. To review the notion briefly, as any restaurant owner or storekeeper knows, his sales and profits are raised by more persons entering his store to buy. And they cannot enter his store without having first been born. Each birth today, then, means more persons in stores later; diapers will be bought at once, children's clothes later, and adult needs on through life. The more the births, the more will have to be sold to meet the growing needs, *ipso facto*, according to this simple

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reasoning. But on further thought and analysis, is this reasoning sound?

Wants Are Insatiable

Let us begin to analyze it this way: Human wants, over-all, are insatiable. If a President of the United States with “rigorous economy” spends \$111,000,000,000 in a year, it seems probable that he might easily spend the entire national income if he were to let himself go on a spending binge.

Any one person’s capacity to eat popcorn at one sitting may have its limits, but there is no known limit to his capacity to own more suits, cars, servants, servants for the servants. . . . So if there is any limit to human wants, it surely lies beyond the horizon of our imagination. This means that the limit on sales in stores, and the like, is set by something other than too few persons. By the same reasoning, more persons do not assure more sales and more welfare. What is it that sets the limit?

The limit to the satisfaction of wants is set by the quantity of things produced. Should some of production be wasted, fewer wants will be satisfied, but no miracle is available by which to satisfy wants with things not produced. Some persons may get more of the supply and others less, but that is a question separate from the one we are discussing; and in any event it does not make consumption any greater than production.

What Limits Production

The total quantity of goods and other services produced in the nation in a year depends on three things:

1. The number of persons working
2. The number of hours worked per person
3. The output of product per hour

We are considering prosperity, and the effect of an increase in population on prosperity. Our concern is with the welfare of the individual, not the nation. China or India produce more than Switzerland or Canada as a national total, but who yearns for that sort of prosperity? Thus, we can largely ignore from our concern

in this connection the first factor of the number of persons, because as increasing population brings more producers it also brings more stores for more consumers to enter. Over-all, persons as producers are also consumers, and in part storekeepers.

The number of hours worked can also be largely ignored for our present concern. The change over time has not been drastic; it is minor as compared with other factors. We used to point, with pride that might be questioned in certain respects, to the reduction of about three-sevenths in the average hours worked in the United States. Now the careful research of Sebastian de Grazia brings this into serious doubt, when account is taken of the added hours getting ready to work and getting to and from the "forty hours of work." In grandfather's day, most workers when they awoke in the morning were only a pair of overalls and a closed door away from their day's task.

This leaves us only the last point as having much to do with our question, namely, the output per hour of work. What effect does an increasing population have on that?

Output per hour of work is almost entirely a matter of the tools at hand to aid the efforts of those who produce. They are of many types and forms. Some tools aid physical work, and others aid mental work or the processes of spirit, morals, and motivation. In the latter category, especially, there are negative as well as positive tools. Among the negative tools, I would suggest, are all those economic misconceptions which prevail and persist in the minds of most persons in our society. Among these misconceptions is the notion that increases in population assure prosperity—by which one would have to conclude that even illegitimate children are a contribution to national welfare and thereby worth the mounting costs of public aid to support them.

In our society in the United States, from the standpoint of energy alone, we have devised ways to bring to the aid of the average worker the equivalent of more than thirty diligent slaves to help him. In addition, there are untold ways by which we have harnessed additional help for him which is not measured in terms of energy horsepower. But in measuring increases in economic welfare of persons in the United States over its entire

history, or the differences between nations in this respect at the present time, the amount of energy harnessed to aid the average worker serves amazingly well as a measure.

What Raises Production?

The question then resolves into the processes by which tools are brought to the aid of the average worker. In outline, these are the steps involved:

1. Basic discoveries
2. Innovations and adaptations of discoveries
3. Savings invested in tools
4. Effective use of tools

Nothing is so vital to the whole process of progress in the development and use of tools of production as is liberty of individual persons in society. Slavery in any of its varied forms and by any name is poison to the processes required. If slavery has any advantage anywhere over paying free-workers the prevailing wage, which is doubtful, it is for menial tasks like piling stones upon one another to build pyramids, and the like. Tools once produced can be enslaved, but enslavement of mankind is birth control at its worst for tool-creation.

Thinking now of a single newborn babe in the neighbor's family, the question at its core can be tested by this simple question: Does the fact of his birth as one more census unit add one iota to any of these four parts of the job as compared with any other person previously born and already in our society? He may turn out to be a discoverer, but is there any reason to expect him to be more so than a random selection of a person already here? Any more an innovator or adapter than someone already here? Any more a saver and investor? Any more an efficient user of tools? I see no reason to expect him to be superior to another baby born yesterday.

The final and important fact is that at birth each addition to the population automatically reduces the tools available per person in the population. At birth, in other words, the little precious is clearly an economic parasite who dilutes rather than enhances welfare. The way it does this is clear from a simple analysis.

In the United States at present the investment in production assets is over \$20,000 per production worker, both in manufacturing and in agriculture. This represents the “more than thirty slaves” the average worker has at his command to aid his own efforts in production. If we assume for sake of illustration that there were a hundred workers in some isolated society who have an average of \$20,000 of tools to help them, and two lone survivors of a shipwreck—about the current annual rate of population increase in the United States—float to the island to join them, the tools per worker immediately decline to about \$19,600. And with more shipwreck additions, it would decline more and more until it would eventually sink the island into starvation.

It may be noted, of course, that tools can be added to the pile in use. But whatever the original hundred persons invent, create, and add must not only replace the wear that goes on year by year, but must be shared with the immigrants. The additions to the population will add to the average tools per worker only after they have themselves saved and added to that society more than \$20,000 worth of effective tools in use. Until their contribution reaches \$20,000, they are in this sense economic parasites on the society they have joined.

How soon will it be until the neighbor’s newborn babe can add the required \$20,000 to the nation’s tools-in-use? That is our question in its essential form. We could go on down the street to other neighbors’ newborn babes, but that merely compounds our question in magnitude rather than to change it in essence.

The merchant selling diapers may do quite well for a while when this goes on and on in the nation, but only at the even greater loss of business by someone selling other things which the parents cannot now buy instead. Soon, by reason of discouragement if not bankruptcy, they will have to close up shop and go into business selling diapers, or something. The advantage to the diaper salesman then disappears, and he is ready to read some dusty article like this to see why his forecast of hope from help by the storks went afoul. He is then ready to ponder the question which should have occurred to him at the outset: If population

increases cause prosperity per se, why were countries like China and India in persistent poverty over untold centuries?

In a country of extremely sparse population, special circumstances can exist whereby an increase in population can cause enough increase in the efficiency of use of tools they already have to result in rising welfare for a time. But this is not the situation in our nation, or perhaps any nation in the world today.

In summary we may, therefore, herald with goodwill the coming into our society of newborn babes, but the joy should not be because they will automatically bring with them any sort of economic welfare. When they come, they will not bring with them the \$20,000 of capital equipment needed to carry their share of productive means now operating in our society. Each of them will dilute the ratio of tools to persons, which is the only real base for prosperity. Each of them, or someone else, will have to save and provide more than \$20,000 of tools before their presence will have the effect of increasing the average prosperity of the nation.

Higher Pay And Its Origins

Everyone wants more pay. But how can he get more? A review and analysis of historical evidence helps us find the answer.

The first essential of human freedom is that society uphold as a dominant and ruling code the concept that each person is naturally a self-owned and free agent. Ownership of himself is the basic instance of private property; he and nobody else owns himself. An exception unrelated to this discussion would be where someone violates this assumed right of some other person or persons, and as a consequence is required to surrender in like manner and degree the same rights for himself.

Yet flagrant violations of this code of self-ownership were widespread throughout the world in earlier times, and even today persist in many places. It is said, for instance, that in the ancient «civilized» world about one-third of the people were slaves of the other two-thirds.¹

Progress away from slavery in its conspicuous forms was made in various parts of the world. In some places, as in the United States in the 1860s, individual slaves were set free completely. Elsewhere, as in Germany for a few years following 1748, the serfs were allowed to work for themselves on two days out of each week; they became one-third free and two-thirds slave, by the calendar.²

A subtle form of enslavement has arisen by means of taxes imposed by the political collective against their subjects, payable under powers of confiscation and imprisonment. Taxes have, of course, prevailed since rulers first discovered things to be bought and bills to be paid, but in recent times taxes have become especially burdensome under the tranquilizing influence of democratic processes and the appointment of Mars to a high seat of council. If, for whatever reason, the tax agent demands two-thirds of the year's income from a person, is it really any different than when the master allowed his serf freedom for only two days out of six to work for himself?³

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As a free and self-owned agent of himself, a person may either produce for himself things he will consume or trade, or he may hire his services at a wage to some employer. This discussion is directed at the latter form. In the more advanced economies of the world today, as much as five-sixths of the «gainful workers» are working for others at a wage rather than to work for themselves. This reflects the importance of the wage issue.

A Fair Wage

Everyone is in favor of a fair wage. But what is fair? Differences of opinion on this issue have torn economies apart or paralyzed them at times; friends have become deadly enemies and communities have been turned into battlegrounds.

In days of old, religious doctrine often proclaimed the existence of a «just price», including the wage-price of labor. Assuming such a thing to exist, all that was needed was to find the person preordained to be able to see it. This became the self-anointed privilege of the enthroned religious seers, because nobody had invented a yardstick or set of scales by which to measure the justice of a man's wage. It was a power to which kings aspired and dictators claimed.

Philosophers in those early days also toyed with the idea of a just price and a just wage in this objective sense. But mostly it remained for the earlier economic theorists of the eighteenth and nineteenth centuries to give the concept the power of a professional blessing. They mistakenly assumed, to begin with, that value of things is something intrinsic in the object itself, much as the red color permanently imbedded in a pencil which remains in that pencil whether one or another person owns it—whether you hold it in your hand or throw it away in the forest. It is on this point that earlier economists slid off the road of economic truth.

Having assumed intrinsic value, these economists then took the next logical step from their wrong premise and set out to identify the precise nature and amount of this intrinsic value of each thing. Only by so doing could they and their political

compatriots invent a device by which to decree justice and injustice in the affairs of trade they desired to control. In thus emulating the physical scientists whose accomplishments they coveted, the economists sought a tool by which value could be measured as physicists measure weight or distance. They sought a device by which values in trade could be tested for fairness as a scale measures whether the «pound» of butter is 15, 16, or 17 ounces. A «fair wage» could in like manner be determined, and employers could be forced to avoid stealing any of the right wage from the employees.

This early search for objective tests of value turned up two main «solutions»:

- 1) The labor-time theory of value;
- 2) The labor-cost theory of value.

Labor, they concluded, was the ingredient which production imbedded in economic goods as value. This, then, could be measured by either the clock or the pocketbook from which the wages were paid. It seemed never to occur to them that they might test their theories by merely observing how buyers and sellers do business in a produce market or grocery store; do they argue over the hours of labor spent in producing the potatoes, or the costs of labor paid workers in the potato field? The housewives and grocers would hardly know what you were talking about, and could hardly care less if they knew.

These and other theories all started with the assumption of some precise cause of intrinsic value, from which splintered off all sorts of ideas and panaceas for resolving all economic problems of the world. There arose as a result «surplus value» theories, «fair profit» or no-profit theories, land value theories, and all the others. Almost all of them pinned the accusation of «unearned gains» on some persons presumed to be robbing others at the pie-cutting festivals of the market place. Even now, long after many of these theories have been buried by name, the essential ideas persist and cause conflict, from little squabbles up to cold and hot wars threatening the continuation of life on earth. In the main, the underlying issue is whether or not there is a fair price and a fair wage which the community or the state may

with reason and justice impose on any pair of persons who are dealing in the economy.

Space prevents more than mere mention here of new discoveries in value theory and derivative policies from which all industrial and many other forms of conflict would fade away as fog before the morning sun, if known and believed and put into practice. They stem from the subjective concept of value determination, wherein one person cannot know precisely what value another person places on anything. Each instance of value, unknown as between any two persons, is constantly changing for both. It then proceeds to the concept of decreasing utility for successive units of any one item for any one person, and hence to the marginal utility process of market determination for exchange. These theories are new in the sense of present recognition and use rather than in time of origin. They have been developed over about the past century by Gossen, Jevons, Menger, Wieser, Böhm-Bawerk, and others. Anyone not already familiar with the «Austrian School» of value theory might well familiarize himself with it in order to understand fully the background of what is to follow.

Why Wages Rise

It is common to believe that a mere command performance can cause wages to rise. Or as Professor Sven Rydenfelt has described it, when commands are given for wages to be raised at times when market forces are making them rise anyhow, the commander is like the chanticleer in Edmond Rostand's animal play; he believes that his crowing in the morning is what makes the sun rise.⁴

We must abandon with disappointment such simple devices for attaining economic betterment in society in general. Were it possible to thus better ourselves by merely commanding betterment, we should be able to advance at once to the heaven of eternal plenty without relying on our own efforts or God and His miracles to help. Nobody would have to do any work in order to have everything he wants. When economists assert that it is not as simple as that and say that everything to be consumed must first

be produced, they are accused of developing the gloomy science.

Another tempting path to economic utopia has been to try substituting money tokens for production of things we want to buy with the money, and then assuming that the money will buy things not yet produced. The gloomy science again steps in to proclaim that a thing not produced cannot be consumed; that inflating the token currency only makes more tokens for people to eat or wear—if they wish—instead of supplying more food and clothing they want.

Still another illusion about economic betterment is the substitution of the work of the stork with the work of the factory. If, for instance, a nation glories in the fact that its entire production has doubled over a period of time during which the working population has also doubled, and from this assumes that a doubling of wages is therefore justified, a rude awakening is in store. Yet note the current focus of political attention in many nations on gross national income and the like. If an employer should double his wage rates, he would end in bankruptcy, an idle plant, and workers without jobs; the warehouses might be bulging, of course, with unsold goods at double the price buyers would pay. So if the stork produces twice as many workers, total output must also double for economic welfare to merely hold its own.

Reducing the hours of work is another panacea which entices the unwary. But like outright inflation of the currency, it leaves more money to accommodate each item of a reduced output available for trade, so that prices accompany wages on the rise. At the higher wage a person is unable to buy what is not produced during those hours of idleness.

Having now brushed aside some misleading notions of how wages can be made to rise in a real sense, and leaving them for the writers of fairy tales in economics, we can proceed with our assignment of analyzing the question: «Why do wages rise?». For the economy as a whole and for wages in a real sense of worth, they rise because—and only because—more things desired are produced per capita and per working hour. If more things by this measure are produced and made available in the open markets of trade, wages will unavoidably rise.

To say that the average wage will inevitably rise when more is produced per capita and per hour is not to say that all wage earners will share equally in the rise. Some will get more of the rise than others. Those will get more who are producing what is most wanted by consumers at prevailing prices.

What History Shows

If the theory is correct that more production is what causes wages to rise, it should be validated by past experience.

In the United States over the period of record for the past century, the increase in hourly wages has been almost exactly equal to the increase in hourly production of the wage earner. His wage has gone up because he has produced more, and in almost exact proportion thereto. The same has been true in other countries as well, such as Sweden, where records are available to test it.

A century ago Karl Marx, using the erroneous surplus value theory, contended that the owner's profits robbed the workingman's pay of a like amount. He foresaw, as a result, a progressive collapse of the capitalist system until and unless rulers over wages were empowered to drive profits down and wages up—profits down to zero, that is. The astounding growth of economic welfare in the century that followed offers merciless refutation of his theories.

The extent of error in Marx's theories can be given in summary this way:

	Owners share	Wage earners share	Total
What Marx called justice	0	100	100
According to cause of production	95	5	100
Actual division now prevailing	15	85	100

The first line shows the division as Marx would have it, according to his surplus value theory, under the assumption that the owner produces nothing and should get nothing out of production. The second line is derived from the best available evidence

of the cause of the amounts produced, which in the United States appears to be fully 95 per cent due to the added production which the tools provide from owners' savings and investments in risky ventures. The third line shows the approximate shares now being received by owners and by wage earners in the United States. It shows, in other words, that the owners who contribute 95 get only 15 for their trouble and risk. The wage earners, on the other hand, contribute 5 and get 85—a mighty fine deal which the tax collector ignores when looking for «profit gains».

Why Production Increases

Production, which in turn limits the wages that can be paid, does not respond to mere wishes that production would rise. Causes exist which cannot be ignored or bypassed.

The key to increased production, in a word, lies in the successful harnessing of energy to help the hand of man in his productive efforts.

Adam and his sons and grandsons, we may assume, tried as best they could to increase their production by working harder and longer hours, until fatigue drove them to rest. A little, but not much, can be gained that way.

Later it was discovered that one man could enslave another and force him to work for the master. This helped the master's wage to rise, so long as he could get the slave to produce more than he consumed to keep him alive, healthy, and working. But the benefits to be derived from slavery were largely illusory, because the slave would shirk his tasks or perform them carelessly unless he was supervised closely. This sapped the time and energy of the overseer, which otherwise could have been used directly in production. Slavery worked advantageously for even the master only on menial tasks that could be easily supervised. On most of the tasks using expensive tools, a slave is a far poorer deal than for the master to hire a willing and diligent helper. The limits of possible gain from slavery are suggested by the limited amount that exists, even in those parts of the world where no moral scruples seem to bar the practice. The spirit of freedom in the human soul causes rebellion against slave work

that sets a low limit on the gain to be enjoyed by catching, harnessing, and supervising slave labor.

Animals that are tamed to do the owner's bidding can also harness energy to help produce things for us to consume—cattle to harvest grass and convert it into dairy products and meat, hogs for meat, draft animals to transport things and to till the soil, dogs to herd the sheep, and the like. These helped greatly, to be sure, but of a limited sort. How many mules can one man drive, for instance, without getting into a mess of tangled traces or tangled language?

There followed development of the water wheel and other minor devices that helped a little to raise production per hour of human labor.

The real breakthrough came with the innovations we broadly refer to as motors—the steam engine and the internal combustion engine. Motors have no will of their own that causes them to rebel against the master who tames them or enslaves them. They are willing and tireless servants, so long as they are fueled and lubricated and given reasonable care of other essentials. One master can easily drive hundreds of this type of «horse» with safety and accuracy. And furthermore, unlike the mule and the horse, they do not have to be fed when they are not working.

Looking at the sources of power and changes in usage over a century in the United States, we find these developments:

HORSEPOWER-HOURS OF ENERGY PER HOUR OF HUMAN WORK
DEVOTED TO PRODUCTION.

	1850	1950
The person's own work	0.10	0.10
Work by draft animals	0.51	0.10
Work by mineral fuels and water power	0.04	3.20
Total	0.65	3.40

This shows how the average person's own work (1/10 horsepower rate) which a century ago was assisted by the equivalent of about 5½ diligent and hard-working slaves, now has about 33 helping him, mostly in the form of non-life forms of energy. The

work animals, important a century ago, have been largely replaced by motors. As a result, wage rates per hour of labor have increased over the century by almost the same proportion as the increase in the use of power to assist work in productive output. The resulting production has made possible the increase in «real wages», because real wages are essentially the same as things produced and bought with the money wages.

Returning now to Karl Marx and his surplus value theory, to adopt his policies would kill the goose that lays these golden eggs of capital investment, harnessed energy, and the progress we have enjoyed. Mankind would then revert toward a subsistence level of life as primitive and savage peoples. The «profit» is the fuel of progress which yields for the *wage earner* in the United States a dividend of about 1,900 per cent more than the fruits from his own hand unaided by these tools provided by the profit seeking capitalists. What better deal economically has mankind ever found anywhere?

Back of the increase in harnessed power made possible by the machines and their use of non-life forms of energy, of course, lie the accomplishments of those geniuses whose innovations developed these tools and put them to work. And back of these innovators, in turn, are the geniuses among the geniuses who discovered the underlying truths which made possible the applications of the innovators. Without these few persons and their unique work which few understand or appreciate, there could not have occurred all the derivative developments which brought us this bounteous living which so quickly becomes a habit and which we take for granted.

The Consumption of Leisure

Since a free man owns himself above all else as a prized possession among private property, the use of his own time becomes his primary concern. He may use it to work for himself, or he may hire his time to others for a wage. If he works for another at a wage, he may choose this one or that one as his employer. Or he may choose to spend time in leisure, for this or that part of his day or year. If he chooses more leisure instead of

more chrome on his automobile or some other offering of the market, that is his right of decision as a free man who is self-owned.

Over the past century it would appear from official figures that persons in the United States have taken about three-fifths of their increase in capacity to produce in the form of more goods and services to be consumed, with work at the job in order to get them. Only about two-fifths has been taken in more leisure, instead of working those hours and having the income.

Wage Excesses Are Costly

Wage rates may, of course, be decreed or demanded in excess of what the person is able to produce in product worth for the market. This demand may be by one person acting alone or by many acting in concert. The effect can best be seen by first considering a person acting alone.

Josephus Doakes, let us say, is able to produce \$1.73 worth of his specialty in an hour of work. He can produce, in other words, a quantity for which the housewives in the market will pay \$1.73 and no more. If he works for himself and asks \$1.74 or more for it, he may continue to employ himself but the output will remain unsold and pile up as unsold inventory. If he works for some employer instead, who pays him \$1.74 or more as a wage, the product priced at that figure will likewise remain unsold; so only a foolish employer will pay him more than the \$1.73 that will move the output into the market and to the consumer. Any employer who demands a higher market price in order to pay the higher wage will shortly disemploy not only the former employee but also himself. In this case, the housewife sends a message through the market processes to the employer, to inform the employee that he is asking so high a «profit» for his labors that the consumer has decided not to do business with him any more.

It is exactly the same when, instead of one person acting alone, two or more employees act in unison. The only difference is that many persons rather than one thereby disemploy themselves at the same time.

Professor Pigou of England and Professor Douglas of the United States, in their separate careful investigations, have thrown important light on the relationship of wage rates to unemployment. Both found that employment is highly sensitive to wage rates, by a leverage of more than three to one—which is to say that when wages are pushed one per cent above the level that would allow everyone to work, three or more per cent of the former wage earners will lose their jobs entirely as a result. If we apply this figure to the depression of the 1930's in the United States, it means that the unemployment of one-third of our labor force was the result of wages only about 11 per cent above what would have given everyone a job.⁵ This means that for a benefit of only about 11 per cent in hourly rates of pay, one-third of the labor force lost their jobs.

Essentially the same result, but by a different analytical approach, was found by the French economist Jacques Rueff who analyzed the English experience following World War I. By relating wage rates to prices in the market, he was able to predict with a high degree of accuracy the level of unemployment in England.⁶

Wage excesses are probably the most costly mistake any economy can make. Its direct effect on employment means that much less is produced than persons want to buy. The things not produced cannot be consumed. And since they are not there to be consumed, neither can real wages be paid to buy them. One employee may be able to get some of the wage excess, but only by causing great involuntary disservitude to three others who thereby lose their jobs.

Unions Nearly Powerless

It has long been fashionable to believe that labor unions can and do cause most of the increases we have enjoyed in real wage rates. Two methods of testing this belief may be used, namely, the inductive and the deductive approaches.

To test the claim by the inductive approach, data were analyzed over the century since the 1850's for (1) changes in union membership as per cent of the total labor force, and (2)

wage rates per hour and changes in these rates. If a causal relationship exists, it should be easy for anyone to predict with some degree of accuracy the wage rates from evidence on union membership. No such connection is evident. This amounts to reflected proof that labor unions do not affect wage rates to any noticeable degree from what competitive forces in the market would cause them to be anyhow.

It is undoubtedly true that a labor union acting in its own exclusive interest can and does force an increase which that one employer might not have given otherwise at that time. But if the rise was justified, competition would have forced it upon the employer soon, reminding us again of the chancleer crowing in the morning and causing the sun to rise. Or the rise might not have been justified, causing someone else to lose \$3 due to unemployment for every \$1 these employees obtained—a costly gain, indeed, in terms of the general welfare of the economy.

Many industrial executives seem to feel in recent years that union leaders' excessive demands for wage increase have in fact caused wage rates to rise considerably higher than they would have risen in the absence of the union activity. It is easy to see how it seems that way, for anyone who repeatedly faces the heat of battle in wage settlements. Such persons should recall, as one test of their opinion, the events of the early 1930's in relation to wage policies and results. The wage rates were then supported vigorously under a governmental policy. It was argued that the cause of the depression and its disruptions was underconsumption; that to cure the trouble, wage rates should be supported at high levels. As pointed out above, the result was to disemploy one-third of the labor force, and to take \$3 of jobs away from the disemployed for every \$1 more wages for the employed ones. The effect of this measure to support buying power was directly the opposite of intent. If a policy of attempts to support wages failed then to raise real wages for the entire economy, why assume that it would work now?

Looking at the theory of union influence on wages from the deductive approach, we find further confirmation. But first let us review the sources from which alone can come any increases

in real wages—sustained increases in useful production. How does this increase in production come about? It comes by reason of discovery, innovation, saved capital invested wisely in tools to harness energy to help the human hand, and the diligent use of those tools by employees of the productive enterprises. If one now thinks of himself as one of those employees in some factory who goes to work every day to use these tools effectively, the idea of union influence can be tested by a simple analysis.

Assume that up to today you have worked as a free employee who has never been a member of any labor union. But tonight, at a meeting in the hall, you join a labor union and go to work tomorrow with a membership card in your pocket. Going over each step listed above as the causes of increased production—the only source of any increase in wage rates—how does the membership card in your pocket make you a better contributor to increased production? Does it make you an inventive genius? Does it make you a gifted engineer, to create ingenious innovations from new discoveries? Does it cause you to save more from your paycheck and risk it in capital ventures as an owner? Does it make you more diligent at your bench? Does it give you some motivation to develop better teamwork with the management of the firm, so that more output will result? Does it make you more inclined to resist pressures to leave your machines idle for this reason or that, when both the owners and the customers in the market want you to continue to use them? If your newly acquired union membership does none of these—if, in fact, its effect is negative for these combined—how then can it be said that union activity has caused most of the rise in real wages over the century?

NOTES

1. *Economic News*, Brisbane, Australia, Vol. 18, No. 4.
2. Heinrich Hauser, *The German Talks Back*, p. 48, Henry Holt and Company.
3. F. A. Harper, *Liberty: A Path to Its Recovery*, 1949; reprinted in

volume one of *The Writings of F. A. Harper*.

4. Sven Rydenfelt's "Tillägg" in *Varför Stiger Lönerna*, by F. A. Harper.

5. F. A. Harper, in *Jobs for All*, Colorado, 1960; reprinted in this volume, page 184.

6. Sir Josiah Stamp, *Work and Wages*, in "The Times" (London), June 11 and 12, 1931.

II Social Philosophy

General Essays

Freedom and Enterprise

This nation is currently making a decision that is probably one of the three most fundamental decisions of its history.

1. *Slavery of State to State.* The first of these fundamental decisions was made a little over a century and a half ago on the question of whether or not the colonies should continue in what seemed to them to be a servile status. *That was a fight for national freedom.*

2. *Slavery of Person to Person.* Then nearly a century ago we settled the question of slavery on a personal ownership basis. *That was a fight for freedom of person from person.*

3. The current question is that of *Slavery of Person to State.*

In the settlement of the first two of these questions we became involved in wars. Let us hope that in the settlement of the current question of slavery of person to state we can arrive at a satisfactory decision without resort to war.

The best way to avoid war in the settlement of this question, in my judgment, is to face the issue calmly and judiciously. This involves a clear comprehension of the problem and a full understanding of the consequences of various decisions.

If we in this country were to vote directly on the question of establishing complete slavery of person to state, there seems little doubt that the decision would be "no" by an overwhelming vote. But the question is not likely to come in such a clear and definite form. The answer could come quickly, clearly, and completely by

Reprinted from *Freedom and Enterprise* (Detroit: H. W. Peters, 1945).

revolution. But in the world's democracies the ultimate decision is more likely to continue to be made in the form of answers to many seemingly little questions having all sorts of different labels on them. That is why the problem is so intricate and the means of settlements so varied and hidden. That is why we must see each step in its relation to the whole and final decision.

Many persons seem to have the queer notion that there is virtue in freedom of nation from nation (the problem of 1776) and in freedom of person from person (the problem of 1865), but that there is something noble about a form of "responsibility" that may lead to slavery of person to state (our present problem).

Some Routes To Slavery

The real danger in the democracies, as has been said, is that of *slowly* sliding into a condition of slavery of person to state, rather than by a sudden revolution. How and why does this happen? A series of little steps are taken which are at the time seemingly justified by a variety of reasons. Some of these reasons are laudable as to intent, and others are not. The more important among the *basic* reasons are: (1) the desire to change or control others, (2) the search for security, and (3) the desire of individuals or groups to improve their own economic status, or that of others, by means of direct governmental intervention. Then there is a group of secondary reasons, excuses, etc., which will be discussed later as "Scenery Along the Road."

Desire to Change or Control Others

It has been well said that all of us are dictators at heart. That statement is probably correct, except possibly for Mr. Milquetoast, though people have this urge in varying degrees. Hitler illustrates an advanced stage of this disease. We should not forget, however, that the world is literally full of would-be Hitlers or Mussolinis. They would not admit it, but they must be judged by their acts and not by what they say.

The desire to change or control others expresses itself in many ways. Perhaps the mildest form is the phenomenon found on

every street corner, where one person talks convincingly to another. The technique of education is essentially a similar process. The teacher or professor is paid to influence others on an organized basis, supposedly in the direction of truth.

It is important to note that the urge to educate and the urge to propagandize¹ arise from the same basic human instinct. The two processes may thus be identical as to method, and propagandizing may even be called "schooling," "education," or "information" by its users. Distinguishing between the two is usually difficult if not impossible at close range, but the distinction is of vast importance. Honest education is one of the most important agencies for progress in a free society, whereas propaganda is one of the most vile and yet effective devices for converting freedom and liberty into state servitude.

In all countries with dictatorships, history seems to have recorded that "the road to serfdom" was paved largely by the intellectuals. A strange thing! For they are the very persons who should have the greatest respect for education as opposed to propaganda. It is easy to be misled by the fact that a mere paper hanger became the leader of one such movement, and to forget that intellectuals played an important part in the early development of that movement.

Why is it that intellectuals are so willing to pave the road to serfdom? It is not, in most instances, an intentional crime. They do not know that it leads toward serfdom. With the best of intentions, they cherish a sincere desire to improve the lot of their fellow men through the use of their superior knowledge. It is axiomatic that they should earnestly desire quick and universal adoption of measures based on their knowledge and discoveries. They believe that the millennium can be hastened in that way.

How can adoption of these measures be accomplished? One possible means is education, by which individuals are led to act in the desired manner as a result of acquired belief. But the process of education is too slow to satisfy many of these impatient intellectuals. The skepticism and ignorance of the masses, and the tenacity with which they cling to their "superstitions," is an annoying impediment to progress. As a substitute for the slow

process of education, the power of government offers a vehicle for quick action. This device becomes at first enticing and then irresistible, despite its substitute of force for action that results from belief. It is for these reasons that many sincere intellectuals become willing supporters and active leaders of movements which constitute a shift away from freedom and liberty toward slavery to the state. The loss of liberty and freedom which any one measure entails may seem small. But the cumulative effect becomes serious when this sort of thing is multiplied many times. The road to serfdom is paved with small bricks, each constituting an important part of the whole.

The desire to control is not always, however, combined with programs of "forced betterment." The motives are sometimes less laudable. There is the joy derived from controlling others merely for the sake of exercising control. Some admired leaders are motivated by this urge, and are to be especially feared because their ability for leadership intensifies the threat to freedom and liberty.

Search for Security

One of the most common routes toward serfdom is followed by those in search of economic security. Everyone wants security, and any program so labeled has wide appeal. In order to appraise any governmental security plan we must look behind its name. It may be helpful first to consider the anatomy of real security.

The simplest form of security is the type practiced by the squirrel; he stores nuts for winter. This affords him security as long as the reserve lasts. People do the same thing privately. They may store up consumer goods such as food. It is not necessary that they store this food in their own cellars, as the colonial settlers did. It may be kept for them elsewhere, with some sort of warehouse receipts that can be exchanged for food when they need it. Money in your pocket is essentially the same thing; you can exchange it for the food at a store. But you can do the same thing in other ways too. You may deposit the money in a bank. Or you may put it into insurance policies. Or you may

invest it in stocks, bonds, a farm, or a business. These are all means of providing private security. If the person involved is to have greater security he must *save*—that is, he must restrict his spending to less than his income.

Another way for an individual to increase private security is to increase his productive capacity. This may be done through education or by some form of training, or it may be through invention of tools or methods that increase efficiency.

An individual may marry well or arrange for the death of a rich uncle. Or he may steal from his neighbor, or rob a bank. These are security plans of different types, having only limited possibilities of application.

When we begin to consider group security plans, the question becomes more complicated. Life insurance illustrates one type. The essence of the idea is that individuals who wish to do so can pool their unpredictable risks. Some individuals gain and others lose in the process, but the plan is voluntary and each participant has a chance to either gain or lose. The group as a whole must pay the costs of administration. The result is a form of security on an individual basis for those within the group, but the security of the group collectively is lessened by the amount of the administrative costs.

What can a government do? Government can do certain things which will encourage private security—it can create stability in the buying power of money (that is, prevent wild inflation or violent deflation), it can protect property rights, it can protect the right to rewards for hard work and wise management, it can refrain from granting special benefits to those who have not saved at the expense of those who have saved, it can protect the rights to free access to all knowledge, and it can do everything possible to stimulate training for more productive work, inventive genius and increased efficiency. These are sound things that a government can do to increase the security of its citizens without infringement on individual liberties and freedom.

The government may also operate group security programs such as life or accident insurance. How does this compare with protection available from private companies? The government

may be either more or less efficient; it may make the plan compulsory; it may subsidize the rates, which amounts to a shifting of costs as between individuals; it may make the rates actuarially unequal in order to accomplish certain "social objectives."

The government can by many devices increase the security of some individuals at the expense of others. These are infringements on liberty and freedom without any direct increase in the total of national welfare. At the extreme, prisoners are highly secure in food, clothing, and housing; slaves have in addition a high degree of security of employment, as did the people in Germany during the thirties.

The total production of goods and services is the only worthwhile concept of true security on a national basis. A nation can consume only the equivalent of what it produces. If the government arbitrarily gives one person a greater part of the total produced in any given year, whether in the form of "security benefits" or by some other name, it must be taken away from someone else *in the same year*. Distribution of the parts of a total is a very different thing from changing the size of the total.

Many persons have the false idea that government can hand out security benefits at will, without cost. They think of the government as a thing apart, as a source of showers of manna, as a sort of spigot that can be turned on or off at will to give its citizens additional economic benefits from a limitless reservoir that needs no replenishment. Having that false idea, they make demands on their government and become willing buyers of one-way tickets on the road to serfdom; and as long as they make these demands, politicians will gladly work at the ticket window in seeking public favor.

The Desire of Individuals and Groups To Better Themselves

I can recall having heard of only two instances in which persons declined raises in pay. That suggests another important human trait—the desire for a better living. Practically everyone

would like more pay and thinks that his services to society are worth more than he is getting. A well-known economist once said that a fair price, a fair wage, or a fair rent at any time is approximately twenty per cent more than the present rate. A new device has been developed as an aid to attaining "fair" return by this test. Groups of persons, banded together, are discovering that they are *all* underpaid, or that the market price for *all* their products or services is too low, or that *all* their profits are too small. This is not surprising. For if each is getting "too little" individually, combinations of individuals will find common ground for complaint. And so, as pressure groups, they assert their "just demands." No important segment of our economy is totally immune from the use of this type of power, and it is being rapidly expanded for the avowed purpose of meeting power with power.

This sort of pressure-group action never developed greatly in our early history. A person who is completely self-sufficient can see no use in such antics. He is his own employer, furnishes his own capital, and is the market for his own products. Try to imagine an argument with himself over prices, wages, and profits! His common sense tells him that he cannot better his economic welfare by any process of shifting money from his left pocket to his right, or vice versa.

In a highly complex society the same principle holds, namely that a shift of money from the left pocket to the right does not make the nation as a whole either richer or poorer. It does, of course, benefit some individuals (*at the expense of others*). That is why pressure groups have come into being.

Groups demand a correction of "inequities." But how is equity to be determined? Some claims represent real inequities, whereas others are merely forms of attempted robbery. Fairness will not be accomplished by granting *all* requests, nor by decisions based on the size of the organization and the power behind the request. In pressure-group action, as in military action, *power does not insure justice; it insures nothing but the privileges of power*, which may be unjust.

Even when the organization of a pressure group stems from

an unjust situation, there is no certainty that the power will evaporate when the point of equity is reached. On the contrary, the power is far more likely to persist and to ride on victoriously through the point of equity, into inequity. Suppose the price of frog's legs should, in fairness, be \$2.00 a pound, instead of \$1.90 a pound. A pressure group is organized with sufficient power to force it up to \$2.00. Will the rise be halted at \$2.00? Certainly not, if, as was the case, the price was granted only because the power of the pressure group was greater than all opposition.

The question then becomes, "How can fairness be determined and maintained in an environment of pressure groups?" The answer is simple, "Submit the question to impartial committees." But where and how are impartial committees to be found? A popular belief is "in and by the government." It is somehow assumed that the frailties of human judgment and motive will disappear automatically when decisions are shifted from person to state. This would be true only if government could be operated without persons, by some device whereby decisions could be arrived at by some faultless method—which is not the case.

The desire of individuals or groups to better themselves, then, leads to the delegation of power to the government in exchange for individual liberty and freedom. And this, too, makes willing buyers of one-way tickets on the road to serfdom.

Scenery Along the Road

The scenery along this road to serfdom² is interesting and significant in its meaning if one can keep an objective viewpoint. There are signboards pointing out directions and saying interesting things, and there are various forms of camouflage. High motives, ignorance, and specific intent to confuse and mislead the people all combine to make this scenery possible. Here are a few of the most interesting points to watch for.

Some Signboards

Among the signs pointing ahead down the road are some labeled "progress," "liberal," "forward looking," "planning,"

“planned welfare,” “fairness,” “in the public interest,” etc. Some pointing in the opposite direction are labeled “conservative,” “reactionary,” “backward looking,” “selfish interest,” “unprogressive,” “behind the times,” etc. The public generally thinks of these two groups of terms as practically synonymous with good and evil. Because of established prejudices, these signs or labels immediately set people for or against a thing without any further consideration—if they believe in signs. In fact, one who would even stop to consider the ideas in *The Road to Serfdom*, and especially one who voices approval, immediately acquires somewhat of a “blot on his escutcheon.” He is “a reactionary, and deserves no further attention.”

Merely labeling a program with one of these terms is no guarantee of its virtue or lack thereof. One has to look beyond the label, inside the package. False labeling, so abhorred, is not restricted to consumer goods; it occurs also in terms concerned with programs and ideas in the realm of economics.

Those who hold Hayek’s viewpoint are not opposed to progress. Instead, they differ from their opponents on how best to attain progress. They are not opposed to the public interest, but they have their own views as to what is in the public interest. They are not opposed to true security. They are not opposed to “true liberalism,” of which they themselves claim ownership.

Switching Direction of the Signs

People instinctively adhere to ideas leading away from serfdom. Man is born with a strong desire for liberty and freedom, and many believe that he is born with the right thereto. A device used in totalitarian countries to offset this instinctive urge has been to leave people in fond possession of certain terms for which they are willing to fight, but to change the meaning of words by the use of propaganda. It is like a person whose heart is set on going north to Trumansburg, but whom you wish to entice to go south to Owego instead. Rather than to try to convince him that Owego is after all the better place, you let him keep his pet notions and just switch the signboards around. So he goes happily along, and you burn his bridges behind him.

Typical of this sort of thing in totalitarian countries are the “prejudices” of people for *liberty and freedom*. So the leaders let them keep the terms, but change the meaning slowly, step by step, until they are in essence believing in subjection of person to state—almost the exact opposite of the original meaning. We have seen, for instance, how this type of transformation has been accomplished in Germany.

Interesting things have happened over the centuries to the meanings people have attached to “liberal” and “laissez faire.” The apparent origins of these terms suggest how they formerly represented beliefs that would be labeled as conservative and reactionary by many of the present self-styled liberals. *Laissez faire*, now viewed with contempt by many, was part of the slogan of a great liberal movement in France two and one-half centuries ago; the full term *laissez faire, laissez aller, laissez passer*, when literally translated in terms of the issues, means “let us be free to work, to travel, and to trade”; it was the slogan for a campaign to free people and industry from excessive regulation and interference by government. *Liberal* originated in Spain about 1810 to describe a political movement toward freedom and liberty; its meaning was the opposite of servile, and an initial issue was that of freeing the press from governmental censorship.

Mere words, like *liberal*, are unsatisfactory as descriptions of economic or political policies. Meanings almost the direct opposite of one another carry the same label in different countries, or even within one country. The confusion is intensified by those who have a purpose in promoting confusion of thought—including those who aspire to dictatorial control over a freedom loving people. If we are to preserve our freedom and liberty, we must constantly analyze the nature of issues and programs and ignore labels that have been attached to them.

This Way Toward Equality

Another enticing sign along the road toward serfdom is “equality.” It is one of the most appealing enticements of all, and therefore holds great danger to liberty and freedom. Analysis of

this question is most difficult to accomplish with brevity, yet its importance justifies the attempt.

Equality of economic benefits (both income and wealth) seems to have wide appeal. To some it is appealing for ideological reasons; they believe equality to be ideal from the standpoint of justice. Others support the idea for selfish reasons; I would guess that four-fifths or more of the people believe themselves to be below the average in income, and therefore stand to gain through equalization. And everyone would like to equalize with those who are better off than he himself is.

Hayek's type of liberalism supports the idea of *equality of opportunity*, but not necessarily equality of income. To understand this reasoning we must consider why incomes differ.

1. Incomes differ because people differ in their economic *drive*, in the extent to which they want to apply themselves to work vs. use of their time in recreation and leisure. It is their privilege to so choose, but if they choose a higher proportion of leisure, the economic penalty attached should not be shifted to others.
2. Incomes differ because people differ in their economic *ability*. Men are *not* created equal in economic capacity, and these differences cannot be corrected by law or by governments. The things that law and governments *can* do are to give everyone more nearly equal economic opportunities.
3. Incomes differ because of all sorts of limitations on free and fair competition—monopolies, etc., etc. Many of these are the result of measures enacted with avowed objectives such as “security” and “fair trade.” It is this type of thing which Hayek and all “true” liberals would not tolerate. As they see it, a clear function of law and of government is to insure freedom of *opportunity* by protecting against these abuses.

Whether or not we like this situation, incomes have a strong and persistent tendency toward inequality. Some of this tendency is a natural force, just as much as the force of gravity and the tendency of water to seek its own level. Those resulting from *natural* forces can be altered only at the cost of loss of individual

liberty and freedom. Some inequality is the product of certain laws and regulations, or of the economic environment which is allowed to exist. Abundant evidence shows that government has been unable to prevent inequality of incomes, except perhaps temporarily. It can, however, do much to influence the *basis* for income differences—the rules of the game, so to speak. It can either encourage or discourage income differences based on economic productivity and the contributions to progress, as contrasted with the circumstances of birth, membership in effective pressure groups, or aptitude for political gangsterism and intrigue, as seems to have prevailed in Germany.

Equalization of incomes is likely to poison initiative and retard progress to the extent that the real incomes of everyone are lowered from what they otherwise would be. The fact that large incomes suffer more than small ones should not be comforting to those whose smaller incomes are further reduced, as the result of a program supposed to benefit them.

Hayek's type of thinking has been unfairly accused of holding no sympathy for the lot of the other fellow—of being unreasonably selfish. They believe that destitution and need can be dealt with most efficiently and fairly through voluntary charity and localized relief. They are opposed to state-sponsored equalization of incomes without regard to the individual's economic contribution. Those capable of producing should be allowed to do so, and should be given every possible encouragement and inducement. Giving them something for nothing does not do this. Instead, it stifles initiative and reduces production, and therefore defeats the purpose of economic betterment for the nation. Equalization of incomes can be accomplished only by moving down the road toward serfdom.

Law-Abiding Citizens

Signs may be placed along this road designed to brand all going down it as law-abiding citizens and all who resist as lawless citizens. That is to say, all laws, no matter what their nature or effect, purport to be both desirable and just. On the contrary, it should be recognized that law and regulation can be used to

destroy liberty and freedom as well as to protect it. Law can be used, in other words, for the purpose of legalizing plunder of types that, without the law, would be looked upon as forms of robbery.

This idea of the sanctity of law in a democracy is due, to a large degree, to the belief that if it came into being in a democracy it cannot be undesirable. That depends on one's test of desirability. If desirability is to include the protection of liberty and freedom, laws and regulations in a democracy certainly *can* be undesirable. *This is a very important point*, and will be discussed further.

You Are Protected by the Democratic Process

Belief in the democratic process as a defense of liberty and freedom can become a sort of ineffective "Maginot Line" behind which we hide while riding on our way toward serfdom. It accounts for much of the complacency in the democracies, and for the type of feeling so well described by "it can't happen here."

As an extreme, it is conceivable that a people could suddenly vote themselves into complete slavery by the democratic process. Or, they may at any time vote retention of whatever slavery status they have already attained. It was reported, for instance, that many negro slaves in the south before the Civil War would have voted to remain as slaves—apparently because they were reasonably well satisfied with their economic lot and because they wanted so much to retain "security" in preference to the insecurity of freedom in the outside economic world. Probably many German people would have honestly voted for a continuation of their servile status.

Instances abound illustrating how people have voted partial slavery on themselves, or more commonly on others, by the democratic process. It has been aptly said that in a democracy the idea of majority rule is less important than that of protection of minorities against the plunder of the majority.

No, democracy does not insure individual liberty and freedom. Laws or regulations in a "democracy" may be used for legalized plunder as well as for protection. They may be used as a device for robbery of the minorities, which may eventually de-

generate into a process of allowing segments of a population to rob each other, *legally*. Reciprocal robbery is not the way to acquire a high and rising standard of living for a nation, and the democratic process by itself does not seem to be an adequate defense against these dangers.

Fair Prices, Wages, and Profits

A common complaint against free enterprise and free markets is that *some* prices, wages, or profits are always at unfair levels. And so along the serfdom highway are to be seen signs promising fairness to all as the reward to the traveler.

Especially appealing to great numbers of people is the idea of the confiscation of profits, supposed by them to be unnecessary or excessive and existing at the expense of employment and payrolls. The function of profits as the vitalizer of the free enterprise system is too little understood. Profits have a *positive*, not a negative, effect on employment and payrolls; their effects are tremendous, with a leverage of from two to five times.³ Profits stimulate employment and payrolls by several times their own magnitude.

Also, too little understood is the fact that wage rates can easily be *too high* in relation to profits and other rates of return in the nation's economy—too high for the good of labor itself. When this happens, every one per cent that wage rates are too high apparently causes a three to four per cent increase in unemployment.⁴

From this it is easy to see how insufficient and meaningless are mere words of acclaim for the free enterprise system. The important thing is what is *done*, not what is said. Kindly words for free enterprise and acclaim for the objective of full employment are not enough. They will not offset the unemployment that results from adverse measures which prevent free enterprise from working. Using force of government and of pressure groups in ways that result in too low profits and too high wage rates will result in conditions of unemployment and low business activity which, in turn, will induce additional further measures leading down this road toward serfdom.

On the other hand, profits can be too high and wage rates too low. When widespread and continuous, however, they are probably always the result of curbs on free enterprise and free competition, except for instances involving deception and misrepresentation—threats to justice that must be guarded against in *any* form of economic system. Hayek and his group favor doing away with all such curbs and injustices, which is a constructive program of great challenge.

The charge that some individual “injustices” can always be found in a “free” market probably is true; its proponents do not claim perfection for it, if by “perfection” is meant the protection of everyone against making an economic mistake and suffering the consequences allotted by the consumer in the marketplace. Many of these instances alluded to as evidence against the free market system are, in fact, the product of *lack* of complete freedom. The question is, will any other system make so few “mistakes,” and in addition perform so well in terms of economic progress? This group believes that no other one will, even aside from the question of the liberty and freedom which it preserves and other systems destroy.

To measure fairness in prices, wages, and profits requires some basis by which fairness can be judged. As has already been discussed, almost everyone believes *his* share to be unfair, whether it is or not. The producers all think the price is too low, the laborers all think wages are too low, and the owners all think profits after taxes are too low. Why cannot these complaints easily be satisfied by the simple device of raising the retail price enough to cover increases in *all* of them? Because the consumer then becomes an obstructionist, and says that he will not pay the increase—in fact, he claims that the price is already too high and should be lowered. To answer this new dilemma, why not let the government pay the increase, and perhaps also pay some of the consumer’s retail price?⁵ The only catch in this solution is that the government cannot really be a rich uncle to everyone because in reality it is nothing more than all consumers on the one hand and all producers on the other. “Who will pay for it?” is a *very practical question*.

The solution of letting the government pay for it can be described as an attempt to better yourself by increasing your pay to yourself and then sending yourself the bill. If the costs did not boomerang on the citizens themselves, this solution would have all the advantages of perpetual motion as a source of power.

The most equitable method yet devised for deciding these complicated questions of fair prices, wages, and profits is the mechanism of a free market, operating in an environment of *really* free enterprise and free competition. Those who so believe have been accused of advocating a do-nothing policy. On the contrary, it is a positive and constructive program. Whether or not a thing is constructive must be judged by its results rather than by how much dust it stirs up, how much furor it creates, or how much it costs to operate.

Advocacy of a free market is thought of by many as being an endorsement of robbery in the market. But voluntarily agreeing to trade at a price which, under some other circumstances, might have been lower is a very different thing from taking a man's pocketbook at the point of a gun. Many instances criticized as evils of the free market are, on the contrary, the product of some *lack* of freedom, and are condemned by the advocates of a free market.

Strangely, many who trust the democratic process for decisions in political affairs deride the free market for decisions in economic affairs. Yet the two are the exact equivalents of each other. Only in a free market does *everyone* have a chance to cast his vote in the election that will decide what is a fair price, wage, and profit, and what should be produced. To contradict the justice of that decision is to contradict the whole concept of justice by the democratic process. Neither the democratic process nor the free market is perfect, but they are believed to have fewer faults and to do a better job than any other known device. A sure way to take a shortcut to serfdom is to throw overboard the sovereign rights of *all* the people, in either the political or the economic realm.

A comparison may well be made, too, between economic freedom and religious freedom. If one believes that a public official,

committee, or pressure group is best qualified to decide economic questions of price, wage, and profit, he should also believe that matters of religious belief for individuals can best be decided in the same way. The reasons for religious freedom are reasons for economic freedom.

Fatalism

There are those who say that the trip down the road to serfdom is "inevitable," "the trend of history," etc., and that those who balk are behind the times and will be run over.

Those inclined to accept the fatalistic argument should search history books to see if there has been any such one-way trend. The search will be interesting and fruitful. Many of the very same measures now claimed to be necessary because of twentieth century conditions have been tried again and again over the centuries to take care of "new" conditions that then existed. The record of their degree of success or failure is there for study. It would be much cheaper for us to read these lessons of history than to set up the same experiments again under new names.

Important periods of history have been moves away from serfdom. History is full of instances where "inevitability" was broken by people determined to free themselves of partial or complete slavery. Sometimes they did the job for themselves, as in England. Sometimes it has been done by outsiders, as we aspire to do in Germany. In still other instances individuals fled from serfdom, like the medieval serfs who became free by custom if they could flee to a city and escape capture for a year and a day; many of the settlers of this country were those who sought freedom and liberty in a new location.

The fatalistic claim of inevitability is a snare. Natural forces, in a sense, have aspects of inevitability. If one is to resort at all to the argument of fatalism, it would lead him toward such things as continued inequalities of income rather than toward equality. But the matter of serfdom is a choice for us to make; it is not an irresistible natural force driving us in one direction. In matters of choice, fatalism becomes a causal force only to the extent that

people believe in it. It is not otherwise a cause, and it deserves consideration here only because of its danger as a way of thinking about such questions. It is regrettable that fatalism offers such an easy escape from perplexing problems.

Closely allied to the fatalistic argument is the one, "Let us take the middle way." The middle way is frequently taken by those who do not know where they are going, and so find comfort in having company on both sides. But a position is not necessarily right simply because it is the middle. A more rational basis for decision is called for.

Style

Some attach the label of "modern" to movement down this road, as though that proved its soundness. One who balks is then ridiculed, as though he were wearing an 1870 style hat in the 1945 Easter parade. If this question were of the same nature as the style of hats, and sweeping changes were of no more consequence, there would need to be little concern with this attitude. But his is a *very* serious question.

A dangerous notion along the same line is that the new is better than the old simply because it is new, and that every change is progress toward betterment. The mere fact that a few leading Englishmen a century to a century and a half ago held some of these same views does not *automatically* make them wrong, as some would have you believe. By this same reasoning one would ridicule the Ten Commandments and the Constitution; he would believe them to be wrong because they did not originate at some time well into the twentieth century.

A thing is neither right nor wrong merely because it is old. We must determine soundness of ideas by more fundamental tests than "What are they wearing this year?"

The Motley Array Moves Down the Road

Those traveling along the road to serfdom make a motley array. Some are going that way as a means of increasing their profit margins, and others as a means of eliminating "the evil of

profits." Some go to raise wages or prices, and others to prevent their increase. Many know not that the nature and objectives of their fellow travelers are direct opposites of their own; others know but hope to gain ascendancy over the other journeyers.

Some are sincere altruists who honestly wish to help their fellow men. This group includes many intellectuals whose motives are entirely unselfish. It includes many religious leaders, who seem to believe that we can have "all this and heaven too." It includes many public servants, in both elective and appointive offices.

Another large group includes those who are perfectly willing to accept this benevolent aid from the government, even at the sacrifice of liberty and freedom.

Some have a lust for power, including those already in positions of power as well as many, many aspirants.

Some are those innocent, pathetic individuals who have been fooled by the reversal of signboards. They are going in the opposite direction from what they think.

Some go along simply because all the other people are going, like people joining a crowd that is running down the street to an unknown destination. They may go along simply for social or political reasons.

Lastly, there is a group who know or suspect where the road leads. They react in different ways. Some stand in opposition to certain measures and demand their just rights; they are brought before the new law and are condemned. Some merely shout warnings, and are ridiculed for being "alarmists." Others, like Hayek in Austria, quietly leave the country for haven elsewhere. Still others—and I begin to suspect the number is great—humbly submit and peacefully march along against their better judgment. Some tolerate measures in wartime because they believe them to be war necessities. Many look upon the whole affair as a sort of grab bag currently in vogue, and justify their participation on this basis:—"I know it is wrong, but I'm going to get my share of the gravy because I'll have to help pay for it anyhow."

As this motley mob has moved along in countries like Germany, it has fallen into more and more orderly columns, march-

ing in step. On the surface it would appear that order has been brought out of chaos. How was it done? By a whole series of “national programs.” By adult “education” groups, set up to “explain” these programs to the people. By youth movements, to help educate the youth and to make them healthy (with free food, camps, and various forms of appealing recreation). By compulsory military training “to insure the national safety.” Etc.

Moving Toward A One-Way Street

According to Hayek, several other things characteristically happen as a nation moves down the road. Among them are two highly important ones: (1) truth is driven underground by the process of smear and destruction, and (2) the “worst” get to the top and acquire control.

Why do these things happen? It is basically because the whole program is in contradiction to some inherent tendencies of people and to some economic principles that are as powerful in their area as are the “laws of nature.” For one thing, people wish to be free and to have liberty. For another, incomes are inherently unequal as a result of differences in capacity and in inclination to work. For these and other reasons, people must be led to discard certain ideas. This can be done in all sorts of ways. Propaganda becomes “education.” Sources of information are controlled as so to screen out that which would “poison people’s minds.” As has been discussed, new meanings are applied to cherished words. People are led to adopt slogans rather than analyze what lies behind the slogans; they are induced to follow leaders blindly rather than to follow ideals irrespective of person. All this involves the destruction of truth as we know it.

Why do the “worst” get to the top? It is because the whole system pays dividends to persons adept at the destruction of truth. They must be willing to use almost any measures to attain their ends. They must be respecters of might and force, and have a willingness to ignore the rights and beliefs of individuals. They must be willing to follow the orders of superiors without question. The further down the road a nation goes, the clearer it becomes that the most successful leader is the one who can carry

out the plans of the state in spite of opposition from individuals within the state. To believe that kindly Samaritans will continuously stay in control as the procession moves down this road is as unrealistic as to expect that kindly and altruistic men will maintain leadership of gangs in a robber economy.

The road becomes increasingly a one-way street as the people move along it. It becomes increasingly difficult for the nation or for individuals to turn back. When individuals do turn back, as while driving on a one-way street, it becomes a violation of law, with penalties of increasing seriousness even to the death penalty as we have seen in totalitarian nations.

As the leadership changes more and more from the scrupulous to the unscrupulous and from the altruistic to the crafty, the more admirable intellectuals who led the movement in its earlier days are pressed into the background; or they may be given "important" jobs which keep them so busy laying bricks for extensions to the road, or making needed repairs, that they have little time to meditate. Or if in their spare moments they do meditate and wish to speak their mind, silence is imposed on them by their superiors because of their position in the government.

These points about the destruction of truth and about the types of people who take the lead are worthy of far more attention than I have given them. Biological processes quickly replace individuals who may have met death in the process. But the replacement of truth, ideals, and knowledge is not so easy and not so rapid.

What To Do About It

The next logical question is, "What can we do about it?" That is beyond the scope of this discussion, the purpose of which is to explain this brand of economic thought as a basis for appraising it. So far as I know, Hayek and the rest of this group have no program of action except the completely informal one of *true* education. The whole idea of revolution by force is the direct opposite of their ideals, as is also the notion that anyone should be asked either to think or act according to authority from

someone else. It is the responsibility of everyone, in other words, to do his *own* thinking and act accordingly. Once he understands the basic principles and makes a choice, no one need tell him what he should do or how he should stand on any question; the answers will come crystal clear to him. If he is confused on any problem, it is evidence that he doesn't yet understand the basic principles involved—in which case, as a professor, I would suggest that he may be behind in his reading.

A Partial List of References On The Nature and Advantages of Economic Freedom

An attempt has been made in this pamphlet to summarize and interpret the views of a group of persons having similar opinions about many aspects of current economic problems. They do not fully agree in all details. Probably none of them would fully agree with this interpretation. But they think alike about many of the fundamentals and are grouped together for that reason.

In so short a statement no more than a mere introduction can be given to these ideas. For those wishing to pursue these concepts further, I have prepared a bibliography. I would seriously recommend its use as a supplement to this interpretation.

The group which holds these views includes so many interesting characters that there is the temptation to talk about them as people. But it is the ideas, and not the persons, that we are considering. Ideas are either sound or unsound *in spite of who holds them*.

Allow me to make one exception, however, because the life of Hayek is of special interest as background. He is a world-famous economist who lived in Austria until the early thirties. His opposition to certain views is not congenital, nor is it due to failure to understand them because of always having lacked sympathy with them. He warns us of ideas that lead to a mess of pottage at the end of a rainbow. From his "orchestra seat" in Austria, Hayek watched the various countries of Europe turn into totalitarian regimes, through a process of metamorphosis that started from the very same views he had held in his youth, the

views which had led him to study economics as his lifetime profession. One country going astray could be just an accident—pure chance. But the pattern and the consequences were so similar in several countries that Hayek's scientific mind could hardly fail to associate them as cause and effect. He found what satisfied him as the answer—namely, that totalitarianism and dictatorships are simply the fruiting stage of what appear in their flowering stages as rosy, appealing ideals.

Hayek backed up his analysis of the situation by fleeing Austria in the early thirties, spending time in the United States and England and later becoming a British citizen. He now finds the leading democracies of the world going through the same sequence of events, with the same ideas, and using the same type of justifications for their acts that Germany and those other countries did a quarter of a century ago. The repeated sequence of events has given him the unique and disturbing sensation of twice living through the same period. In his book he tells us why, and the things to watch for as evidence of a road to serfdom.

NOTES

1. The term "propaganda" is used herein in its modern, derogatory sense—the spreading of untruths for a specific purpose. This is quite contrary to the earlier, more respectful meaning of the word, which is suggested by the establishment of the College of Propaganda during the seventeenth century to educate priests for missions.

2. The title of Hayek's book. See bibliography.

3. See Sumner H. Slichter, "Postwar Boom or Collapse," *Harvard Business Review*, XXI (Autumn 1942), p. 36.

4. Paul H. Douglas, *The Theory of Wages* (The Macmillan Company, New York, 1934), p. 501. Also see A. C. Pigou, *Theory of Unemployment* (The Macmillan Company, New York, 1933), p. 97.

5. This type of solution goes under various terms such as "subsidies" and "price control." In wartime they pass as necessary emergency measures, but in peacetime they offer an equally enticing solution to the position in which a government finds itself when it tries to acquiesce to pressure groups from all sides at once.

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Can Cooperation Replace Competition?

Among those who profess a deep devotion for the free society are those who consider a “world cooperative commonwealth,” where everything in the world is done by one big cooperative, to be the goal of a free society; yet others, also claiming to be devotees of the free society, assert that the cooperative type of business organization violates liberty altogether. I consider both views to be in error.

Cooperation is not a violation of the free society. In fact, it is practiced widely in the highest form of human society. A considerable degree of cooperation is necessary for a society to rise from barbarism to anything like a modern civilization as we know it. But it is also my belief that cooperation, as distinguished from competition, has no monopoly on virtue; that competition will, as a matter of necessity, always be found side by side with cooperation in a free society; that a “cooperative commonwealth of the world” is a futile hope in a free and progressive society.

Before explaining the reasons for these beliefs, I must first explain what I mean by the *free society* and *cooperation*, because both terms are batted about with abusive usage. I dare not take the chance of being misunderstood in my use of these terms.

The Meaning of a Free Society

Our ancestors fled from autocratic tyrannies abroad. They came to the wilderness of America where they hoped to establish new homes in a manner that would allow freedom to reign here forever. They founded a nation with a government operating under a Constitution, designed to preserve the liberty of its citizens.

Yet now both the spirit of 1776 and our liberty have been all but lost. Our system of compulsory attendance in schoolrooms has failed to preserve this priceless heritage. That is why millions

Reprinted from *Faith and Freedom* (Los Angeles: Spiritual Mobilization, February, 1951).

of adult persons in all walks of life must now quickly learn the meaning and form of liberty, as an antidote to being lulled by plaudits about liberty while sliding down the slope into slavery.

A free society is founded on individual liberty, which means that a person is free to do whatever he desires according to his wisdom and conscience. But since he does not live an isolated life, living at peace with one's neighbors requires that certain rules of conduct be observed in the same manner as by the players in a ball game. These rules, by which persons may live in peaceful liberty, are those that will allow the maximum of liberty among persons generally; that treat the liberty of the individual as of paramount importance, and the State as nothing more than a mechanism for reducing to the lowest possible point the interference of persons with each other's freedom; that will provide for equal rights and restrictions for all persons under impartial law (portrayed in the symbol of justice in Old Rome as being a person blindfolded and unable to see those being judged); that treat power as an evil in any hands which should be broken up into the smallest possible pieces. As I use the term *liberty*, those are its tests.

Economic liberty requires that a person be allowed to keep whatever he produces, or its equivalent in money or in goods, rather than to be forced to surrender it to a master by whatever name. It follows, naturally, that he shall be allowed to keep what he has produced as private property.

The Meaning of Cooperation

"Cooperation" has two very different meanings as commonly used. I shall call one of them its true meaning; the other is an acquired, legal meaning. The distinction between the two is important.

The true meaning of cooperation is to be found in its derivation and also in the dictionary definition, ". . . working together for mutual benefit."

It should be noted first that cooperation is not charity. To note the distinction is not to disparage charity, but to assert that it is as much a thing separate from cooperation as is theology or

chemistry. "Working together for mutual benefit" presumes an exchange, not a one-sided deal as in charity. It assumes that both (or all) cooperating parties do so for their own separate advantages. So far as I can see, "mutual benefit" can have no other meaning. This interpretation is further verified by the term *working together*, which appears in the definition of cooperation; when you do something for me and I do nothing for you in return, it is hardly to be described as *working together*; instead it is charity.

Another aspect of cooperation, in what I call its true meaning, is the requirement of willingness on the part of every participant. Willingness is implied in the term *mutual benefit*. You and I cannot cooperate unless we are both desirous of doing so—*both* of us. It follows, then, that if willingness is lacking on either side of the deal, it is no more cooperation than is bank robbery (hardly to be called cooperation between the robber and the depositors) or residence in Leavenworth penitentiary (hardly to be called cooperation between the convict and the prison warden).

Cooperation in its true meaning is consistent with the requirements of a free society. This presumes, of course, that the means of working together for mutual benefit does not take the form of violating the rules of a free society as they have been defined. It presumes that the working together shall not take the form of a monopoly for gaining unfair advantage over others; that it shall not be for thievery in any of its forms; that it shall not be as a means of gaining political power over others. Except for these limitations on cooperative action, which are the same as would apply to an individual's action in a free society as it has been defined, cooperation, or the working together for mutual advantage, is proper in the free society.

Working together for mutual advantage in this manner is of benefit to the participants without depending for its advantage on harming others. That is the essence of the distinction between harmful and helpful forms of working together, between collusion and a proper form of cooperation in a free society. Where two persons work together to use their own timber in the build-

ing of log cabins to house their families, it is cooperation and does not depend for its advantage on harming others or taking their property. The predations of a gang of wolves, on the other hand, illustrate collusion; the wolves prey on the property of the shepherd, and try to increase their loot by operating in gangs; when persons do the same type of thing, it violates the requirements of cooperation under the rules of a free society even though it is "working together for mutual benefit."

Business; Family; Baseball; Soprano

True cooperation is so common and so old, in an historical sense, that we may not be conscious of its prevalence in our daily lives. I suspect that well over 95 per cent of all economic activity in the United States involves some form and degree of cooperation as I have defined it, excluding only those things which a person produces entirely for his own use in his garden. Cooperation is also widespread in all sorts of noneconomic activity, but I would not venture a guess at its importance in any proportional sense. The institution of the family, I suppose, arose out of the advantage of this form of "working together for mutual benefit." Every instance of free exchange of goods or services is also an expression of this type of cooperation; both parties to the deal participate willingly in the exchange, and thereby practice a form of "working together for their mutual advantage"—otherwise the exchange would not have taken place. Every form of team sport, like baseball, is cooperation—in this case, for amusement. A duet or a chorus of singers is cooperation, whether for self-amusement or for commercial purposes before a paying audience.

Turning Cooperation Into an Evil

Cooperation, like other things considered desirable, can be pursued in forms that result in evil consequences, so far as a free society is concerned. But the evil is no longer cooperation.

Eating is a good thing and necessary for life, but pursued too persistently it becomes gluttony and a hazard to health.

A weed has been defined as any plant out of place. *Any* plant. A rose in the corn field is a weed. Corn in the rose garden is a weed.

The list could be extended indefinitely to illustrate how a useful force or natural phenomenon can become a danger or an evil in other forms or degrees.

I would list cooperation as one of these things that can be pursued with evil consequences. After observing the accomplishments and results of voluntarily working together for their mutual benefit, there is the temptation to try to add impetus to "good" by forcing its extension. By this I mean that those of us who look upon cooperation as a good thing are tempted to use measures of force in the hope of extending it. And like other forms of power for good, cooperation may be used for evil by using it for some sort of violation of the proper rules of a free society; The Capone gang may serve as an extreme example.

Expectation of mutual advantage is the incentive for cooperating, for working together. If two persons are *forced* to work together, the cooperative feature is thereby destroyed. Two fellow-inmates hewing stone at Leavenworth penitentiary are indeed working together; but they are not cooperating, for the reason that the project in which they are engaged was not entered into voluntarily in the expectation of mutual advantage—in less profound talk they were sent there and told what they must do.

In a like manner, if any measures are taken to force you to work with me, on something or in some manner not of your choice, it is not cooperation; it is coercion. An illustration of this is where the law is used to force unwilling persons to engage in some "cooperative" operation, by reason of the vote of the willing ones. Not only is this not cooperation, but by being forced to work with me you are thereby prevented from cooperating elsewhere with someone else. The net effect of using force in the attempt to extend cooperation is to reduce, not to increase, the total of cooperation that is practiced in society.

Competition means that a choice is offered. It means that two or more possibilities are offered to you as buyer or user. Imagine a ball game without the uncertainty of who will win, which is the

sport's equivalent of choice in the market. Imagine a grocery without any choice as to what item you buy or what brand of each item you buy. Imagine working without ever having any choice as to where you work or what you do. If lack of choice is extended throughout all the affairs of life, a near approach is found in the existence of a prisoner; on a national basis, the nearest to it in the world today probably is Russia, of which the ultimate is portrayed in the book, *Nineteen Eighty-Four*. Lack of competition means lack of the freedom of choice. Many cooperative enthusiasts look upon competition as something that should be eliminated by forcing an extension of "cooperation" to displace it. They believe all competition to be evil. They believe cooperation and competition to be related like good and evil. Their ideal is a world where cooperation is practiced to the exclusion of all competition.

It is my contention that in a free society competition is a desirable accompaniment of cooperation rather than an evil alternative. The reason relates to the law of limitations. According to this law, things are in limited supply, always. Economic goods are in limited supply, which results in the necessity of making choices; that is the reason why they are "economic" goods. The land and other things used in production are in limited supply. Labor is in limited supply. Time is in limited supply; this has many applications to our problem, including the fact that the amount of time you can spend with me, or me with you, is limited. There is the necessity of choice in association, and that involves competition.

From this law of limitations, then, stems the necessity of exercising choice. If I spend my nickel for an ice cream cone, I cannot spend it for candy; I have only one nickel, or can spend each nickel only once, and so I am compelled to make a choice. If I hire you for the job that is available, I cannot hire someone else for it; only one person can fill one job. If you and I decide to cooperate in manning a two-man saw, all other applicants are thereby eliminated from that opportunity to cooperate with either of us. When you and your wife decided to marry, all other applicants for those favored positions were thereby rejected.

These and other illustrations should make it clear that, since things are limited and since freedom of choice is a requisite to both competition and cooperation, competition must always accompany cooperation in a free society. The choice of where and with whom to cooperate, and where and with whom to compete, is an issue that must ever face you and me.

Let us consider an area of human relations—matrimony. The very existence of this practice of specific cooperation in family life also creates a condition of competition. Courtship, for the purpose of selecting the cooperators for the venture, is a competitive process; the cooperative contract between the two persons involves a competitive rejection of all other applicants. There cannot be this cooperation between John and Mary without competition between John and Tom and between Mary and Matilda.

As another illustration, you and I cannot cooperate in the marketing of our potatoes except after they have been produced and we compete in their production. And after we have sold them cooperatively we compete, either consciously or unconsciously, in the spending of the income from their sale.

Widening the area of cooperation does not eliminate the fact of competition; it only changes the place and form of the competition, which is of necessity ever present. Union activity, offered to the membership as a means of reducing employee competition, is an excellent example. Whatever the merits or demerits of union activity in other respects, this objective leads to a dead end where the liberty of individual members is gone without eliminating competition; competition is merely shifted to another level of operation, with its greater and greater concentration of power.

Competition, as well as cooperation, is essential to progress. It is the result of choice. If there is to be freedom to cooperate, there must also be freedom to compete. Neither can be outlawed without outlawing the other, because cooperation at one point becomes competition at another point.

The attempt to eliminate competition, and to widen the area of "cooperation" by force, results in destroying some of the total

of cooperative practice because it destroys the liberty which is essential to both. It turns a good into an evil, by attempting its expansion by force.

True cooperation must be voluntary. And the fact of its being voluntary makes it fully compatible with the rules of a free society, provided it is not used as a means of trespass on the liberal rights of others outside the cooperative arrangement.

Competition is an accompaniment of cooperation, not an evil alternative. Destroying competition by force also destroys cooperation; both take place when choice is allowed in a free society; both are essentials to an advancing civilization and to progress.

A person cannot be forced to cooperate.

Blessings of Discrimination

When a child is born, his development is watched with anxious anticipation by those who wish him well. He begins to laugh and scream with pleasure and displeasure about more and more things, as his capacity for discrimination increases more and more. This is not a tragedy; it is a blessing. A child without any sense of discrimination is cursed with the threat of self-destruction.

The case of Beverly Smith, as reported by Dr. Frank R. Ford of Johns Hopkins Hospital, is interesting and significant. Due to some defect or short-circuit in Beverly's central nervous system, she has no sense of pain. When she falls down, or bumps her head, or puts her hand on a hot stove, or cuts herself with a knife, there is no pain. A blessing to Beverly? No. This censoring of Nature's important warnings may save her some initial pains, but it exposes her to the terrible consequences of ignoring the danger signals of pain from heat, broken bones, or appendicitis. All this because Beverly can not discriminate in feeling. She is a tragic care to her mother, who can protect her in some ways but who has no way of protecting her against all those dangers where Nature sends a private warning only to the threatened victim. The results would be exactly the same if a person capable of discrimination were to fail to act on its guidance.

Another child fails to develop any discrimination for sound. He is deaf and dumb, and destined to suffer all the tragedy which that implies. He is spared the alarm of startling noises, whether it be an explosion or the warning of a rattlesnake. He is protected from having to endure an off note in a symphony, but in being relieved from suffering off notes he is also prohibited from ever enjoying a harmony. In being saved the alarm of noises, he must forego the sound of warnings. He is victimized by his own inability to discriminate.

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Wisdom Means Discrimination

Discrimination was said by Gautama Buddha to be the greatest essential human virtue. Truly it is a blessing—a blessing that is also in harmony with Judeo-Christian ideals. It is necessary to progress and to the advancement of civilization.

Many of the leading problems of our day, I believe, stem from a thought-disease about discrimination. It is well known that discrimination has come to be widely scorned. And politicians have teamed up with those who scorn it, to pass laws against it—as though morals can be manufactured by the pen of a legislator and the gun of a policeman.

What is this thing, this discrimination, which has become so widely dubbed as an evil?

Discrimination is the exercise of choice. It necessarily arises from knowledge and wisdom. And the greater the knowledge and wisdom, the higher the degree of discrimination. Visualize a person who can discriminate nothing. He would be as a stone! He would have no capacity for choice, no ability to guide any of his own affairs or to be in any degree his own master through self-controlled and independent acts. He would be utterly and wholly dependent, if indeed he could live. He would be as much the slave of others as is a stone the slave of the winds, the floods, and chemical changes—incapable of any selective control of his place in the universe.

Nature Demands Discrimination

Man was obviously intended to be a discriminating being. But the animals, too, have this capacity for discrimination. We know how certain animals have one or another of the senses developed to an even higher degree than *Homo sapiens*.

The outstanding thing about discrimination in man, in contrast to other forms of life as we know them, is his capacity for choice beyond the direct application of his senses to his immediate surroundings. He is sometimes called the reasoning animal because of his capacity for thinking in the abstract, or reasoning. It is this quality that makes possible all invention, all

discovery, all advancement. The discovery of something new obviously means that someone has explored possibilities beyond the direct observing and sensing of what is present.

We may properly, then, take pride in the development of the power of discrimination in the child. The more the better, especially when it takes the form of reasoning and abstract thinking. Unusual powers of discrimination are the tools by which he may become a great scientist, or a creator in some other form. He is able to develop something notable only as he is capable of, and exercises, choice. He then becomes able to contribute to the advancement of human welfare, rather than merely to exist in civilization in such a manner that human welfare is no better for his having been here.

It is the power of discrimination which makes it possible for the child to exercise that blessed capacity for choice. Yet when the child grows to adulthood, because of some peculiar twist of "modern thought," he is confronted on every hand with the idea that discrimination is a sin. At its ultimate and logical conclusion, this concept flowers into governmental prohibition of choice, because government is the principal agent of force used to rob men of their right of choice. Carried to its ultimate, a controlled society removes choice from every sphere of human conduct, including religious practice, place of work, whom one will hire, with whom one will trade, and at what price. Let us now take a closer view of one or two forms of this thought-disease about discrimination.

Discrimination in Employment

The "fair employment practices" laws are of this type. According to these laws, one is prohibited from discriminating against the employment of a person because of his race, color, and the like. This type of law reveals, on closer scrutiny, the dangers inherent in the "nondiscrimination" thinking of our time.

Not everyone can work at every job. Only one person can work at each job, which means that nobody else can have it at the same time. Such is the nature of things—a natural law which no man-made law can revoke. It follows, then, that there must

unavoidably be a selection of the person who is to work at any one job. There must be discrimination in this situation. The only remaining question is: Who shall have the right of decision? He must somehow choose the one for the job; he must somehow discriminate.

The method used in a free and voluntary society is to allow agreement between the two persons concerned—the employer and the employee. No one else is rightfully concerned. If A wishes B rather than anyone else to work for him, and if B wants the job, there is a meeting of minds by choice and agreement of the only two persons who merit a vote in the matter.

If it were to be said that C has a right to claim the job, it would mean that the right of decision, which properly belongs to A and to B, has now been confiscated by C. Not only that, but D and E and all the others who might want the job should, in justice, have rights equal to those of C; the result would be innumerable equal claims to the one job. This is a non-equation, subject to no solution. A decision must somehow be reached.

If there continues a denial to A and B of their rights in the matter, so that the question persists of who shall have the job, it becomes necessary to select an arbitrator. Under socialism in any of its forms and by any of its names, arbitration becomes the business of government, since government is supposed to be the unquestioned reservoir of justice. But the government has no basis for selecting the man who shall have that job, except as some one bureaucrat renders the decision arbitrarily and exercises his own personal choice or preference. Discrimination has not been eliminated; it cannot be eliminated, by the very nature of things. All that has happened has been the transfer of the rights of discrimination to a bureaucrat who has no basic concern—and no fundamental right of choice—in the matter. He now becomes the discriminator, under a scheme supposedly designed in the first place to eliminate discrimination by the employer.

The Right to Choose

The claim is made, of course, that an employer is “unfair” or

“discriminatory” if his choice is on some basis that is said to be unwise. It is charged, for instance, that A hired B instead of C because he did not like C’s race or color or religion or something. But the basis for A’s considerations in his choice, or his motives, cannot possibly be known with certainty by any other person. How can any law like these “fair employment practices” laws, then, be fairly administered? How can a judge render a wise decision on the basis of unknowns?

And in any event, what difference does it make how A arrived at his choice? One cannot question the basis for a choice without questioning the right of choice itself. There isn’t much sense to saying that I have the right, for instance, to select any kind of cheese I wish, but that I have no right to select one in preference to another because it tastes better, or has a more appealing color, or is made from the milk of better cows. The right of choice is the right of choice, and the reasons therefore become a sacred part of the right of choice itself. This same analysis should apply also to B’s discriminating choice of the job offered by A.

If there were no discrimination in employment—no rights of choice—there would be no means by which persons could find their best place to work; no means by which persons could develop and use their best talents; no means by which management could be good rather than bad; no means by which accomplishment and merit could find reward.

Discrimination in Association

One of the leading areas for charges of discrimination is that of association. It would seem that if one is to be non-discriminating, he must share his company equally with every race, every shade of color, every nationality, every religion, every age, each sex, and every one of innumerable other differences which comprise the means of discrimination. One cannot help but wonder in this connection what would comprise non-discrimination, for instance, in the realm of matrimony. Monogamy would certainly disappear—unless, again, the state were to take over all matrimonial affairs, and then it would be a bureaucrat who would become the discriminator for the victims.

All friendship is founded on discrimination. Are we to conclude that friendship is an evil thing? Should attempts be made to communalize friendship? There comes to mind the story of one ne'er-do-well who was asked by another if he liked the Jews.

"No," he replied.

"Do you like the Japanese?"

"No."

"The Chinese?"

"No."

"The Italians?"

"No."

"Who, then, do you like?"

"My friends, just my friends!"

Non-Discrimination and Conflict

The prevailing attitudes about discrimination in employment, or in friendships, or in anything else, are based on the assumption that discrimination leads to conflict, and that legislation against it is necessary to keep order and the peace. On the contrary, I believe that laws against discrimination generate rather than quell disputes and conflict.

Note if you will, in the illustration about employment, the peaceful decision when A decides to hire B for a job, and B decides to take the offer. Compare it as a peaceful decision with the situation that arises when all others who might want the job are made to believe that they have a right to that job. Nor does the chaos and conflict subside when a non-discrimination law is passed to give legal backing to all these impossible claims to rights—when a bureaucrat takes over and rations the job to one of his friends, perhaps with a view to vote-getting.

Fallacy and Fact

Trouble over discrimination against Negroes seems to have become intensified in this country in recent years, under an acceleration of accusations and after passage of non-discrimination laws. We have been led to believe, for instance,

that lynchings of Negroes have been on a long-time increase and that such legal measures have become necessary to keep order and the peace. The fact is, on the contrary, that there has been a long-time decline in the number of lynchings, which had all but disappeared a quarter of a century ago; this decline from its peak in the nineties applies to the lynching of whites as well as Negroes.

Promoters of the communist ideals have generated chaos and class conflict by generating this phobia about discrimination and persecution. This has led to false claims of rights. Part of the same kit of communist tools is the idea that private property is the consequence of discrimination against those who do not own it. If non-owners can be made to believe this and to help pass laws to correct it, they will fight to have it corrected by "fair ownership laws" whereby all private property is confiscated for the "ownership of all." This is the essence of communism itself, and it is already far advanced in the United States under devious and subtle devices.

Wherever personal rights to discriminate and choose are violated, either by a sweep of emotional sentiments or by law, peaceful solutions to Nature's law of limitations are replaced with chaos and conflict.

When the attempt is made to widen rights and create claims in excess of what is available to fulfill these claims, conflict becomes inevitable and persistent. Two or more claims to one job cause conflict. Two or more claims to the same land cause conflict. Two or more claims to the same husband or wife cause conflict.

The Solution

Conflict in all these areas can be curbed only by some device which will restrict rights or claims to any desired object, so that there is the necessary equality between the supply of a thing and the valid claims against it. There must be only one right to one job; only one deed to one piece of property. The function of the device of private property, in contrast to the impossible socialist-communist concept that everyone owns everything under "ownership in common," is to equate ownership with the

property to be owned. The function of price in a free market, in contrast to a controlled price with rationing of an artificial shortage created by a government bureaucracy, is likewise to equate supply and demand for what is available.

The Judeo-Christian admonitions about the brotherhood of man and about loving one's fellow men can hardly mean that man-made laws should be allowed to interfere with these methods of peaceful adjustment to human preferences and to the scarcities of desired things. Man should be allowed to continue his self-improvement on earth through the exercise of judgment and freedom of choice according to his conscience. When this concept of rights is combined with conduct according to the familiar guides of Judeo-Christian ethics, I believe that the destiny of man will best be fulfilled and that peace will reign at its maximum.

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

When one's fellow men interpose force and compulsions between him and the Source of his being—whether by the device of government or otherwise—it amounts to interrupting his self-improvement, in conflict with what seems to be the Divine design. Man must be left free to discriminate and to exercise his freedom of choice. This freedom is a virtue and not a vice. And freedom of choice sows the seeds of peace rather than of conflict.

Sequoyah: Symbol of Free Men

Foreword

Unless the libertarian is to surrender his liberty in silence, he can keep mighty busy these days merely protesting each of the countless devices for human enslavement. He will be busy exclaiming: "They shouldn't do that! They can't do this to me!" But if he does not give in detail the reasons for his objections—as so often is the case—he is likely to be accused of being merely negative. It will be said: "He is *against* everything; *for* nothing! Such opposition is thoroughly impractical. We already have these plans in operation, and they are here to stay. They are going to be continued!"

What do I suggest as a positive program? With what would I replace restrictions on freedom after their removal? With nothing—nothing but freedom itself. The following discussion is my attempt to explain why a society of free men is the most positive program that could be devised.

I realize that any discussion of the underlying principles of freedom runs the risk of seeming "ivory tower" and "impractical." We have strayed far into slavery in its subtle forms without realizing it and without sensing our plight. Whenever and wherever that happens, the principles and practices of freedom are bound to seem strange and unrealistic because they are so much at variance with accustomed surroundings. They seem "ivory tower" and "impractical" for the same reason that good conduct must have seemed impractical to the practitioners of sin in Sodom and Gomorrah. Does not the extent of this feeling measure the advancement of the socialist disease in our lives—the extent to which we have squandered the heritage of freedom demonstrated so well, in part, by the founding fathers of this nation?

Reprinted from *Sequoyah: Symbol of Free Men* (Irvington-on-Hudson, New York: The Foundation for Economic Education, Inc., 1952). Copyright © 1952 F.A. Harper.

This essay was offered to the members of the Conference, but I offer it also to any person, of any age, color, or creed, who wishes to join in a search for the principles of freedom. This is a young science, and so these views are offered with a humility befitting the situation. What is needed is for every interested person to join in this exploration, in the same spirit of fearlessness as that shown by Robert Boyle and Lavoisier in their search for the chemical elements.

The search for freedom requires no license, and so I invite every reader to take his pen in hand and describe a society of free men as he thinks of it, so that we may compare notes.

F. A. Harper
October 15, 1952

Sequoyah *Symbol of Free Men*

In my early school days, the Red Man was portrayed to us as a symbol of savagery. In the history books and elsewhere, we were told how the White Man subdued the so-called savage of the American forests and plains; of the abysmal ignorance and low intelligence of these wild men, and how we rescued them from the plight of their own barbarousness; of how deSoto and others tried to bring Christianity to the Indians by the force of their bloody swords. I had at that time no other mental image of the Red Man. In equating the American Indian with savagery, I use one as a symbol for the other.

Sequoyah, Inventor of a Language

So it was something of a shock to learn that one of these illiterate "savages," though a cripple, performed an intellectual feat which no other person of record has ever accomplished. I refer to a Cherokee Indian by the name of *Sequoyah* (about 1760-1843)—a name that might well stand as a *symbol of free men*.¹

Sequoyah—called George Gist (or Guess, or Guest) by the white people—invented an alphabet and developed a system of writing. Up to then, the Cherokees had no written form for their

language. He had no formal schooling and could neither read nor write English or any other language. Yet he accomplished this feat single-handed, from the resources of his own mind, under conditions of discouragement.

The events leading him to this invention are interesting. It had long been the custom of the Cherokees to adorn themselves with ornaments of silver. Sequoyah wanted to decorate those he made with beautiful designs. So one day he asked Charles Hicks to write his English name—Gist—on paper, that he might copy it on the silver ornaments he sold. He employed his name, in other words, both as a decorative design and to designate his wares in the market. Thus his ornaments became widely known throughout the Cherokee nation.

From Sketching to Writing

Sequoyah then began sketching on paper—animals, persons, whatever struck his fancy. One day as he and his friend Bark (Chuwalooka) were discussing the white people, Bark expressed the belief that one of their most wonderful feats was—as John Howard Payne so well expressed it—“writing down what was passing in their minds so that it would keep.”

Sequoyah saw nothing so wonderful in that, because he had heard of a man named Moses who had done the same thing long, long ago by making marks on stones. He believed that he could make “stones talk” too, and proceeded to demonstrate to Bark by drawing some lines, saying as he did so: “I can agree with you by what name to call those marks, and that will be writing, and can be understood! Thus can I make characters like Moses did, which every one of you will understand.”

He first tried using a character for each Cherokee word, but soon found that memorizing so many written signs would be more than the mind would master. So he selected 85 characters, each representing one sound in the Cherokee tongue. These could be memorized easily and used in endless combinations. The plan was highly efficient and simple—so simple that with the system of notation which he developed, the average

Cherokee could master Sequoyah's syllabary in only three or four days.

It is said that within a few months after Sequoyah had completed his task, practically the entire Cherokee nation had become literate. Four years later, a Cherokee preacher completed a translation of the New Testament, and copies were put into circulation. Two years after that, it was decided to have a Cherokee newspaper, and a Boston firm was engaged to cast a font of type in the Cherokee characters. Soon the paper was in print and excitement over the "talking leaves" swept over the Cherokee nation.

The accomplishment of the entire feat—from the time Sequoyah determined to devise a written language until a newspaper was being printed for a people made literate by the new language—took place within the short span of only eighteen years and was basically the work of this one man and his phonographic invention.

Symbol of Free Men

What a notable achievement! No wonder the name "Sequoia" was, in 1849, given to the giant redwood trees of our western coast in honor of this man. There are, I believe, several reasons why his name is an appropriate symbol of free men.

The giant trees named in his honor, as they tower above their neighbors, are like the accomplishments of free men towering above those of slaves.

Sequoyah demonstrated how the accomplishments of outstanding individuals among free men benefit their fellow men who, themselves unable either to perform the feats or to perceive their coming usefulness, stand idly by and may even sabotage the work of genius.

And what better symbol of free men is there than one who has developed a written language—the prime transporter and recorder of thought beyond the range of the spoken word? For, as Sequoyah properly perceived, lack of a written language had blocked the road to progress for his people. Without a written language, the thoughts of men tend to die with them and little is

known beyond what is revealed by the direct experiences of each generation. If knowledge is to become accumulated from generation to generation, it is necessary to have written records of thought. The passing of knowledge from the old to the young by word of mouth has serious limitations quantitatively and also in qualitative accuracy—as is well illustrated by the children's game of trying to pass an idea around a circle verbally.

Sequoyah's first and necessary step was to cast off a mental shackle which had bound the minds of his people. The prevailing Indian notion had been that the ability to write down thoughts was divinely ordained of the White Man. Sequoyah pondered this as a young man and rejected it, believing that the Indian could likewise develop and use a written language.

Demonstrating that only free men are creative, Sequoyah created a form of capital—in this instance, a form of capital that serves as an indispensable tool for the preservation and transportation of thought. Like any other item of capital in a free society, the expenditure of much time and effort was required of some able and willing person. It took Sequoyah twelve years to attain friendly recognition of his purpose and device even among his fellow Cherokees, who were to benefit so greatly from it. They scorned and ridiculed the early stages of his new invention. At one stage in its development, Sequoyah's own wife flung his papers into the fire, after which he had to start anew the two-year task of replacing them.

On one occasion, when friends admonished him for making a fool of himself and warned that he would lose respect, Sequoyah replied with these notable words. "If our people think I am making a fool of myself, you may tell our people that what I am doing will not make fools of them. They did not cause me to begin, and they shall not cause me to stop." That, to my mind, is a classic reply to all who, in reflection of their own ignorance, scorn the creative works of free men; to those who have never mastered an essential attribute of free men—the minding of only what is one's own business.

Means of Transmitting Messages

Society is inconceivable without some means of communicating thoughts. Much less is a progressive society conceivable without it. Yet the communication of ideas is an exceedingly difficult task.

A unit of thought, so far as we know, never moves from one person to another direct and in kind. It must be coded and then decoded through some symbol. And that is what makes the task so difficult, because the processing of thought for transfer makes error an ever-present danger. Not only must the sender and receiver of the message know the device to be used for communication, but the symbol must represent precisely the same thought to both persons if the message is to be conveyed with precision. No warning bell rings when there is an error in transfer of thought, and so both parties are liable to go merrily on, unaware that the message was quietly—though unwittingly—altered in the process.

One who tries to convey a thought as I am now trying to do becomes acutely conscious of this danger. Having a thought clearly in mind is not enough. What symbol shall I use to be least misunderstood by an unknown audience to whom the symbol (word) I use may be unknown, or to whom it may represent a thought quite different from mine?

What system of symbols shall one use to convey thoughts? There are many—the spoken word (probably the most widely used among men), the written word (such as Sequoyah developed), and many others. Does music carry messages of a sort to those who can perceive it? Are there messages in the eyes of love, friendship, and respect? Are mental telepathy and clairvoyance fact or fiction? Do species other than humans have their own methods—the “song” of the hummingbird, the “bark” of the dog, the “dance” of the honeybee?

Whatever the method, I feel sure that “I never said any such thing!” must be a well-worn phrase in any language. And whatever the method, the functional test is the only one to be applied: Was the message of the sender accurately received at the other end?

Whether it is the honeybee “telling” a fellow worker the location of a supply of honey or a human parent teaching his child something new, whether the means of conveyance is the bee’s dance or the parent’s spoken word, the device used in every instance is a *symbol* which carries the message. Though not formally schooled, Sequoyah knew this, and it was this key of wisdom that unlocked the door to his accomplishment.

Words have no inherent meaning. A child doesn’t say “mama” without being taught it, nor come to know its meaning without being taught the association. Consider the word “dog”: it acquires meaning for communication of thought only as the two persons visualize the same thing when they see the word. The word *Sequoyah*, if a person had never seen the word or its likeness before, would mean nothing—absolutely nothing.

It is in connection with words as symbols for thoughts that I wish now to speak as applied to the problem of conveying from one person to another concepts about the conduct of man in society.

Language for a New Science

The problem Sequoyah faced was that of inventing legible symbols to be applied to concepts already widely known in his society and for which a spoken language was already in use. The problem of such symbols for concepts about the conduct of man in society is, on the other hand, quite a different thing because of this being an infant science. Although the Cherokees presumably had fairly precise meanings in their minds, they lacked written symbols by which to convey them. But although we, in our time, know many written symbols as related to the conduct of man in society, we lack precise meanings in their use. Both deficiencies block the transmission of thought and make a people illiterate.

Even the ignorant can observe that a person cannot write, but when a person writes words of nonsense, the illiteracy often escapes detection. That is why our illiteracy is less conspicuous than that of the Cherokees.

Some may challenge the charge of youthfulness which I attach

to the science of society, pointing out that man has lived in society and practiced associating with his fellow men since the dawn of the human race. True. But that does not make of it a science and an orderly body of thought. Man likewise lived among numerical, physical, and chemical phenomena for aeons without developing them into orderly bodies of thought.

Philippe LeCorbieller, in an interesting article, recently reviewed the sequential development of the fundamental sciences.² He based his review on the listing by Auguste Comte, later improved upon by Herbert Spencer, in this order of development: mathematics; physics (including its mother science, astronomy); chemistry; biology; psychology; sociology, representing the science of man's conduct in society. He pointed out that these sciences must each build on the development of the preceding ones in this order; that the sequence is from the more simple to the more difficult; and yet that the latter, though more difficult and unknown, is at the same time of most conscious concern to us.

We may assume that from earliest times there has been an interest in the problems of society, along with a rudimentary interest in all sciences. In physics, for instance, there was presumably an early concern about falling out of a tree and an interest in trying to fly like a bird. But comprehension of a thing is very different from merely an interest in it. I am speaking here of the matter of comprehension—the *science* of society.

Perhaps it will be said that knowledge in social science is of long standing, too, as evidenced by the Ten Commandments. But were not the Ten Commandments—however good and wise—admonitions rather than scientific explanations? “Thou shalt not kill.” What, precisely and scientifically, is the reason for not killing? The Judeo-Christian concept of man presumes his capacity for acquiring understanding of the reason for such rules rather than to follow them as commandments—blindly and forever, without understanding. The child, likewise, is presumably protected from falling by instinct as well as by parental advice prior to developing a comprehension of the law of gravity.

So, despite a wide interest in social science, all sorts of notions that pass for knowledge are being circulated by means of familiar words, in a splatter of almost hopeless confusion of meanings. That is our problem. It is well illustrated by the universal acclaim of “freedom.” Yet if you were to test freedom’s acclaimers one by one and find out what lies back of the word in their minds, what would it be that they are acclaiming? Almost everything—or nothing.

The situation calls to mind a popular movie of a few years ago, featuring in a climaxing scene a character of advanced years kneeling before a top political potentate of ancient times and asserting that he was never so free as while being the potentate’s slave! A “free slave.” What did those words symbolize to the script writer or to the teen-ager who viewed the movie and heard such nonsense?

In this young science of society, we can envy the older sciences their advantage of having developed use of the precise language of numeration—numbers, “the language of science.” Would that there prevailed here the same degree of precision of meaning for “power” or “liberty” as there is for “5” or the “square root of 4.”

Lord Kelvin once said: “When you can measure what you are speaking about and express it in numbers you know something about it; but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meagre and unsatisfactory kind: it may be the beginning of knowledge, but you have scarcely, in your thoughts, advanced to the stage of *science*, whatever the matter may be.”³ This judgment may seem strict, but we who wander among the maze of meanings of words used in the social sciences will readily acclaim Lord Kelvin’s objective and hope for an early attainment of its equivalent in this field. Until there is a language of more precise meaning in the science of society, we are destined to flounder in continuing ignorance, as did the older sciences for untold ages prior to the formation of a system of numerical notation with its precision in recording and transmitting thought.

A System of Thought for Social Science

I realize full well at this point how much I have admonished myself to engage in silence and to say no more, how dangerous it is to express one's self in this youthful branch of inquiry. But if nothing is ventured, nothing is gained; so I shall hazard exposure of the concepts which I currently use for diagnosing problems in the science of society.

I propose to speak with what some persons may call a bias. But I offer no apologies for having a viewpoint. Why is the holding of certain specific beliefs in social science scorned as "bias," "prejudice," and "lack of objectivity"? This attitude is not taken toward other fields of contemplation—arithmetic (2 plus 2), geography (the shape of the world), chemistry (the composition of water). Why treat social science differently? True, the views one holds in either social science or chemistry may be wrong, but it should be evident that a person's opinion on any subject can't possibly be right if he holds no opinion at all. Wherever the concepts I shall present fall short of ultimate truth, they may at least stimulate a more talented search for truth in the science of society.

I propose to offer what appear to me to be some logical derivatives from certain faiths. It may seem inappropriate to mix faith into this discussion, but to me it seems both proper and necessary. Man cannot live without faith in something. There can be no complete neutrality in matters of faith, because faith fills the endless dimension beyond knowledge. What we know is bounded on all sides by what we do not know, just as what we see is bounded by all we cannot see. When traced to its periphery, every bit of knowledge possessed by any person will be found to fade into some assumption. For instance, the pressing of a light switch by an ignorant person is predicated on a faith that there will be light, but for reasons unknown. The accomplished physicist who uses the same gadget does so with a deeper knowledge of the workings of electricity, but his knowledge likewise fades into an assumption at some point.

Despite man's efforts to master ignorance and to extend the boundaries of knowledge, there will always remain the uncon-

quered and the unknown—assuming that insight will never be gained into everything between the primal mist and the end of eternity. The concepts one holds, therefore, will ever be bounded by these faiths.

Every exploratory analysis rests on some working hypothesis. The time-honored method of science, I believe, is to pose a hypothesis in the area of the unknown, which is then tested by every available means. Each such hypothesis is itself a faith for the time being, and for the occasion. Faith is, in this respect, a traditional tool of science.

Faith and scientific knowledge complement one another. As scientific knowledge advances, faith is confirmed at that particular point; but at the same time, discovery and the expansion of one's knowledge is likely to create other faiths that extend on into the beauties of a mysterious and limitless unknown.⁴ Rather than being inherently in conflict, faith and scientific knowledge complement one another in a wholesome and necessary union. When faith is in harmony with truth, science merely confirms the pre-existing answer of faith. Only as one has erred in a faith does it come into conflict with science—a conflict due to error, not to faith as such.

So I offer without apology certain assumptions about this young science of society.

The science of society is concerned with the relations of men, one with another. My first assumption is that the purpose of this science is to discover the arrangement between men that will contribute most to human betterment; and that—for reasons discussed elsewhere—this will be attained by a society of free men.⁵ So I propose first to define a society of free men and then to discuss various rights which must be observed if such an arrangement between men is to be attained.

A Society of Free Men

Reference is often made to a “free society,” but I believe it should, instead, be made to a “society of free men.” There is no such thing as a free society, because only *persons* can enjoy freedom. Society is incapable of enjoying anything. It is necessary,

then, to define a free man before defining a society of free men.

I would define *a free man* as one whose fellow men do not restrain him from doing whatever he desires, according to his wisdom and conscience. I would not modify this definition of a free man in either form or degree; nor would I predicate it on whether one person's acts are in conformity with what another would prescribe for him to do.

A society of free men, then, is that arrangement of persons in society whereby individual persons enjoy the maximum of freedom which their differences will allow. It is a society in which, under the concept of equal rights, the maximum freedom is enjoyed by *all* persons—not by just one person (the dictator) nor by some majority or clan of persons (the ruling elite), but by all persons equally.

The difference between a society of free men and the unlimited freedom of each man arises solely from the fact that persons differ in what they deem to be wise and good.⁶ If there were no such disagreement, each person would be conducting himself exactly as every other person considered proper. But men are not all-wise and all-good, and so differences arise between persons in matters of propriety of personal conduct. When that happens, the freedom of action which one person deems to be within his rights precludes the other person's freedom of action. The only problem so far as freedom is concerned is to resolve these conflicts so that the freedoms of persons will be restricted as little as possible, and so that the persons whose freedoms are restricted are those whose acts would preclude the complete freedom of all. Some of the principles which put meat on the bones of this generality will be discussed later.

There are only two choices in resolving these clashes between persons: (1) by right (acceptance of a common code for determining rights), or (2) by might (contest for power). Since power—which I shall define later—is itself a denial of freedom to its victims, might is not the way to maximize freedom. In fact, any start down the road of “might makes right” finds its logical terminus in a minimum of freedom, with the mighty few ruling all who will tolerate subservience to their power. For it is a denial

of its own premise to expect expanding power to stop short of that extreme point. Power will be restrained only as “right makes right” is substituted for the alternative concept that “might makes right.”

A society of free men is one of self-responsible individuals, but this does not require persons to be solitary, isolated and unsocial. The relationships between persons in a society of free men are extensive and of two types:

1. *Resisting* the intrusion of others upon one’s rights, either through one’s own efforts alone, or combined with the efforts of others who wish to join in resisting the trespass. To resist trespass is within one’s rights in such a society, but I shall not attempt here to discuss means of resistance—which is a matter for individual decision by each resister. I would only say that violence may not be the most effective means of resistance.

2. *Cooperating* with others in whatever ways are mutually desired. In so doing, the cooperators must use only their own time and means, in order not to violate the rights of others.

Resistance and cooperation, it should be noted, both presume the existence of a code of justice—the moral code of rights—to which individuals are expected to adhere in a society of free men. And operating under this code, the actions of persons are inhibited only to the extent necessary to maintain the equal rights of all other persons to enjoy maximum freedom of action.⁷

In a society of free men, it is proper for a person to anticipate attacks upon his rights and to use his means—either alone or in cooperation with others—to build defenses of any sort. But it is improper for this protection to take the form of aggression to any extent, even when it is excused by the incongruous term “offensive defense.”

Sometimes defense proves inadequate and one’s rights are invaded. It then becomes proper in a society of free men for a person, if he so desires—either alone or in cooperation with others—to restore, wherever possible, the physical state of affairs to that existing before the violation, such as the restoration of stolen property. And further, it is proper for the victims of trespass—again, if they deem it wise to do so—to restrict the

freedom of the aggressor wherever he has violated the rights of others as free men. Wherever he violates the rights of others, he has by that act offered to surrender the same right for himself. A murderer illustrates the point: life can't be restored to the victim, but defenses can be built to help protect potential victims of the murderer by depriving him of this freedom of action. But beyond that—beyond returning things to their rightful places or rescinding whatever rights to freedom the person has surrendered by his acts—any further retributive justice should be left to the Supreme Judge.

The Rule of Natural Law

Another assumption is that we, as individuals, are under the rule of natural law. I am using the word *natural* to encompass any event coming under the sway of supernatural determination. It is not relevant in this connection to concern ourselves with the form of the supernatural ruler, nor to offer any assumptions or beliefs on that score. Some believe that natural law comes from God in the form of divine law. Others may prefer different symbols. But this assumption goes no further than to accept the existence or some supernatural architect of the universe—a universe with certain features of design which man cannot change.

No science has ever emerged except as the curiosity of the searcher was combined with a humility that stems from the assumption that natural law gives stability to cause and consequence. It is this attitude of mind which induces the search of science. Vivid illustrations—the sum of 2 and 2, gravity, the composition of water, and the like—are to be found in the older sciences of which LeCorbieller spoke. In every instance where natural law applies, we assume cause and consequence to be definitely connected. There is no exception, no avoidance of a relationship of cause and consequence that has been preordained by supernatural rule. Seeming exceptions are due to human failures of observation and interpretation, or to compound causation, but never to suspension of the cause-and-consequence relationship.

Natural law is of a design that no human nor any combination of humans can alter. These laws and the events which occur under their ruling guidance constitute *truth*—a key symbol in the science of man in society. The reality of events as they occur in response to these laws is, then, evidence of truth. A person's wishing that natural law were different cannot change it, nor can it be changed by any number of persons' combining their power as in the enactment of statutory law. When engineers build a bridge across a gorge or construct an airplane that will fly, they do not defy the law of gravity; their design respects a law of nature and its inviolate rule which can be replaced by no trade association, nor union, nor legislature, nor dictator.

The operation of natural law is not restricted to the older sciences. It applies also to the affairs of man in society. The connection between cause and consequence in robbery or murder—like the chemical reaction between two elements—can be demonstrated. If its application seems less clear in social science than in these older sciences, it is only because of our ignorance about the causes and consequences of social behavior. But ignorance of natural law relieves no one of its consequences, anywhere.

The Matter of Rights

Shortly I shall specify certain assumed rights of man. But first, what do we mean by *rights*? As another symbol in the science of man in society, its meaning suffers much confusion. Its various meanings—as used by different persons and as defined in the dictionaries—differ to the point where some are practically antithetical to others. A symbol which carries so variable a meaning cannot alone carry the idea with precision.

It should be evident that man's actions must be in harmony with truth, if he is to avoid serious—perhaps fatal—consequences. It should also be evident that the proper rights of man are embodied in the design of truth. This means, as has been stated, that the rights of man stem from natural law. I shall use the term *the rights of man*, then, in the sense of guides to

conduct in harmony with the truths of natural law—or moral law, or divine law.

Yet we often find an altogether different meaning referred to as rights. It is sometimes used in the sense of permission granted to the person by society—by his fellow men. I cannot deny as a fact that these social permissions are granted nor that prohibitions are enforced. It is very much a fact, as evidenced in all sorts of taboos, customs, statute law—even sometimes in the frown of one's neighbor. I wish merely to point out that these grants of approved conduct and the enforcement of prohibitions by society may violate the rights of man under natural law, in the same sense that a man's right to life is violated when he is pushed off a cliff. *Violations of natural law by social controls of various kinds have caused untold damage to man and have retarded his progress down through the ages; they have caused the destruction of civilizations and have brought on the so-called dark ages of history.*⁸

The concept of conduct according to natural law and that of conduct according to the grants of society might both be called rights, and then differentiated by means of appropriate adjectives such as “moral” and “social.” But since there is no necessary harmony between the two, I prefer not to acknowledge any likeness by using a common symbol—rights—for both, even with modifiers. The one concept assumes that the propriety of a person's conduct is to be tested by the supernatural rule of cause and consequence, and that his rights are prescribed by this ordered relationship; it assumes that collective action is right only insofar as it does not violate individual rights as thus conceived. The other concept assumes that a person derives his grants of permission from his fellow men; it assumes that he is subservient to his fellow men and that whatever grant of freedom he receives is a concession allowed under this rulership of man over man; it assumes that the ownership of everyone's freedom resides in other persons—truly a circuitous concept of morals, lacking in a stable point of reference as to its origin and form.

We have noted how social grants, permits, and prohibitions may be in defiance of truth; and therefore social grants may be

wrong according to natural law and truth. To say, then, that such wrongs are “rights” makes of that word a symbol of nonsense. It cannot be right for a single person to be wronged. And each person among a 49 per cent minority ruled in error by the 51 per cent majority is wronged just as much as each person of the 99.9 . . . per cent is wronged by a tyrant who rules them.⁹

It is for this reason that I prefer to dignify only the first of these concepts—the one based on natural law—with the symbol of *rights*. The other might better be labelled *social grants*, or *social permits*, or something of the sort.

The Right of Choice

The first requirement of any code of a society of free men is that it must allow the right of choice. The right of choice is so much the substance of freedom as to make them synonymous. It is axiomatic that without choice there is no freedom and no function for any code, which is useful only as a guide for one’s choice. A person cannot be truly moral except as there exists the option of being immoral, and except as he chooses the moral alternative. As Thomas Davidson expressed it: “That which is not free is not responsible, and that which is not responsible is not moral.”¹⁰ Morality presupposes freedom of choice and the absence of power of one person over another.

Since each person is an independent unit, finally responsible to natural law under a Supernatural Authority—since the individual, being responsible for his own acts, must finally answer for his own acts—we may assume that he has the *right of choice*.¹¹

If one is to enjoy or suffer the consequence of his act, it is only a matter of justice that he be empowered to exercise the choice that is its necessary antecedent as the cause of the act. If his choice be wise, he—not others—is entitled to benefit; if his choice be unwise, he—not others—should bear the penalty. Any sharing of the benefit with others, or of the penalty by others, is proper only if the sacrificing person wishes to do so under his right of choice—but this is a supplementary and separate question. True individual charity, in other words, is consistent with this right.¹²

There is a seeming contradiction in this matter of personal conduct which is not really a contradiction at all. It has to do with the fact that, while natural law is universal, individuals differ in their perception of its form. Some persons, believing in the right of individual choice and observing that persons differ in their choices, then proceed to deny the existence of any universal natural law operating alike on all persons. Others, believing in the universality of natural law, deny the right of variable individual choices. Persons of both groups, strangely enough, are susceptible to the authoritarian concept of power, though for different reasons. Those of the first group, denying any natural law which rules impartially over all, accept the concept that some selected human can, with enough power, design the affairs of society in the pattern of utopian hopes and wishes; and so they endorse a dictatorship of power. Those of the second type, denying the right of individual choice—sometimes with the intent of “protecting from error”—also endorse a dictatorial power because such power is the only accessible means of denying individuals the right of choice. The missing link in the thinking of both types is the realization that freedom of choice has two functions.

1. Freedom of decision as to the specifications of natural law, and

2. Freedom of action where more than one choice is acceptable under natural law, according to nature’s law of variation.¹³

Both types of choice are among the rights of free men.

The concept of natural law as something beyond the power of man to alter may seem to deny the possibility of any chance to choose, and therefore of any right of choice. But one does not deny the other. The right of choice operates under the rule of natural law. A prayer said to be used at meetings of Alcoholics Anonymous seems to reflect this distinction clearly. “God grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.” In addition to the right of choice, there are also other assumed basic rights of man similarly operative under the rule of natural law.

Wherever these rights of man are violated, whether in economic or other forms, it is evidence of the evil of power. *Power*, then, is another key word or symbol in a science of man in society.

The Nature of Power

There is *power* over a person whenever another trespasses upon his right of choice or intercedes between the act and the personal reward or penalty flowing as a consequence from one's choice. Power is a violation of natural law amounting to a human attempt to unseat Supernatural Authority and "play God." Power over a person may be by one person or by some collective of persons. In any event and under whatever label, when this is done, it is power.

The most insidious and dangerous forms of power are found among collectives of persons where the presence of power is thereby concealed.¹⁴ The state is the outstanding illustration. There has always been a tendency to confuse the state with the supernatural, and to accept its edicts as supreme and right. When the state was administered by a monarch, the danger was easier to detect since rule was admittedly and openly by one specified person. Subservient peoples came to question both the divinity and the divine right of kings. Then there followed other forms of rule by arrangements of collective power. Since the collective is comprised of persons, the rights of man are violated wherever the collective activity is involuntary or where the arrangement is used to impose a power of person over person.

Society is not a self-responsible unit; only an individual can be that. Society does not act; individuals act. Society does not endure the consequences of wise or unwise acts; individuals do. No collective arrangement within society has any rights other than those granted to it by the consent of each individual comprising it. Furthermore, the only collective which does not invade the rights of man is the one where participation is strictly voluntary under a revocable grant of consent. To whatever extent participation is forced, the arrangement is one of power—an evil about which notable comments were made by two famous historians:

Power tends to corrupt and absolute power corrupts absolutely.
—Lord Acton¹⁵

Now the truth is . . . that power is in itself evil.
—Jacob Burckhardt¹⁶

Guides for Choice

The choices one makes under his right of choice are guided by both inborn tendencies and experience—including that experience commonly referred to as “religious experience.”

Inborn tendencies, though concealed, are effective guides to conduct. As one highly qualified observer describes them, they are the tendencies to behave in certain specific ways when confronted with stimuli. Being inborn, and since birth precedes experience, they are guides to conduct that arise from without a person’s direct experience.

It is well known how European socialist doctrine denies Mendel’s Law and human inheritance. And in our own country its counterpart appears widely, such as in certain theories in psychology and related fields where there is denial of all—or essentially all—such inborn tendencies. It is asserted that man’s capacity to think and reason enables him to rise above the superstition that he is subservient to the forces of natural law; that he can do as he will without the rule of predestined consequences he is unable to alter. By this concept, it would be possible to control all human conduct by controlling all environment (experience). This is a perfect setting for belief in an authoritarian society to mold people’s conduct in any pattern the ruler may desire.

The qualified authority mentioned above, however, says that these inborn tendencies which guide in part our choice are not obliterated by man’s capacity to think and reason. On the contrary, they increase in both number and complexity as we pass along the line of organic development from the protozoa to the primates. Is it not true that these inborn traits serve as protective devices while man’s conscious mental processes are being used to explore the hazardous expanses of the unknown? Do they not serve to relieve his mind from menial matters while he devotes attention to exploratory thought? I believe so.

If these inborn tendencies were not in reasonably close harmony with natural law, the human race would long since have become extinct. Any persons who defied natural law in any significant manner suffered fatal consequences, leaving to survivors the continuance of the human race. Thus, the inborn tendencies of *surviving strains* in the race must have been in close harmony with natural law.

Experience guides conduct in many ways. There is experience of the direct and personal sort, as when one hits his thumb with a hammer. And there is that form of experience which casts its shadow on the records of time in some form—folklore, custom, religious belief, and the like.

All these records of past events, or experiences, are invaluable as guides as to the choices of free men, and invaluable to any science of society.¹⁷ The lessons of experience are commonly discredited these days with the assertion that things have changed—that now we have automobiles and television sets and atom bombs. But principles never change if they are, in fact, principles. Morris R. Cohen once remarked: “The notion that we can dismiss the views of all previous thinkers surely leaves no basis for the hope that our own work will prove of any value to others.”¹⁸

How could one choose his acts except on the basis of some form of experience by someone? In one sense, even inborn tendencies are the condensation of ancestral experience, preserved in a form that guides without thought the person’s conduct.

The only alternative to the combination of inborn tendencies and experience as the guide to choice would be pure chance, which, as in biological mutation, almost always proves fatal. Anyhow, could the human race have gotten to where it is on the wings of pure chance? I don’t see how.

Adulteration of the Records

The choices one makes in his conduct, aside from the inborn influences, are based on what he believes to be wise when all relevancies are taken into account. And his best judgment of

what is wise is that which experience in all its forms reveals to him as being truth under natural law. He may follow custom. He may follow the advice of someone he trusts—advice based on the other's experience. He may follow a religious rule, or a statute, if he is convinced of its wisdom. He may rely on what is revealed by the formal records of history. Or he may scorn these sources, one and all, and lean more heavily on his own direct experience. To follow any of these courses will lead him to truth only if the records of experience are complete and accurate, and if he can read them correctly. To follow that course is for him the nearest possible approach to truth available to him at that time.

The one and only worthy contribution that it is possible for us to make in the science of man in society, then, is to accumulate and preserve the records of experience; to protect them against adulteration and alteration; to assist in their interpretation as principles of human behavior, thus revealing truth anew. And that is another reason to condemn power, because power is commonly used to alter the records of experience as those in power attempt to expand their power and to conceal its evil consequences. This is done by beclouding the connection between act and consequence.

Adults, like children, can be greatly harmed by depriving them of the lessons of experience—of the rewards of good judgment and the penalties for poor judgment. Experience has been called the best teacher, but it cannot teach if its recorded lessons are either censored or altered. Truth antedates the processes of its discovery and verification. Truth withstands each and every device by which the records of experience are falsified. What happens when this is done is merely to obscure the truth from our view; but its rulership of affairs remains invincible.

Power cannot, of course, alter the records of one's own experience. But observation of the experience of others can be as useful as one's own experience in the search for truth in the social sciences, as elsewhere. And here arises the problem of communication—the selection of symbols by which the thoughts and experiences of others can be transmitted to us with an

accuracy equal to that of personal experience. Except for the barrier of inadequate symbols and the danger of adulteration of the records, historical experience—item by item—would be equal in value to one's own experience. Historical experience has, in fact, an overwhelming advantage because of its quantity, as compared with the limited amount of direct experience accessible to any one person.

The Moral Code

A free man was defined as one who is not restrained from doing as he desires; a society of free men, as that arrangement of persons whereby freedom can be maintained at a maximum. This is not to define freedom as license, in the sense of its being totally immoral. It need not be so, and I do not mean it to be so. That is why I added to the definition of a free man: "according to his wisdom and conscience."

This concept of a society of free men assumes the dignity and self-responsibility of the individual. Dr. Elton Trueblood has said that the creature who first asked himself "*Ought I?*"—not "*Can I?*"—is his concept of the beginning of man. Man possesses, in other words, wisdom and conscience to guide his conduct—though neither full wisdom nor perfect goodness. He follows a moral code. What form does it commonly take? What experiences have become distilled out of man's history into the moral code of civilization?

The moral code has been built around the Golden Rule and the Decalogue. These, in one form or another, have become incorporated in the world's leading religions and as guides to conduct apart from formal religions. Straying from this moral code has doomed civilizations.

The Golden Rule and the Decalogue are precise and strict in their expression. The words "maybe" and "sometimes" and "the average person" do not appear in them. The singular personal pronoun is always used. There is attached to none of them the loophole, "if and whenever convenient to do so." They are not codes of convenience. They are principles of conduct; and a

principle can be broken, but it cannot be bent. One robs his neighbor, or he does not; he cannot half-rob his neighbor, for instance, any more than he can half-ignore the law of gravity.

Goodness inheres in following the moral code; badness, in violating it. A good end as reflected in the moral code can be attained only through a good means, because the end pre-exists in the means—good begets good, and bad begets bad. Since human experience of the ages is reflected in the Golden Rule and the Decalogue, we may assume that these are in harmony with natural law. Since the rights of man are embodied in the moral code, or are reflected in it, we may assume that they, too, are in harmony with natural law.

In Conclusion

The story of Sequoyah was left far back in this discussion, but I believe we never wandered far from the significance of his accomplishment. In inventing a system of symbols, he greatly helped to release his fellow Cherokees from ignorance. A written language made it possible for them to accumulate the lessons of experience and to distill newly perceived truths therefrom. Without a system of symbols, the youthful science of man's conduct in society cannot be developed. It is our task to invent and perfect a system of symbols befitting a system of thought for this science.

Assuming that the betterment of man will be attained through the revelations of this science, I have offered hypothetically an experimental design of a society of free men.

Steeped as we are in unfreedoms in the societies of our day, and in the habits of thought these unfreedoms have engendered, there will be those who feel that any such concept of a society of free men is utopian; that it is useless because it is unrealistic and impossible of attainment. Perhaps it is impossible of attainment in full. But does that mean we can aspire to no improvement? If there is to be improvement, there must first be the perspective of perfection to give direction to the change. A goal must always be known before even the first bit of distance

can be attained in its direction. The idea of improvement in anything is meaningless in the absence of some clear objective as yet unattained.

An ideal is the goal of every attainment. A person is being practical when he moves toward his goal.

Men can attain "the good society," then, to whatever extent—as free agents enjoying the rights of man—they are free to pursue the goal of their own perfection under the guidance of the Golden Rule and the Decalogue. To that extent, men can live in righteous peace and harmony. Such a program is positive. It is enough to challenge the best of us. Our efforts in its behalf may not assure a perfect heaven-on-earth; but how much higher can we fallible humans reach?

NOTES

1. Bibliography: 1, 2, 3, 4.
2. Bibliography: 5.
3. Bibliography: 6.
4. "Personal certitude or conviction as to what as yet is not (a) matter of scientific knowledge or proven with logical certainty, is of the essence of faith; and action upon it *may* lead on to discovery of the actuality of the object, *i.e.*, to substantiation of the hoped-for or the unseen."—Frederick Robert Tennant, theologian, Cambridge University (*Encyclopaedia Britannica*, 1946, Vol. IX, p. 40).
5. Bibliography: 7.
6. What is wise, and what is good? The problem of their specifications will be dealt with in later sections.
7. Bibliography: 8, 9, 10.
8. Bibliography: 11, 12, 13, 14, 15, 16, 21.
9. Bibliography: 7.
10. Bibliography: 17.
11. Bibliography: 18.
12. Bibliography: 19.
13. Bibliography: 7.
14. Bibliography: 8, 9, 10.
15. Bibliography: 20.
16. Bibliography: 21.

17. Bibliography: 11, 12, 13, 14, 15, 16, 21.
18. Bibliography: 22.

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Liberty Defined

There are times when one's humility seems to go on vacation, as it did for me when Professor Hayek proposed tackling this topic for discussion. Then later when reality returned there ended a beautiful, balmy sense of well-being during which all had seemed perfectly clear and simple; during which the topic of liberty—its meaning and philosophic base—posed no apparent problem of a serious nature; during which, at first blush, it seemed almost trite to presume to dwell on the obvious.

But is the meaning of liberty so clear and simple?

Were a stranger to observe the nature of the Mont Pelerin Society and note its convening for this decennial occasion, would he not be surprised to find us devoting an entire session to the meaning of liberty—the word perhaps more basic than any other to the original purpose of the Society? Might he not expect this to have been a matter resolved with essentially unanimous agreement at the outset of our Societal association together? The fact that it has not been thus resolved seems to me to reflect the lack of any clear agreement as to the meaning of liberty; apparently it is something not so clear and simple. We use this beloved word in our communication with one another and assume an understanding that apparently is not there.

Confusion over the meaning of this key word may seem strange. For liberty is not a new issue in the world. Presumably it has been a concern of mankind from the very dawn of his existence. As he battled for life and life's betterment, he must surely have faced constant threats to his liberty, just as he was confronted with the tides, the tornadoes, and pestilences of all sorts. All these must have been a part of man's experience from time immemorial.

Prior to any carefully reasoned contemplation of such obstructions, mankind must have battled them intuitively. We may assume that for an eon mankind has battled for his liberty, for instance, without having any deep sense of what liberty really is,

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just as he battled for his existence among the forces of nature without knowing precisely and formally the laws of natural phenomena.

I suppose that conclaves are also being held elsewhere to ponder just what electricity really is, or where and why the winds and storms originate, while we here are pondering just what liberty really is. We are to explore the composition of liberty and its deeper meaning at a time when the paths of mankind behind us are strewn with the blood of countless battles over it throughout all of history.

So my comments on this subject are offered in the spirit of exploration rather than with any presumed finality, and I trust they will be accepted in that light.

The Nature of Man

At the outset we might recognize two outstanding, long-standing questions:

1. What is the nature of man?
2. What pathways are charted for man, as a consequence of his nature? What, in other words, is the purpose of human life?

As to the nature of man, I readily give my proxy to others, including not only the philosophers but also the biologists, whose field of search must hold an important key to the nature of man as it relates to the problem of liberty. For if the biological nature of the organism is not in tune with liberty, it is surely futile for us to proclaim the virtues of liberty and to pursue its practice; and in that event we had best disband this Society and redirect our hopes and endeavors elsewhere.

But I assume the nature of man to be attuned to liberty. And therefore I posit the case for liberty squarely on a biological base, using that term in its broadest sense to include all that is man. Work in biology and related fields in recent years suggests the promise of a highly fruitful period which may now be dawning. Illustrative of work which seems to me to be highly significant in relation to the nature of man and liberty is that of Roger J. Williams, biochemist at the University of Texas¹; Edmund W.

Sinnot, botanist and Emeritus Dean of the Graduate School at Yale University²; Horace W. Stunkard, Emeritus Head of Biology Department at New York University³; Leonard Carmichael, Secretary of the Smithsonian Institution⁴; Lecomte du Nouy, the French scientist⁵; and others.

The outstanding theme of works such as these, so far as liberty is concerned, is the extreme diversity of persons, one from another, and the significance of this variation when liberty allows its expression in life's attainments.

Among these infinitely variable qualities evidencing the nature of man is variation in his knowledge and wisdom, or in his ignorance and foolishness. Liberty tends to enthrone knowledge and wisdom; the absence of liberty tends to enthrone ignorance and foolishness, because of the mathematical principle of regression which comes into play through the processes by which liberty is curbed.

Another derivative of biological research is to bring into focus the independent, unitary nature of the human organism. Persons are born alone as distinctly separate units, one at a time. They likewise die one at a time as separate units. All their acts in between are as separate units as well, even in their cooperative endeavors. An aggregation of any sort—even this meeting—fails to blend even two persons into one unit, so long as there is life in each. Even in panic or any like phenomenon where the herd seems to operate as a unit, it is entirely individual persons who do all the acting, however much their apparent concert. The biologists are helping us to understand this.

Liberty Defined

With that brief treatment of the assumption that liberty is rooted in the biological nature of man, perhaps we should consider what is the meaning of this liberty of which we speak.

In searching for its meaning one might first turn to what many consider to be the opposite of liberty, namely, socialism. Could we not merely invert the definition of socialism and have an acceptable definition of liberty?

One can search in vain, I believe, for any consensus of the

meaning of socialism. The confusion is illustrated by the fact that when the Parisian *Le Figaro* opened its pages in 1892 with a list of definitions of socialism, more than 600 were included. And when Dan Griffiths of England wrote his book in 1924, *What is Socialism?*, he found 263 answers worthy of note.

I shudder at the thought of proposing 600 or even 263 corresponding counterparts of these as definitions of liberty. I believe that it is necessary for effective communication and progress in the cause of liberty that we bring into focus a more precise tool of word-meaning than that. One wonders, to use an analogy, what would be the present status of science in general if there had been no more precise language there, if, for instance, one were to find 600 or 263 possible answers offered to the problem of the sum of two and two, or the nature of oxygen?

Nor can I quite accept the view of one renowned social scientist who recently opined that it is a good thing to have the meaning of words changing constantly—"progressing"—as though words were somehow like clothes which become soiled and need changing every now and then. *Nineteen Eighty-four* portrayed the consequences of that practice.

Both precision and stability of the meaning of words like liberty seem absolutely required for much progress in the science of human relationships. For communication is surely as important here as in other sciences, and communication requires both precision and stability in the meaning of words.

I suppose the supreme liberty of all is for each person to be allowed to define liberty as he pleases. I am, therefore, going to excuse that privilege myself. In doing so, however, I would like to make it as reasonable as possible in order that others may share my view of an etymologically and functionally sound definition.

To begin with, liberty seems to me to be a word having to do with matters of personal conduct in relation to other persons in society. Or to put it another way, it relates to limitations of action one person may or may not suffer at the hands of another person. It is in that sense a word focused on matters of individual conduct in a social setting.

There are other barriers to one's freedom of action, of course, besides those one person imposes upon another. These include environmental restraints imposed by nature—chemical, physical, astronomical, and other such barriers to complete freedom of action. You may, for instance, desire to move elsewhere without being confronted with the mountain which stands in your way. Or in winter you may wish roses to rise out of the snow. Or you may wish Mars were closely at hand so that you could step across for a visit. Such impediments to the fulfillment of our momentary wishes are not problems of liberty. They lie outside the interpersonal concerns where all problems of liberty are to be found, for they are problems you would face even in total isolation from your fellow men.

Liberty stems from *liber*, which means to be free. And so the definition of liberty I would propose is this:

Liberty is the absence of coercion of a human being by any other human being; it is a condition where the person may do whatever he desires, according to his wisdom and conscience.

This means that to have liberty one must be free without qualification or modification, so far as his social relationships are concerned. Nature will still impose its restrictions on him, of course, but his fellow men shall impose none.

In order to bring this definition more clearly into focus, consider as an alternative a definition which seems to me to be the only possible one to be selected in its stead:

Liberty is a condition where the person must do whatever another person desires that he shall do, according to the other person's wisdom and conscience.

This is the sole alternative, because for any one act under consideration there are only two possibilities: (1) you determine what you shall do, or (2) you are prohibited from determining what you shall do.

The last of these two possibilities means that some other person or persons will decide what you shall do, and force you to do it. That seems to be a definition of slavery rather than of liberty,

and therefore I must reject it. And since there is no other alternative—since a person must act voluntarily by his own wisdom and conscience or involuntarily according to the mandate of another person—the first definition seems to me to be the only tenable one.

One point of possible concern with this definition should be mentioned at this point. Liberty as I have defined it does not preclude as guidance for one's acts any form or degree of advice and influence, if voluntarily accepted, which originates elsewhere than within himself. This guidance might be religious influences, evidence from historical records, scientific knowledge, the advice of another person, or even processes of mental telepathy or clairvoyance or insight from mystical origins, to whatever extent these may occur. If willingly accepted, the act resulting from such influences is as much an act of liberty as would be any other.

So liberty as I have defined it is not limited to self-willed conduct arising from total isolation. All these other forces can operate to influence one's acts as a free man. I would even argue that such influences operate at their best and their fullest only under liberty.

Adulterated Definitions of Liberty

Many persons have an overpowering urge to modify and adulterate this definition of liberty. These include many persons who seem to have unusually deep libertarian perceptions. They want a definition that encompasses "proper conduct." To do so, however, seems to me to confuse the concept of liberty and to adulterate it until it becomes meaningless.

Many persons, I suspect, have such an infatuation for their beloved word liberty that, like a juvenile lover whose expectations surpass reality, they try to deny any imperfection in their beloved. And so, in order to assure his perfection they try to deny the possibility of any imperfection by their definition. In this instance, some would bend their concept of liberty so as to exclude any act which in their eyes is imperfect.

Let us consider an analogy in another field of contemplation,

chemistry. In the early period of its development, it was perceived that the elemental chemical constituents must be identified before a science of chemistry could be developed. Suppose it had been decided at that time to define each element as that form of material only when it was being put to "proper use." Chlorine would then, I suppose, be chlorine when used for table salt, but something else when used for chlorine gas for wartime—or something else if the enemy used it for the same purpose, and something else if the salt were to corrode your motor. The introduction of any such dilution of meaning of the underlying concepts of any science would seem to bar effectively any appreciable development of that science. Basic words of this type must not be confused by trying to incorporate human judgments of an entirely different sort.

Or suppose similar confusions had been introduced into the early development of words for basic concepts in physics, or physiology, or bacteriology. What then could have been the progress in those fields?

I would argue, then, for this clear and rigid meaning of a key word of social science—liberty. It should acquire a place in our vocabulary comparable to an *element* in chemistry, or to *motion* in physics. For if we try to modify it with the presumed propriety of the act, we shall have introduced a wholly different type of concern which should be kept entirely separate from the meaning of liberty. For they are two areas which cannot possibly be blended into one clear definition.

One other aspect of this definition seems worth mentioning. Were we to try to incorporate into the definition of liberty a judgment of the act as good or bad—making liberty, in other words, mean only "good" acts—who, or what body, is to define what is "good"? I would contend that the determination of what is good would then have to be a socialized one in some degree. And for us as libertarians to define liberty in such a way that we must accept a socialized concept of morals before we can classify an act as one of liberty would seem to me to be an abandonment of our faith in the formulating of our own language.

Another alternative meaning of liberty, differing from the

one I prefer, is to define it as a condition where the restriction of coercion of human beings by other human beings is at a minimum. But such a concept, in my opinion, describes something else than liberty. Perhaps it is the way to describe a liberal society of fallible humans, or something of the sort. For in such a society of fallible humans, complete liberty of all its members is obviously an impossibility, for our fallible conduct precludes some of the liberty of one another.

We would not define a vacuum as the nearest to the absence of material content of a space that we know how to attain, nor would we define ytterbium as a compound as near to that element in its purity as we have yet found. Instead, we should define all these—liberty, vacuum, ytterbium—in pure form even when unattained yet in our experience.

Your choice is still an act of choice even when I do not agree with your selection. Your act of liberty, likewise, is still liberty when I disfavor what you have done. It is an act of liberty for me to define liberty in a manner you disfavor; it is also an act of liberty for you to disagree.

Morals Versus Liberty

In defining liberty as embodying judgments of one's own acts according to his conscience, my intent is to recognize the importance of morals and ethics in this connection. Rather than to attempt to distinguish between morals and ethics in the short time available, I shall speak only of morals—the “good” versus the “evil,” the “oughts” versus the “ought nots” of human conduct.

It is well to remind ourselves at this point that liberty as I have defined it is not a synonym for good; that any act of liberty may be either “good” or “evil” as another person judges it. This will be true until and unless infinite wisdom and universal perfection of conscience guide every act of every person in such a way as to be approved by every other person.

But universal agreement is far from a description of real life; it is no more than a direction toward which to strive. And that fact is precisely why there is any problem of liberty at all. Except as

there exist these differences in moral judgments of what the other person ought or ought not do, there would be no purpose whatever in a Mont Pelerin Society, nor any other of the processes aimed at trying to deal with matters of human conduct and conflict.

To speak of morals, then, is not the same as speaking of liberty, but instead refers to a qualitative measure of those acts.

Let us explore this point just a bit further. The concern of morals is to judge acts as either good or evil, right or wrong—"moral" or "immoral," as we say in appraising them. Such a judgment has neither place nor meaning except for acts of choice. A person cannot do right except in a situation where there is also the option of doing wrong. In other words, moral considerations have no place except where liberty exists. A stone is confronted with no moral consideration, because so far as we know a stone is wholly without choice and merely rolls here and there with the impact of the forces of its natural environment. A stone can do no right or wrong under its own guidance, because it makes no choices—it is incapable of liberty.

It follows then, that no problem of morals can ever be resolved by removing liberty, in a degree either large or small. All that can be done by enslavement is to remove the moral consideration from the enslaved person's life, and relegate him toward the status of a stone. The moral issue remains with the enslaver, however.

To assert that a person or a society of persons can be made moral by removing their liberty is akin to the policy of the doting mother who said that she was not going to let her child go near the water until he had learned to swim.

Thomas Davidson expressed it this way: "That which is not free is not responsible, and that which is not responsible is not moral. In other words, freedom is the condition of morality."⁶

Moral Law

Liberty will be allowed in society only insofar as there is acceptance of the conduct of others. Acceptance may be because of either agreement with the act or tolerance in disagreement.

Tolerance in disagreement demands acceptance of separate domains within which a person is allowed to make his mistakes, if he does so with what is his rather than with what is yours. Private property within the economic arena of scarce and desired things operates to this end. Once these domains are accepted, then it becomes a prime moral right of a person "to do what I will with mine own" instead of to do what I will with your own.⁷

Some moral code to guide our acts, insofar as acceptance can be attained, is a route to peaceful coexistence with one another. And for that reason the moral code becomes a concern related to the question of maximizing liberty, because in the absence of such agreement we shall surely take liberty away from one another more or less in proportion thereto.

Where and how do we look for a code of this sort?

A basic question involved here, it seems to me, is whether one assumes that there is an ordered universe or assumes that there is not.

If we start with the assumption of an ordered universe, certain other derivative assumptions follow in turn. The assumption of an ordered universe, as I see it, allows room for both science and religion, as companions representing two types of belief about the nature of an ordered universe. This assumption of order is theistic in one or another form, whether one wishes to think of it as God, or as natural law, or as the universal phenomenon of cause or consequence, or whatnot. For present purposes we need not differentiate in any such way as to beliefs, nor to carry the concept of God to the point of an anthropomorphic or other form. The only concern for this purpose is that of an ordered universe or not.

If one starts with the premise of an ordered universe, it follows that he accepts the existence of eternal truths and unchanging principles, universally. This does not necessitate the arrogant assumption that we know all these truths with final or full certainty; it means only the assumption that they exist to be found—that known or unknown to us, we are powerless to change them either individually or collectively, bending or altering them at will.

If there are these eternal truths and unchanging principles, then one may assume the existence, as a part of the universe in which we live, of moral truths—moral law, if one wishes to speak of them that way, ruling over and above our social, statutory laws of society, or custom, or tradition. These moral laws are then assumed to be the code of conduct by which to abide, if one is to be “good,” just as we assume that we must abide by physical laws if we are to be safe. Violation of either is an option under choice, or under liberty, but the consequences prevail in spite of our ignorance or our wishing that things were different in the universe.

If, on the other hand, one assumes the alternative of an unordered universe, his derived assumptions are these: atheism; events occurring at random; lack of any precise cause and consequence to be discovered; lack of eternal truths and unchanging principles; no moral law or physical law to rule affairs; no science to be pursued in the spirit that identical conditions will lead to consequences repeating themselves. It presumes, I suppose, that we can change the universe any way we want to, at will; but also, it seems to me, it assumes that no change will remain even for an instant. This whole concept seems to me to be a blind path to a dead end. I do not see how one can live under any such assumption. Study of science or of any past experiences of any sort would be a pure waste of time. One might as well jump off the cliff, if he were to assume that past events, involving untold numbers of deaths of persons who did likewise, prescribe no pattern for the present or the future.

So my assumption is an ordered universe, with moral law beyond the power of man to alter. We may not know what these moral laws are with certainty, but even so we must, under this assumption, proceed with the best guess we can make as to what they are. We would deny as moral truths any prescription by majority decision, or kingly decree, or the like—we would deny all these as invalid sources per se. We would reject the definition of morality given in a book by a Professor of Psychology at the University of Southern California, who has said: “Morality is the quality of behaving in the way society approves. . . .”⁸ Instead, we

would accept morality as the quality of behavior by which an individual *should* abide, by a source of truth above the crowd.

It has always seemed to me in this connection that if there is cause and consequence in the area of morals, the accumulated experience of mankind must somehow be distilled into some sort of guides to conduct. It may be in part intuitive, like one's sense of fear at the edge of a cliff; it may be in the form of religion, or custom, or tradition, or whatnot. We must admit, however, that these lessons of the past have been contaminated with error, including the medicine man's hocus-pocus and superstition of all sorts. But somewhere must be reflected the distilled experience of mankind in relation to moral law, to be found with some degree of validity if we will only look in the right place.

Let us take religion as an example. The Golden Rule and the Decalogue, for instance, have occurred in essentially the same way repeatedly in various religious eras and sects. It seems unlikely that this is due to chance, and therefore one may assume that concepts of this sort, to illustrate the process, persist because of their harmony in some degree with moral law of the universe.

My only point for purposes of the present discussion is to uphold a search for moral law, and to illustrate the type of thing that successful search may in time reveal.

The Rights of Man

In living our daily lives and making the decisions that liberty entails, one must assume certain human rights in accord with moral law. These human rights are not the sort of rights prescribed by a political body or by the toleration of one's neighbors. They are, instead, the rights which moral law prescribes as the scope of propriety, if one is to avoid suffering a consequence as unfortunate in a moral sense as walking off a cliff.

What might such human rights be?

In a sense, perhaps, the most basic human right is the right to be free—the right to make choices and decisions, and to shoulder the consequences of the choice; the right to be wrong at times. I prefer, however, to start at another point in order to place a moral boundary on one's conduct under liberty.

Basic among human rights would seem to be the right to life itself. And others follow in its wake:

1. *The right to life.*
2. If one has the right to life, he then has *the right to sustain his life* with his own time and means, so long as in so doing he does not infringe on the same right of others.
3. If one has the right to thus sustain his life, he then has *the right to have whatever he is able to produce* with his own time and means.
4. If he has the right to whatever he is able to produce, he then has *the right to keep it for any period of time*—the right of private property.
5. If he has the right of private property, he then has *the right to exchange it, sell it, or give it away* on any terms acceptable to the recipient. No third party, be it one person or any combination of persons, has any right to intercede in the process or dictate its terms.

This, as I see it, is the sequence of rights which flows from the assumption of a right to life.

If this rigid code of rights seems harsh and inhumane, leaving persons destitute in any society abiding by it, I would reiterate that the final right of any person is the right of giving to others that which is his, as alms. Where else could alms come from for purposes of charity, if we are to avoid a sequence of rights that would lead logically to a denial of the right of life itself? Is charity to be founded on a denial of the right to life? I would argue that true charity can flow only from the fruits of production in the form of private property.

Assuming such a code of human rights, and relating it to religious codes, it is interesting to note the harmony between them. Such harmony is not proof, of course; it is no more than circumstantial evidence of validity. But even so, the Commandment “Thou shalt not kill” corresponds with the right to life, as a basic human right. The Commandment “Thou shalt not steal” corresponds to the right to keep what one has produced or otherwise properly acquired as private property. Stealing is an empty word without the presumption of ownership, by the vic-

tim of the theft, of the object stolen.

I have attempted to define liberty, and to give a philosophic base for liberty that recognizes both the importance and the content of morality, to the end that liberty may be maximized. Morals presume liberty to begin with; and further, there is assumed to be eternal moral law for which we should search and by which we should abide in our acts as free persons.

The Hope and the Hopelessness of Liberty

In closing, I would comment briefly about the hope of our cause—the upholding of liberty.

If the end is embodied in the means, no libertarian can employ other than purely voluntary means to further the cause of liberty. This means education, persuasion, demonstration. In that way, others may be led to reform their conduct on behalf of liberty.

You cannot institutionalize liberty. You can only institutionalize its encroachments. Institutional devices for the purpose of protecting liberty always seem to have a way of enslaving its presumed beneficiaries, sooner or later. Perhaps this is due to the fact that the core of liberty, and its hope, lies deep in the heart and soul of individual man—something institutions can never have, something we cannot delegate to any institution.

Some believe the cause of liberty to be all but dead, a setting sun on the horizon of human affairs. To say that liberty is dead, however, is to say that human life no longer exists, for the urge to be free is embodied in the organism itself. If you repress liberty in one place, you are likely to stimulate it elsewhere, for man seems to will to be free however much he fumbles the means of its attainment.

I am reminded, when thinking of the sociopathology of liberty, of some recent findings in medical pathology. James Reyniers, in his experiments on germfree life, observes instances of how the total absence of germs transforms the host into a dangerously vulnerable form of life. In one instance, some

germfree chicks within 24 hours after being hatched all developed tremors and even death, whereas those chicks not germfree suffered no such affliction. In another instance, the ovaries of females among a group of germfree animals degenerated until reproduction stopped within the strain of the experiment.⁹

One cannot help but wonder if a similar benefit, somehow, may not arise out of attacks on liberty. Perhaps a “germfree” (pure and unadulterated liberty) society, if we could attain it, might lack some sort of mysterious catalyst requisite to the survival of liberty. No one of us would, of course, destroy liberty with this purpose in mind. Others will surely take care of that task of destruction of liberty, and our help is not needed.

All history suggests, in any event, that complete and universal liberty is a star beyond our reach. Liberty ebbs and flows, never being fully gained and never being fully lost. Perhaps it is well that it is thus, for reasons we can only dimly perceive.

One bemoans, of course, all absence of liberty. In like manner he bemoans those unfulfilled desires which fuel the whole economic realm of affairs.

And so perhaps liberty apparently is a goal to be pursued but never fully captured in its purity. Such a thought may solace libertarians in their partial enslavement, living lonesomely among many enslavers. This concept gives hope and purpose to live by, provided one does not dash his hopes on some impossible goal. If instead he sets as his star the mere furtherance of liberty rather than its full attainment for the entire world, he need never lack hope and purpose in life. Merely to perfect his own conduct provides plenty of work for him to do—more than the best can attain in a lifetime.

NOTES

1. *Free and Unequal: The Biological Basis of Individual Liberty* (Austin, Texas: University of Texas Press, 1953); *Biochemical Individuality: The Basis for the Genetotrophic Concept* (New York: John Wiley & Sons, Inc., 1956).

2. *Two Roads to Truth: A Basis for Unity under the Great Tradition* (New

York: The Viking Press, 1953); *The Biology of the Spirit* (New York: The Viking Press, 1955).

3. Numerous articles.

4. Numerous articles, including his lecture at Massachusetts Institute of Technology, November 17, 1953, "Psychology, The Machine, and Society."

5. *Human Destiny* (New York: Longmans, Green and Co., 1947).

6. *The Education of the Wage-Earners* (New York: Ginn & Company, 1904), page 53.

7. See St. Matthew, 20:15.

8. John E. Burkhart, "Against the Crowd," *Phi Kappa Phi Journal*, Summer 1957, page 5. *From Psychology and Life*, by Floyd L. Ruch, 1937, page 104.

9. James A. Reyniers, "The Significance of Germ-free Life Methodology (Gnotobiotics) to Experimental Biology and Medicine," *MSC Veterinarian*, Volume 13, No. 3, 1953, page 182.

Liberty and Opportunity

One faces, in life, a perplexing situation in trying to maximize his *combined* liberty and the opportunity.

I have adopted the following as my definition of liberty:

Liberty is the absence of coercion of a person by any other person—a condition in which the person may do whatever he desires, according to his wisdom, conscience, and abilities.

Under this definition, one would find complete liberty only in so far as he were to live the life of a hermit. And if all were to do that completely, the species would end with that generation.

The natural condition of mankind under Creation is one of human association to some degree.

But human association brings problems. Whether taken literally or figuratively, the “Fall of Man” portrays the condition we all must face in life. Looked at either theologically or otherwise, it is a condition inherent in man’s free will, in the essence of liberty itself. A person must choose between good and evil. He must face the conditions created by the choices others make. The differing conduct of others involves matters of “ethical” differences; or the differences may be non-ethical, either pleasant or unpleasant to him as others find their own liberties of choice.

Human Differences

Human differences are, in fact, a prime aspect of all human association. Were this not so, one person in complete isolation from birth until death would be living the fullest possible life. Were he desirous of “company,” a mirror would suffice to reveal all of the existing nature of man. Other persons in the flesh could add nothing that a mirror couldn’t do as well, other than as identical and superfluous duplications. We do, however, seem to enjoy very much the likenesses of others, perhaps as a balm for retreat from perplexing differences.

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Human association is the mechanism by which we exchange our vital differences, both economically and otherwise to give life its meaning.

Marriage is the highest order of human association for these reasons: (1) It is more encompassing in scope, generally, than any other human association in both intensity and duration, and (2) It enables the propagation of the species—offspring being a presumed necessity under Creation, as well as being the most substantial joy most persons experience in life. Thus the family is the most important and enduring form of human association.

Arising from the variability of mankind, however, are differences between persons which generate both accord and conflict. A mixture of the two is to some degree unavoidable in every human society. Only a hermit can avoid the risk of conflict, which is a price for the benefits of association.

Voluntary Association

Accord describes voluntary association. Discord and conflict describe involuntary association.

Mutually voluntary association between two or more persons results in benefits to both parties. Both profit (kinetically or potentially) from the association, or otherwise it would not have occurred voluntarily. In economic forms of association, for instance, both parties to each exchange enjoy a profit by reason of their engaging in trading their differences—differences in their producing abilities, their consumer tastes, or whatnot.

So every instance of voluntary association describes a condition of benefit—of profit, in economic as well as other forms—to all parties involved.

Voluntary association, in all its forms, is the true meaning of opportunity. Involuntary association, along with prohibitions of voluntary association, is the antithesis of opportunity.

Involuntary association describes a condition of loss to one or both parties as victims of an imposed association. Even in an instance where one person (at a profit) imposes the association on the other person (at a loss), we have no way to evaluate the greater or lesser, even if we wanted to. This is because the values

involved are purely subjective. We can say only that such an imposed or involuntary association results in a profit to one person but a loss to the other. It is in every instance, therefore, inferior to voluntary association.

It follows, then, that a maximum of voluntary associations and a minimum of involuntary associations is the highest order to which men of good will can aspire.

Any two or more persons in society must somehow resolve conflict, if they wish to enjoy the fruits of accord. Or, to express it another way: Aside from the “bounties of nature” which exist in the physical or non-human world, opportunity is maximized through forms and degrees of human association, despite inevitable problems and conflicts. The major challenge of life, therefore, is how to maximize liberty and opportunity combined, for both ourselves and others. This can be achieved in only two ways:

1. Seek to avoid situations of conflict—maximize those of accord (Note in this connection the Biblical admonition to do good instead of spending time resisting evil). This does not mean to avoid conflict involving self-defense, however. As Gandhi once expressed it:

He who cannot protect himself or his nearest and dearest or their honour by non-violently facing death, may and ought to do so by violently dealing with the oppressor. He who can do neither of the two is a burden. He has no business to be the head of a family. He must either hide himself, or must rest content to live forever in helplessness and be prepared to crawl like a worm at the bidding of a bully.

M. K. Gandhi

Young India, 11-10-28

2. Convince—or, still better, influence—as many persons as possible to adopt patterns of conduct or life styles of voluntary associations with mutual accord rather than those involving confrontation and conflict. It should be noted that the change in the conduct of others must be induced peacefully by persuasion, if it is to be consistent with the principles suggested above and if it is to succeed and endure.

Life at its fullest, therefore, means living as fully as one can a life of associations in accord with these guides for conduct. The full life cannot be attained by retreating from these challenges into a life deficient of opportunities for human association. Escapism, as distinct from selective association, is not the path to satisfaction nor the substance of a meaningful existence.

Ideals As Guides

This leads to one final issue of great importance, which seems always to perplex the purposeful idealist. In life, the environment in which one will find the combined maximum of liberty and opportunity is one in which his ideals can be no more than directional guides for choice, not destinies he can assume to be fully attainable. Ideals are like the north star, guiding the sailor to "Liverpool" instead of being his destination for the trip.

Ideals serve a vital purpose, however, which should never be forgotten in the discouraging failure to attain the ideal fully and completely. That purpose is this: *Ideals are the only possible means by which one can make better choices.* Ideals are the health of liberty, since choices are the essence of liberty and ideals are the guides for exercising these choices. It is this concept, this philosophy, which permits one to enjoy repeated victories in the battles of life while failing ever to attain perfection. Success in life is a matter of persistent, unflagging progress toward a goal that, by the nature of things, is never fully attainable.

The same idea may be expressed this way: In real life, an ideal or perfect condition is essentially never an option available to us in human associations. It is not one of the options among those we may choose. One must always make his choices (guided by pure ideals) among imperfect alternatives available to him at the time. To become a hermit may be a way to maximize one's personal liberty but only at the cost of reducing to zero the great opportunities of voluntary human associations. The hermit, therefore, reduces his total of liberty and opportunity.

Be it noted, furthermore, that opportunity in this sense is the only means by which a person can assist others and thereby himself, via exchange and joint profit to increase liberty. A

hermit, by definition, cannot benefit his fellowmen an iota, because he has severed himself from all societal opportunities.

A philosophical guide to life, therefore, becomes that of maximizing one's human associations along the trail of life, insofar as they are voluntary and wholesome.

One can work persistently toward maximizing voluntary opportunities for himself and others. Neither hermitism nor martyrdom can attain this.

Implicit in all I have said is the issue of property rights. All human conflict, at its roots, is a property question: *Whose is it?* Were it possible to have universal agreement on the answer to this question, there could be no conflict. To the extent agreements on the answers can be increased, conflict will be reduced.

Those who wish to do so may eschew the acquisitive urge and forego the property issue to some extent. But it is not in the nature of things for human desires to be amply supplied from things as they exist.

It is an Utopian dream that the entire property question can be resolved by wishing it away. The admonitions in the Decalogue and elsewhere in reference to theft, trespass, and covetousness all reflect the realities of life in contrast to this Utopia. And further, the illusion of "common" ownership as a solution to the property question is merely a formula by which control is shifted from some to others, who thereby gain authority over those who have surrendered their private rights.

Apropos to this exposition is the prayer of Alcoholics Anonymous, which has a constant relevance to life's decisions:

God, grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.

Time frittered away on the impossible always robs one of time, energy, and opportunities for the possible. That is the wisdom of the prayer.

Peace and Discord

In Search of Peace

Charges of pacifism are likely to be hurled at anyone who in these troubled times raises any question about the race into war. If pacifism means embracing the objective of peace, I am willing to accept the charge. If it means opposing all aggression against others, I am willing to accept that charge also. It is now urgent in the interest of liberty that many persons become "peace-mongers."

Patrick Henry, that great advocate of liberty, in a speech before the Virginia Convention in 1775, said: "I know of no way of judging of the future but by the past." Were he with us today, he might well repeat that advice to a nation confused and woefully mired in the problems of war and peace—a nation acting in a blind panic.

Probably more wealth and effort have been squandered in a fruitless search for peace by the present generation than by any other in the history of man. For nearly half a century the increasing tempo of war and preparation for war has found the world further and further from peace. Time after time it has been asserted that if only we could crush some particular dictator by the use of military might, the safety of man's freedom would be assured. "One more supreme sacrifice," again and again. And each time dictators "more ruthless than anything the world has seen since Genghis Khan" arose out of the refuse of war, leaving liberty and peace the loser after each bloody conflict.

Not only that, but in nations like the United States and Britain most of the trappings of dictatorship, under different names, have been accepted until the plight of citizens in a "free" country is much the same as that of citizens in a "dictatorship" country. To test this, merely make a detailed comparison, ignoring

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reasons given in one's own country for this or that abridgment of liberty.

We speak of the impending threat of World War III, even while we are still officially engaged in World War II. The guns have hardly cooled from a war in which we joined Russia to help defeat Germany, Japan, and Italy. Now the veterans of that war are again commanded to pick up arms to defeat Russia, which is operating under the same management and with the same policies and methods as when we were her ally—if, in fact, we are not still officially her ally.

All the while our diplomats have been hastening to arrange something that will pass for a peace agreement with Germany, Japan, and Italy. Unless that is done, it is especially awkward for our legislators to appropriate our money to replenish a military might that we have just finished destroying in these former enemy nations.

A Tito or a Franco or a Peron is one day an “enemy” of liberty and the next day its “friend.” Ships frantically rush here and there, first giving and then threatening not to give our wealth as bribes to “friends” and “enemies” alike. And there is no telling which will be which tomorrow.

While all these banners and alignments of nations have been shifting back and forth as with the changing winds, the liberty of the people in “our haven of liberty” has been constantly eroding, until it has now reached the lowest point in the history of this nation. It makes one feel as if he were being whirled through space until he has lost all sense of direction.

Against this confusing picture, it would be well to heed the words of Patrick Henry and pause long enough on a road strewn with the wreckage of liberty and peace to see if we may not have been treading it in the wrong direction. Perhaps the problem of peace should be approached from a new and unconventional direction. On the record, at least, the solution would seem to lie elsewhere than in the methods that have been tried again and again without even a semblance of success.¹

We must not let pleas for unity paralyze our minds and prevent any review of our past acts. There is no virtue in a unity

attained by blinding people and inducing them to join in a mass stampede. Uncommon courage, not cowardice, is demanded of anyone who will remove himself from the stampede long enough to see where he is going.

The Problem of Conflict

Let us start on the problem this way. Many persons consider war to be an evil, but they support it on occasion as necessary "for the long time good." But how can good be attained by means of an evil? That defies simple logic.

A review of the historical consequences of war, so far as its effect on liberty is concerned, supports the belief that war is an evil and that no long time good results from it. Why, then, do we keep getting into war? One study reports that war has engaged the major countries of Europe for about half the time since the year 1500.² What mistakes are made in preserving the peace and the liberty of man?

War is conflict on its largest scale. Conflict in all its forms—murder, rebellion, riot, insurrection, mutiny, banditry, war—has caused the death of 59 million persons in the world during the last century and a quarter. Of this number, four-fifths died as a direct result of the larger wars, which are by all odds the major cause of death from conflict. Murders and all the other lesser forms of conflict, though highly numerous, have accounted for only one-sixth of all the deaths from conflict in the world during this period.³ Conflict probably never can be wholly eliminated, because man is imperfect. But these figures suggest the importance of preventing it from growing into wars.

Only if we identify the cause of conflict can we keep it at a minimum and prevent its growth into war. The cause of conflict is the moral delinquency that allows infringement on liberty and on the rights of men; it is that alone. If liberty were complete, and if each person were to restrict himself to what is his proper scope and concern, there could be no conflict. What would there be to fight about if liberty were thus universal?

Conflict arises when freedom of choice is restricted. If one is free to choose his work and his leisure, to use what he produces

and to spend what he earns, to select his own associates, and to choose in all other aspects of his life, he does not have to fight his way out of anything or to maneuver around restrictions and repressions beyond those of his own conscience. This concept may be tested on the everyday conflicts we know best—with one's child, with one's neighbors, in community affairs, between employer and employee. In every instance it is some prohibition, or control, or monopoly that gives rise to conflict. These are the things which prohibit free choice and which therefore generate conflict.

It is true that to whatever extent we violate the rules necessary to a peaceful society, there cannot be unrestricted freedom. That is why the general acceptance of certain rules, governing the use of things that are in limited supply, is necessary to a peaceful society. The concept of private property is one of these, and freedom of exchange is another such rule.⁴

Stated bluntly, conflict results from slavery in some form or degree or from the violation of rules of a peaceful society. Problems of war—all conflict—are exclusively problems of abolished liberty. Thus the prevention of war, or of the threat of war, must take the form of cutting the bonds on liberty wherever they exist.

Peace will exist only as liberty is increased in all its forms among individuals throughout the world. There is no other road to peace. This means that any building up of power anywhere in the world in any of its forms, and under any excuse, leads toward conflict in its worst form—war.

Conflict between humans may be compared with the physical fact of friction. We know that friction exists, but it is one of the most difficult phenomena of the physical world to explain thoroughly. It occurs as the result of contact. Since complete separation of objects is difficult if not impossible, lubrication is necessary to reduce friction to a minimum.

All human relationships are also potential friction. Voluntary arrangement in these relationships acts like a lubricant. It will not eliminate all friction but reduces friction to a minimum. The use of force removes this lubricant and generates heated con-

flict, because persons then cannot withdraw from contacts not of their liking.

Every conflict, at its origin, is a matter between only two persons. One person may be using force against the other or trespassing on his property. If this conflict cannot be resolved in any other manner, a murder may occur. The outcome could be no more serious than the loss of one life, unless somebody intercedes who is not directly concerned.

Conflict grows, then, as a result of anything which causes opposing sides of any controversy to amass into growing numbers. The larger the number, the greater and bloodier the conflict becomes.

We can see how this works by observing a football game. Someone violates the rules, and two players start to battle it out. If all 22 players joined in, the conflict would become serious. What if 100,000 spectators joined in?

I was deeply impressed by a scene in a recent movie. Two contenders for the kingship of a tribe of uncivilized "savages" in the deepest recesses of Africa were in conflict for possession of the throne. Finally, the two contenders battled it out to the death. The other members of the tribe laid their preferences and their weapons aside, and all stood on the sideline as observers. They had learned that if persons other than the two concerned were to join in the battle, there would be unnecessary bloodshed. Uncivilized? Perhaps we would be more humane and civilized if we were to resolve the present world conflict in some such manner—at least a "victor" by combat could be selected without so much bloodshed and destruction of property.

There would always be some conflict even among free people, but it would be small and localized. There would be a murder now and then, but death would not be nearly so prevalent as from the mass conflict of major wars.

A neighborhood squabble between two persons in China, for instance, might lead to one of them murdering the other. But if we are left to use our individual judgment, not many of us would volunteer in behalf of one or the other and cause it to grow into a war. Numbers do not become amassed that way into a major

conflict unless persons are forced to join in.

True, there are always some volunteers in foreign wars. In fact, fighting in foreign wars used to be an accepted hired occupation. But this sort of thing never became prevalent enough to be featured in the history books.

It is a fact that small conflict develops into major war only as a result of involuntary servitude. We can see this much better if we look afar at the “dictatorship” nations.

There is no escaping the fact that some men have a lust for power. And war or the presumed threat of war seems to surpass all other devices by which a ruler can induce the people to thoroughly enslave themselves under his “leadership,” to lose their liberty and all rights of choice, to answer to his beck and call. Power becomes concentrated at one end of a long line of authority, which at the other end terminates in complete subservience on the field of battle.

Edmund Burke said that loss of liberty always occurs “under some delusion.” By some strange twist of reasoning, fear of losing liberty drives persons to enslave themselves and surrender their liberty in the hope of keeping it. It is argued that this is necessary “to protect the people.” How can slavery make them any more brave? This presumes the people to be too ignorant or cowardly to act voluntarily in their own behalf, that they must be forced to protect themselves.

It is indeed a strange notion that I should be compelled by others to protect myself. This “self protection” then becomes labelled “sacrifice,” and tribute is paid me, my dependents, and my descendants by those who forced me to “defend myself.” Something is wrong there, somewhere.

Power is grasped by the dictator because of the urge to be “great.” Lord Acton, the British historian, said: “All power tends to corrupt, and absolute power corrupts absolutely. Great men are almost always bad men.”⁵ He was speaking here of “great” in the sense of a Caesar or of a Napoleon—whose moral degradation was reflected in one of his remarks. After hurrying back to France from a campaign in Russia that cost the lives of over 500,000 of his countrymen, he rubbed his hands before the fire

and said: "Decidedly it is more comfortable here than in Moscow."

Perhaps dictators are evil because power corrupts them, as Lord Acton said. Or perhaps evil men gravitate to the administrations of power, as Hayek said in one notable chapter in his book, *The Road to Serfdom*.⁶ I do not know which, but it seems certain that a part of the strategy of maintaining "leadership" in this sense is to keep up a series of crises and emergencies and a confusion that seems to demand the action of a strong and ruthless autocrat. "Greatness" may even be acquired by chasing a series of one's own mistakes, as "leader," into eventual war—backing into "greatness," so to speak.

It is no coincidence that large-scale wars are the product of dictatorships or of the acts of aspiring dictators. Power is first grasped in internal confusion and conflict; then later it bursts into an external conflict, and the dictator calls for national unity.

The Balance of Power

At this point we should take a look at the "balance of power" theory. It calls for bolstering up a lesser power as a protection against a greater power, until it equals or exceeds the power that is "threatening." This theory has been widely followed in international affairs, in labor-management affairs, in politics—everywhere.

It is strictly a power concept. Rulers are given more and more power to guide and control the actions of others, to sound the bugle call of battle at whatever time and place they choose. The persons over whom they rule are first presumed to be incapable of acting voluntarily in their own defense and are then bound in controls and servitude until they actually are unable to defend themselves, even against their own "leader."

Let me illustrate how the balance of power theory works, by a hypothetical case. A threat to peace arises between two persons at a church social. Deacon Jones suspects Deacon Smith of planning to do him some harm—" . . . so it is said, by sources usually considered to be reliable but which cannot be revealed for reasons of religious security." Smith is powerful enough to do so, if he chooses. So Jones propositions Deacon Brown to come to

his defense. Brown, who sincerely wants peace to prevail, agrees to a treaty whereby he is to be subject to Jones' call to arms in case of aggression by Smith. Notice of the treaty is released to the "public" through Jones' Department of Public Defense—or perhaps privately to Smith through the "proper" process of a "diplomatic note." Smith, finding himself threatened with a superior force, then proposes the same balance of power theory, in turn, to Deacons Solcefoskiski and Chin, and they sign a treaty with Smith. A counter "diplomatic note" is sent back to Jones. This goes on and on, with personal liberties declining more and more as power accumulates on both sides under the rule of Smith and Jones. Tensions increase more and more on both sides, until a wholesale brawl can be started by someone sneezing or shouting "Boo!" Or perhaps the brawl is intentionally started by one side or the other, as it becomes clear that the burden of "defense" under conditions of an armed truce is too costly and threatens them with starvation, if continued. Going to war then becomes "a matter of self-defense against encirclement and starvation."

War or the threat of war becomes self-generating under the balance of power theory and builds up and up, until abandoned out of sheer exhaustion from battle or from the costs of "defense." But this brings no settlement of the underlying causes of the conflict. The certain outcome is total loss of liberty by individuals on both sides of the conflict. Losers become serfs of the winning side; and on the winning side, all other individuals remain subjects of the ruler, who finds no reason to abdicate at the victorious height of his ruling glory. This "route to liberty" thus becomes a route to servitude.

In carrying out the balance of power idea, it is of course necessary to shift alignments of "allies" and "enemies" on frequent occasion. Treaties and money are both used as the medium of exchange. We should have learned by now that an "ally" bought with dollars will demand a steady stream of dollars in a one way deal and even then does not stay bought. One who can be bribed by us can also be bribed away from us. He is not a friend.

Defense and Self-Defense

What is to be the guide of proper defense, then, that is consistent with the ideals of liberty? Has the libertarian no rights of self-defense? Must he stand idly by while murderers, thieves, and vandals ravage his person and property, his family, or his friends?

My reply is: No. So far as my rights are concerned, the right to life carries with it the right to defend my life. And since my property is the economic extension of my person, it is likewise within my rights to protect my property from theft or destruction. I may, within my rights, protect these in whatever manner seems to me to be the soundest from the standpoint of strategy. I may or may not use force to resist an aggressor or evict a trespasser. When one is forced to decide between preserving his life and protecting his property, he may without cowardice decide that protecting his life is his initial duty. He would, if forced to make that choice, let his property go and keep his life rather than say: "Take my life, but leave me my property."

Now we come to a more perplexing question. Is it my duty to throw my weight against the oppressors of liberty in any instance where it is others rather than myself whose personal rights are being violated? Should I protect my infant child in this respect? My wife? My neighbor? Your neighbor? An Englishman? A Chinese? A Russian peasant who feels oppressed by the iron hand? An officer of the Russian army who is happy in his status? A conscripted soldier of our own army? Where, if at all, is one justified in employing the tools of force to remove trespass on the rights of others?

Since I am responsible for the care and protection of my family, I am also within my rights to defend each of them against an aggressor, a thief, or a vandal by whatever means seems best—assuming, of course, that they agree and want me to help protect them. As for neighbors and others, it is proper to help defend them against acts of crime against their person and property, if I desire and they want me to do so. There should, however, be mutual agreement on the need as well as the means.

So far as I can see, this applies to one's next-door neighbor or to a person anywhere else in the world.

One is not necessarily obligated to assist everyone whose liberty is being transgressed. I am certainly not obligated to give my life to protect the property of someone who differs with me as to the nature of liberty. Nor am I morally obligated to assist those who agree with me about the design of liberty and the nature of its violation, if they themselves have not first exposed their lives in its defense. Indeed, I have no right to intervene by the use of force to defend something they have chosen not to defend.

It is also proper for me to induce another to resist trespassers on his own or my liberty. But in doing so I must use only voluntary educational means. His rebellion must be sincere and stem from a personal conviction on his part. It is illiberal for me to use authority over him "to force him to protect his own liberty" or mine.

It is frequently said in defense of wartime controls and centralization of power that liberty is a luxury to be enjoyed in peacetime when things are normal, that we cannot afford the luxuries of liberty during emergencies like the present. One who makes such a statement, if he makes it seriously, does not really understand and believe in liberty. He is one who cannot be depended upon to act in its behalf. He is one who will willingly enslave his fellowmen "in order to defend their liberties." His devotion to liberty is a sham, and he can be expected to conclude later that, if controls and centralized power are desirable in wartime, they are also desirable in peacetime.

One who believes in liberty and who understands it enough to act in its defense does so because he considers liberty to be superior to its alternative—slavery in its various forms. Why does he believe it to be superior? Because it is more just, more in harmony with the design of a good society, more productive. This makes it stronger because it embodies justice and those incentives which bring out the best in man. If, on the other hand, he believes liberty to be less just, less strong, and less productive than slavery, he is on the other side of this great issue even though he salutes the same flag and is one's friendly neighbor.

Relinquish liberty for purposes of defense in an emergency? Why? It would seem that in an emergency, of all times, one needs his greatest strength. So if liberty is strength and slavery is weakness, liberty is a necessity rather than a luxury, and we can ill afford to be without it—least of all during an emergency.

Suppose that a clergyman were to admonish the members of his flock to abandon the practice of Christianity during every emergency because it is a luxury, good only for normal times. If he were to say that, we would certainly believe him to be a religious quack and of negative worth. We would conclude that he did not really believe justice, goodness, and strength to be embodied in religious faith. It is the same with all self-styled lovers of liberty who call for its abandonment during every emergency. They must be counted out of the forces for liberty. Indeed, should they not be counted among the enemies of liberty?

The only person who can effectively defend liberty is one who believes in it and considers it to be the embodiment of strength rather than of weakness. All others will do the wrong thing and support the wrong cause when the chips are down. If by this test the defenders of liberty turn out to be few, then the cause of liberty is that much more desperate than we had assumed.

Finding the Enemy

The first necessity in any defense is to identify the enemy with precision and accuracy. Lacking that, defense measures make no sense. It is like shooting at an unknown target. Could it be that our past efforts for the defense of liberty have failed for the reason that we have failed to identify the real enemy?

What is the basic issue in this conflict? What do we wish to fight against? It is slavery, the enemy of liberty. It is simply that and nothing else.

Slavery takes on many forms and goes by many names. But no matter what its form and name, the enemy is anything that prevents man from being free.

The enemy of liberty is, at its base, an idea—the idea that the enslavement of man is a superior and stronger form of social

arrangement than is an arrangement of free men acting together voluntarily. It is the idea that men of a community or a nation can better themselves and strengthen themselves if some of them will enslave others. That idea is the real enemy.

In attacking the enemy of liberty by the use of force, as is commonly assumed to be necessary, how might one proceed? The enemy is basically an idea, which is an abstraction. It has no nose to be punched and no heart to be pierced. The nearest you can get to an idea by the use of force is to attack its host—the person who believes it. This explains the great temptation to personify the enemy of liberty, to recast it in the form of certain persons who can be attacked by the use of force.

Which persons shall be attacked? Every person violates at least some of the tenets of liberty and to that degree is an enemy of liberty in practice. Every person is, then, partly the friend and partly the enemy of liberty. Realizing this, one should abandon the attempt to personify the enemy of liberty and to attack it by force. If he persists in the attempt, he will at this point have already gone astray in its defense. The project will be doomed to failure in the enactments of “necessary wartime controls,” no matter what words are emblazoned on the banners of the marching columns.

In the attempt to personify the enemy, who will be tagged? Will they be selected after a careful examination of the beliefs of each of the world’s 3 billion inhabitants? To attempt to do so would preclude war, because the political leaders are incapable of doing the testing and because the job is so large that it would never be completed by any central examining committee of this type.

What, then, is to be done? The leaders ignore the fact that they are incapable of examining even one person and hide their incapacity behind a grandiose façade of decoys. They label entire nations, or continents or races, as the enemies of liberty when, in fact, they are unable to judge even one person in this respect and do not even know the questions to be asked.

So the nation goes to war and, while war is going on, the real enemy—long ago forgotten and camouflaged by the processes

of war—rides on to victory in both camps. The real enemy is, in fact, immune to the weapons of physical combat used in war.

Further evidence that in war the attack is not leveled at the real enemy is the fact that we seem never to know what to do with “victory.” When guns are silenced by the white flag of surrender, what is to be done with the victory? Are the “liberated” peoples to be shot, or all put in prison camps, or what? Is the national boundary to be moved? Is there to be further destruction of the property of the defeated? Or what? The fact that those responsible for the settlements of “liberation” have themselves acquired the disease while administering the processes of war, makes any logical solution even less likely.

False ideas can be attacked only with counter-ideas, facts, and logic. There is no other way. It is necessary to realize that an idea cannot be forced into submission by kicking it in the shins or by beating it over the head. Nor can you shoot an idea.

It is worth remembering that the Roman legions were never able to defeat the Christian idea by this method two thousand years ago. The British military might never was able to defeat Gandhi, the little man without weapons. Christ and Gandhi were both killed, but their murder seemed to give impetus to the spread of their ideas rather than the destruction of them.

Karl Marx perhaps more than any other person developed the body of thought that is today the leading enemy of liberty. It would have made no difference if Marx had died a year earlier or a year later, because the ideas had been put into circulation and were not mortally a part of him. Nor can these ideas of his be destroyed today by murder or suicide of their leading exponent or of any thousands or millions of the devotees. On the contrary, persecution seems to unite those of one faith and spreads their ideas as nothing else will do. Least of all can the ideas of Karl Marx be destroyed by murdering innocent victims of the form of slavery he advocated, whether they be conscripts in armies or victims caught in the path of battle.

Ideas must be met by ideas, on the battlefield of belief.

The Fruits of Aggression

Government in this country was designed as an agent to protect persons and property, to maintain peace and order by resolving conflict through a judicial system. And it was supposed to administer resistance to threats from outside the country, but without ever becoming an aggressor in the outside world.

Our government during the last half century, however, has become the captain of military excursions all over the world. In these wars, the citizens are compelled to give up essentially all their liberty and to respond to the call to arms at the command of one person—one who is presumed to be their servant and not their master. Our war excursions are coming more and more to be without the consent of the people or of their elected representatives. So long as this procedure is tolerated, liberty is at an end in this nation.

The government was originally supposed to serve as policeman and to punish those within the borders who use force or violence against the person or the property of their neighbors. When a government, however, uses force or violence against the person or the property of national neighbors, the process is honored by terms such as “national defense,” “victory,” and the like.

For performing acts that are the same in the eyes of God, a person may be either executed or decorated, imprisoned or promoted—depending on whether the act is in peacetime against a near neighbor or in wartime against a more distant neighbor. How can either of these properly go by the name of justice and the maintenance of peace?

As previously stated, self-defense is the right of any person. But it seems that many of us are unable to distinguish between a defense properly within this limit of rights and the use of the same tools to generate a “war of self-defense.” Perhaps a reason is to be found in the failure to understand how proper defensive measures may become diseased and develop into a cancerous growth of illiberal power. This can best be seen by reviewing the usual nature of war from the standpoint of liberalism.

When at war or in preparation for war, the pattern of affairs in

any nation includes all the devices of the socialist-communist state. A centralized power gains control of the economic affairs of the nation and of the acts of the citizens. The armed forces, and perhaps others, are conscripted. Priorities and subsidies, and all such authoritarian devices, become "tools of defense." Capital and its uses "must be controlled, else the selfish interests of the capitalists will sap the defense of the nation." Intellectuals and high executives are drawn into the program of administering socialism in the form of these powers and controls, as a "patriotic duty" and amid great fanfare of flag waving. Power, which first was granted reluctantly in the belief of its necessity during an emergency, soon becomes thought of as a virtue in itself and at any time. All this is financed either by taxes drawn from the smaller and smaller remainder of private enterprise of the nation or by money counterfeited by means of inflation by those in control. The entire process of war is always the direct antithesis of liberalism.

The Honorable R. Hopkin Morris, Member of the House of Commons from Wales, who has great understanding of the subject of liberty, has aptly expressed the present world situation thusly: "War is pre-eminently the breeding ground of the Planned State. . . . Liberalism, silenced as it always is in war, has now in peace time been paralyzed by the prevailing atmosphere of the time."⁷

Yet "liberals" are found embracing, approving, and supporting the process of war. Why? I suspect that it is because, in an atmosphere of panic, they are drawn to an objective which they can comprehend—the defeat of a personalized "enemy" on the field of battle. In the heat of a generated hatred, that objective seems to them to be commendable.

There must be considerable satisfaction to the promoters of the collectivized state in the fact that, heads or tails, they win: that while still being officially at war and preparing at terrific cost to defeat our recent partner in the continuing conflict, we have more and more contributed to the strength of the enemy—compulsory collectivism. Suicide it is, however unwitting. If one were to attempt to design a scheme whereby an easy victory

would be handed to the foreign managers of the collectivized state, the pattern of events now being followed could hardly be improved upon. Why should one lend his support to the process or even tolerate it?

If power be an evil, how can the employment of this evil possibly beget a good? Power can, to be sure, be used to displace one power with another that is greater. Displacing one power with another in this manner does not destroy power; it increases the scope of illiberal power. And if power be evil, this process merely increases the magnitude of the evil.

The records of history show how great dictatorships have been built on pleas for defense against some vague, external threat or "enemy." I see no reason to assume that the eventual outcome of now pursuing similar ends can be expected to be any different here. Democratic processes as such are no protection, as Ballinger so well proves in his book.⁸ That we possess no miracle of protection against the evil conduct or misuse of power should by now be clear to any person capable of observation. The fact is revealed in a growing and entrenched bureaucracy. It is also revealed by our increasing participation in distant wars—wars sanctioned under the cloak of national defense, but nonetheless the handmaiden of dictatorial power and a factory for the collectivized state.

It is frequently argued these days that force must be used to stop aggression before it starts. That is an untenable position. It is impossible for anyone to tell a future aggressor from one who is not going to be one. Such use of force is never justified, and in engaging in it there will have been opened a floodgate of mayhem which, in its release, can be followed logically to the ultimate obliteration of the human race.

The reason for this rule of restraint can be seen by reducing it to the simple form of its elements. If aggression were to be allowed against an anticipated aggressor, you would not only fight off the murder-in-progress, and perhaps kill him, you would kill him as he comes over the hill for that presumed purpose; you would not only kill him as he comes over the hill for that purpose, you would kill the one assumed by you to be

planning to do so; you would not only kill the one presumably planning to do so, you would kill all who might plan to do so—and that includes everybody.

There must be something wrong in that theory of defense, at its start. Once a person practices aggression, he finds no logical stopping point. It must end in his own defeat. The time to stop it is before starting, no matter what seeming justification may be at hand for initiating aggression.

We are told that to get at an “enemy” and “prevent his attack on us,” we must set up “defense” at some distant point. So a foreign battleground is selected. Suppose A and B are neighbors, each of whom violently disapproves of the way the other operates his household. The difference is great; the enmity is bitter. Each considers the other to be a serious threat to another neighbor, C, who is not concerned beyond letting A and B each run his own household as each desires. Both A and B know that if there should be battle in one of their own houses, windows would be broken and furniture wrecked and blood would be splattered on the wallpaper and the rugs. Yet each is watching for an opportunity and excuse to attack the other so as to rid the neighborhood of a “dangerous enemy.” Finally an occasion arises when both happen to be on C’s property. So they go at it, wrecking his house and killing his wife and baby in the process—on the basis that in so doing they are liberating C from the threat of aggression and trespass. It may be seriously questioned, I believe, whether this is the way to generate good will among one’s neighbors, even though the action was started for the avowed purpose of neighborhood defense. It is a violation, I believe, of the proper and right conduct.

Perhaps it is for a similar reason, in connection with present world tensions, that most foreign countries seem reluctant to have us mess up their living room by using it as the battlefield for another war. They may not see why, if we want to fight someone, we should not be willing to wait until we have been attacked and then defend ourselves as we see fit in our own house. After all, the people of Europe have had considerable experience in this sort of thing in recent decades, seemingly to no avail.

And what is more, most of these peoples now live under governments that allow very little liberty anyway—governments which we appear to favor, as evidenced by our giving them continuous support to protect them against the effects of their suicidal economic policies. So, obviously, we do not seem to be interested in liberating these people from their own governments. The people themselves probably do not see enough difference between their present governments and the communism that “threatens from without” to warrant fighting a war. So why should they either join the fight or again allow their homelands to be used as battlegrounds in what probably seems to them to be a contest for world power?

That must be the way our neighbors look at it. Deeds, not words, will be necessary to convince these people otherwise. We ourselves must first consistently and for a considerable time live by the principles we espouse and which we claim to be trying to preserve by such wars. What, for instance, must the average Korean citizen think has been the issue of the war in his homeland? Lofty principles and the freedom of man? The one thing that he can see clearly is that his cities and towns have been destroyed and his innocent countrymen killed. The view of these people is likely to be: “Isn’t the United States merely fighting for its own power in the world and, in doing so, preferring to have the bloodshed and destruction take place in my dooryard rather than on its own soil?”

One popular proposal these days is to send a “limited” number of warriors to various other countries. Supposedly this is to protect these countries from aggression, perhaps by frightening away the would-be aggressor. If there were to be no aggression, this would be trespass without a purpose. And if there were to be aggression, a token resistance would be futile.

The sending of a token force probably induces the aggression it is intended to prevent. The “enemy,” if he is not so weak as to be no threat anyhow, is thereby invited to become an aggressor on the basis of exactly the same argument used for sending the force there in the first place, except that this aggression then becomes more clearly justified as a counter measure. And others

may join him in a consolidation of enmity against us.

Sending “only a few” rather than many is a compromise proposal having as a doubtful virtue the fact that it is certain to be wrong because of being either too much or too little. The crucial question is resolved when the *first* soldier is sent officially. I am not speaking of soldiers who wish to volunteer for service with the army of their choice; they are on their own, and I would allow them their full rights of participation as private individuals on that basis. What I am speaking of is the matter of our government forcing some of our citizens to participate in armed trespass. Once the first one has been sent, the second becomes all the more “necessary” to defend the first, the third to defend the second—on without end and without any place to call a halt with any logic whatsoever.

The difference between sending a few and sending many is a distinction without a difference. The lack of difference becomes clear later when the sending of just a few has become ridiculous and when it has become too late to reconsider the basic issues. We would by then have become involved in a foreign war to an advanced degree.

Many persons can be induced to fight some distant “enemy” they do not know, over some issue they do not understand, while in the abundant company of kinsmen who likewise do not know what the grandiose affair is all about. People are much less inclined to engage in conflict with an “enemy” who is their next-door neighbor, where the issue is clear to both parties; this form of dispute is much more likely to be settled out of conflict, because they can see the issue and resolve it peacefully.

A strange thing happens when people are in a panic of fear over something they neither see nor understand. For instance, they can be induced to give up their liberty by delegation of power over their affairs to others—who also cannot see or understand. They fall for a plan of “collectivized liberty,” which is a contradiction in terms. They trade their liberty for the false claim of saving it. This is the same as a person who hands his wealth over to someone who convinces him that it is unsafe in his own hands and promises to take care of it for the victim, but who

is a robber using this device for thievery. We know how liberty has thus been lost in Germany and in many other countries. It can happen under any form of government, if the people allow power to grow and rob them of their liberty. It can happen here. In fact, it is happening here.

The Proper Defense of Liberty

Russia is supposed to be the enemy. Why? We are told that it is because Russia is communistic, and our enemy is communism. But if it is necessary for us to embrace all these socialist-communist measures in order to fight a nation that has adopted them—"because *they* have adopted these measures"—why fight them? Why not join them in the first place and save all the bloodshed?

Is it any wonder that a person who is charged with a governmental responsibility for defense, and who does not know the real nature of the enemy, is surprised to discover that many of his close ideological friends are card-carrying members of the Communist party? Why not? They have merely formalized the basic beliefs which both of them share, in the form of allegiance to and membership in the Communist party—which is in no sense an illogical act for anyone who holds those basic beliefs. The only question at issue between them would seem to be that of who is to be the captain of the totalitarian ship—a distinction of no great importance.

If it were possible for more curbs on liberty to become the tools of liberation, why not conclude that slavery is the best route to emancipation, that positives can be created by the accumulation of negatives?

But I insist that ideas rather than persons are the real enemy. If one is not already familiar with this enemy, it can be seen in brief outline in the "ten points" of the *Communist Manifesto*, together with a few paragraphs of comments immediately preceding the listing of the ten points.⁹

These ideas are to be found in operative forms everywhere in our midst, as well as in proposals for further extension. They are

to be found in the form of numerous laws and regulations in the United States. A person who does not know the forms in which this enemy is already in our midst is in no position to urge our support in a further surrendering of our liberty at home to protect us against this same enemy in some "communist" nation afar. There is no sense in conjuring up in our minds a violent hatred against people who are the victims of communism in some foreign nation, when the same governmental shackles are making us servile to illiberal forces at home.

One who would serve the freedom of man is bound by his honor to do everything within his power to re-establish liberty and justice at home before concerning himself with its demise elsewhere. On a purely military basis, I believe, it is supposed to be good strategy always to attack the enemy at the closest and most vulnerable point of contact.

For any person who would use force at all, within the limits of his rights of defense, it would seem that the logical place to start defending his liberty is in any area where he, personally, has been reduced to the status of slavery. He need not look afar for an enemy that is still merely a threat to his liberty on his own soil. There are, here and now, specific things to be attacked, things within the proper scope of his action in self-defense. In doing so, he will not be violating the principle that he should never aggressively use force or the threat of force against what is merely a possible future trespasser on his liberty.

And as to preparation for defense against future trespass on his liberty, the best form of preparation is to cut those shackles on his liberty that now exist. If he is to defend remaining liberties, hadn't he better throw off those shackles which now enslave him, rather than to further enslave himself? As more and more individuals do so and engage in opposing the shackles that bind us here and now, there will most certainly emerge a high degree of cooperative defense of liberty without any compulsory planning and without the need of binding us in obedience to any domestic master.

If I am to be servile, one way or another, I find little reward in battling for a better master—if, in fact, there can be such a thing

as a better master. I care not about the color of his hair, or his name, or his ancestry, or the language he speaks, or where he may happen to reside. I would not shed blood over such differences, and I would not ask others to do so. Why quibble over who is to administer an evil? There may be something harmonious and proper in having an evil administered by an evil person, if in fact it could be otherwise.

Those who want action because they are in a panic, and who point to "the lateness of the hour," are free to start throwing off the yoke they now endure at any moment they wish. They may use all the fearlessness and boldness they demand of others. Let them throw caution to the winds, if they wish, and wade in! Why don't they? Why do they hesitate to take action against the elements of illiberalism here at home, while demanding haste in squandering money and blood for "defense" against its foreign forms? The reason is, I fear, that they do not know the nature of the enemy.

In view of all the misunderstanding and confusion about liberty and its defense, the thing most to be feared at this time is enslavement from within the nation rather than from without. Slavery from within is no vague threat; it is rapidly approaching a full victory. But the "enemy" from without is still only a threat, and I doubt if a nation of free people could be conquered by him, even if it were to be attacked.

The theme of this analysis has been that liberty and peace are to each other as cause and effect; that war is an evil; that good cannot be attained by evil means; that war is the cancerous growth of minor conflicts, which would remain small if dealt with as issues between the individual persons concerned but which grow into the larger conflict of war as a consequence of amassing forces by means of involuntary servitude; that a person has the right to protect his person and his property from aggression and trespass and to help others if asked and he wishes to do so; that liberty is lost under guise of its defense in "emergencies"; that in emergencies, of all times, the strength and vitality of liberty is needed; that concentrating power in wartime is as

dangerous as at any other time; and that power corrupts those who acquire it.

Perhaps these are the reasons why war always seems to demoralize those who adopt its use; why human reason seems to go on furlough for the duration of serious conflict, and in many instances thereafter; why liberty seems always to come out the loser on both sides of war. Bentham's definition of war as "mischief on the largest scale" then comes to have a deeper meaning.

While being fully sympathetic with the unwilling victims of conflict, we must not lose sight of the greatest heroes—the heroes of wars unfought because of what they did to prevent them. Largely unsung and unrecorded are the truly great persons whose wise and timely acts have stopped the makings of aggression at its source and who in this way have prevented major wars. Their greatness, we may trust, is safely recorded in more important places and in a manner more substantial than mere popularity and common renown, more permanent than statue and shrine, in forms where human errors of judgment cannot tarnish or pollute their greatness. Those most deserving of glory are the persons who prevented the battles from being fought. It is such as these whose council we should follow.

Human frailties being what they are, there are always those among us who will use force and trespass against others. The problem of peace is that of how to deal with them and those who blindly serve them. The solution does not lie in doing the same thing under guise of "self-defense," which is usually the use of force and violence offensively against others.

Whether one should use force and violence even in self-defense, where it seems to be within one's right to do so, may be open to question. The decision of whether or not to use it is a matter of strategy and moral right. When Christ's method met the force of great military and political power two thousand years ago, its defensive strength was impressive. It would seem that the Prince of Peace has demonstrated the secret of both peace and defense, for which we search, even though the reason why it works so well may defy some of our instincts and surpass our full understanding.

NOTES

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3. Lewis F. Richardson, "Variation of the Frequency of Fatal Quarrels with Magnitude," *Journal of the American Statistical Association*, December, 1948.
4. F. A. Harper, *Liberty: A Path To Its Recovery* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1949), Chap. 3; reprinted in volume one of *The Writings of F. A. Harper*.
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7. R. Hopkin Morris, *Dare or Despair* (London: Liberal League of Youth Trust, n.d.), pp. 3-5.
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The Beast That Prowls within Us

Did you know that war has engaged the major countries of Europe for about half the time since the year 1500? I found this out from Quincy Wright in his "A Study of War." That makes war quite a problem. You don't sleep nor work, nor eat, nor play nearly so high a proportion of your lifetime.

Higher civilizations are deeply embroiled in this problem. Much more so than are savages. I recall a cartoon portraying African cannibals pondering the rumblings of Europe's most recent war: "And they call it civilization." They probably wonder who is superior to whom.

Man's Animal Nature

Recently I talked far into the night with a former student of mine, who was my guest. We talked as everyone talks, of war, its causes and possible cures.

"It always seems to fail in its purpose and always leaves a trail of devastation and disillusionment behind," he said. "Why do we supposedly civilized humans flout the facts of history and continue to engage in this futile, suicidal process of war?"

The answer seems easy. Why, it must be due to the animal nature in man. Even though endowed by his Creator with capacity for reason, he reverts frequently to his animal nature of unreasoned emotional conduct. He then plunges into the mass violence of war. So goes an easy, seemingly plausible explanation of why war recurs.

But does this diagnosis stand up? Do animals, like humans, repeatedly engage in these mass conflicts of violence? Let's see.

An animal will occasionally kill another animal. The carnivorous animals kill the most. But aren't they a distinct minority of the animal kingdom? And don't they usually kill only when driven by hunger? And don't they kill animals not of their own species, like humans feasting on beef or lamb? Animals some-

Reprinted from *Faith and Freedom* (Los Angeles: Spiritual Mobilization, May, 1955).

times kill when driven by fear after being molested by another animal. Or they may kill their rivals in love. But aren't all of these individual combats, not mass carnage like human wars?

"Good Morning Friend"

I once believed from childhood stories that the animal kingdom was rocked by continuous warlike combat. So I was shocked when I first saw a motion picture of abounding animal life in the wilds of Africa. At first I thought the scenes must have been staged, because everything looked so peaceful. Animals would pass each other in the jungle or on the plains, with only a glance that seemed like a guarded "Good morning, friend."

Even animals that prey on each other in hunger would be seen drinking peacefully side by side at the water hole. The lamb seemed actually to lie down with the lion.

Then I realized that hordes of vicious animals in a jungle could not be hired to put on an act of peacefulness for photographic purposes—not even by fabulous Hollywood. Animals act like that in natural life.

Not Even the King of the Jungle

Peace, not chronic mass warfare, seems to prevail generally in the animal kingdom. Animals seem to accept a silent code that rules most of their affairs with one another: "You leave me alone to pursue my way of life, and I will leave you alone." They practice a policy of disarmament, except for nature's built-in devices of claw and horn and hoof and fang. Even the king of the jungle can't conscript an army of lions, because each lion reserves the right of judgment about what is and what is not his self-defense.

Do our "animal passions" triumph over our capacity to reason and plunge us into mass warfare? Do our "animal natures" cause us to fly en masse at each others' throats? Or does the animal kingdom fail to show any such warlike animal nature? Instead of blithely blaming wars on the residual animal nature in man, why not take a long look at our "civilized" way of life?

Could it be that war is not caused by our animal nature but rather by a perversion of our highest nature, a perversion of our reason, our ideals, our civilizing virtues?

The Key to the Differences?

Perhaps man by nature would make no more war than do animals. Perhaps the key to the differences lies in the organizational trappings with which man encumbers himself—agencies empowered to conscript him for “his own self-defense.”

When one surrenders his right of self-defense to a power greater than himself, that power becomes the thing against which he has no defense.

“Man. . . is the most formidable of all the beasts of prey, and indeed the only one that preys systematically on his own species.”

—William James

On Generating Civil Strife

Human conflict, in varying degrees from little domestic squabbles up to the largest of international wars, has absorbed a huge share of human effort. Wars have dominated the pages of formal history. One student of the subject tells us that war has engaged the major countries of Europe for about half the time since the year 1500.¹

The cost of strife, in time and money and lives, is fantastic.² Not only that, but the costs of wars *not* fought—"preparedness"—is probably even greater.

In days of long ago, we are told, wars were more of a sport than the human tragedy the word now commonly implies. It is said that in these primitive societies, wars served the purpose of social attainment, later served by advances in the arts and in economic forms of accomplishment. Perhaps these "wars" of primitive peoples were more like some of the present-day sports—bull fighting, prize fighting, water polo, football, and the like. Anyhow, things have changed with the attainment of efficiency in the means by which to kill and destroy. As a soldier expressed it after World War II: "I don't know whether this will be the last war, but if it is not, it will be the next to the last."

Human conflict might be classified into certain distinct types. There are the lesser squabbles, such as those between husband and wife, parent and child, neighbor and the community's nuisance children, and the like; these are the ones of little or no concern to others; they are resolved privately, outside the formal mechanisms of social judiciaries. Other conflicts, though they do not involve many persons in a direct way, have such a degree of seriousness or implication that they reach the courts, or equivalent, for settlement before growing into outright battles. Then there are what we shall call civil wars, for want of a better term, wherein two major factions in a nation come to such disagreement and intensity of feeling that the tools of violent conflict are used to a noticeable degree; sometimes, as in the war of 1861-

Published in Italian in *Il Politico* (Milan: University of Pavia, 1962).

1865 in the United States, many pitched battles ensue, whereas in others, like serious labor troubles, the battling is more obscure, scattered, or just threatened by the absence of any effective protection. On a still larger scale are the international wars, where two or more national political units engage in pitched battling. And finally, there are world wars where many nations divided into two opposing forces engage in battling against each other.

Human conflict involving battles has been studied at great length by Wheeler and Dewey, among others.³ Their work suggests a definite pattern of timing for all recorded battles since 600 B.C., with swings of about 22 years in length. When we note a peak due about now, there is a strong urge to try to laugh it off, despite the persistence over these 2562 years. No matter how one may wish to rely on the repetitive pattern of timing, we had better find some way to end major strife, if there is to continue a world society of living persons.

The Harvard sociologist Pitirim Sorokin, with impressive evidence on his side, asserts that we have failed to end the problem of major wars through traditional approaches of doing so; that we now find ourselves, after following traditional approaches, in a worse plight than civilized man has ever before experienced. To observe this is not to say that we should surrender our principles or ourselves to forces we deem evil and suicidal without doing anything. It does not mean that we should actively join these malicious forces which destroy what we hold true and precious. It says, instead, that we must summon the wisdom and courage to challenge completely the means of defense we take for granted as the only way to try. We are like a physician who finds that he must roll out of the rut of his traditional approach when the patient constantly worsens under administrations of the medicine he has used. In the following analysis, we shall be searching in this spirit for the nature of the cause as a beacon leading toward the cure.

For purposes of this analysis, I shall concentrate on the possible causes of civil war—using that term to encompass all forms of major civil conflict, whether or not they take the form of formal

pitched battling. Then it will be left to the reader to test for himself whether or not the same analysis, essentially, could be extended for international and world wars.

Genesis of Conflict

The roots of conflict which lead to civil war lie in the variable qualities of human beings. These same qualities of variation, at the same time, are the pattern of progress in essentially all human betterment. So in the blessing of variation lies the danger with which we are concerned.

Looking at variation as a blessing, we see how we may trade the fruits of one person's superiority for the fruits of another's superiority, leaving idle their respective inferiorities. We may trade products we produce better than each other. Or we may trade services, or learning. We may cooperate in our differences for the biological perpetuation of the race. Or we may just stand and watch the passing parade of differences, like the enjoyment of a visit to the zoo.

These same differences which we can make into a blessing by using them for human betterment and enjoyment, however, are exactly those things that some in society persist in wanting to curb or to kill. When the attempted change takes the form of free trading in the markets for clothing or cosmetics, no real harm is done and no conflict ensues. But when the disfavor takes the form of compulsion to alter or to eliminate, conflict in all its horrible forms is the result. All conflict, small or large, thus arises.

The purpose here is not to render any qualitative appraisal of the infinite differences between persons, from a moral sense. It is not to try to identify certain differences as "good" and others as "bad." Important as this may be for other purposes, it is not the task at hand. The only purpose here is to try to identify how human differences may cause conflict, especially civil wars.

In order to avoid as much as possible letting our sacred cows get in the way of our scientific vision, I shall speak in a generic manner of all human differences, by referring to one of them by the symbol "A." And to simplify our analysis still further, there

will be assumed only two simple forms of this variation, type "A-1" and type "A-2," to which all members of the human race divide. It is a difference which may lead to human betterment, or to bitter conflict, depending on how persons in society react to its existence. Which will result, and why?

The Nature of Conflict

As one possibility, taken in the extreme, no person of either type "A-1" or "A-2" will interfere with the other in any way—they would all use their differing characteristics in their own ways. Neither will force the other to use his, if he prefers to leave it idle instead. Each operates his own as he wishes, without interfering with the same right of any other person. It should be noted that restraint from interference with others must include leaving alone not only those who are different, but also those who are the same; the urge to force on another some restraint in the use of his differing ability may arise out of scorn or fear in its difference, or from jealousy and a distaste for competition by a like person. If all restrain themselves, peace and human betterment will be the consequence.

Taking the other extreme, restraint of others by whatever means are necessary might prevail. One person may urge a differing one to restrain, or threaten him if he does not, or force him to restrain, or perhaps put him to death to assure restraint forever more. Everyone is so treated in their differences. This was practiced in its extreme form on one part of society by the other part on a wholesale basis in Moses' time, and in Hitler's Germany. But a person need not be put to death in order to kill his real person. If the "A-1" persons effectively threaten with death anyone showing their "A-2" character in action, the "A-2" part of any person will be killed whether the rest of them remains alive or not. And further, this is true whether the power that forced the death of "A-2" comes from superstition, or from roving gangs of cutthroats, or from a formal government, however constituted.

As between these two extremes of noninterference and maximum interference, as applied to dealing with character "A,"

innumerable degrees of moderation are possible, in both form and the extent of the curbing. One neighbor may merely scowl at his differing neighbor; or he may enlist other neighbors to join him in scowling in unison; or he may beat the neighbor up on some dark night, alone or with the help of other neighbors; or he may hire an expert in thugging to beat him up, paying the charge alone or having his neighbors chip in—perhaps even force the neighbors to chip in—to cover the cost; or he may kill the “A-2” man outright, or have him killed by some indirect and perhaps cooperative device. There is only one way to leave a man alone, but there are innumerable ways to discourage or block his free use of his distinctive characteristics.

Conflict and the State

The state is distinguished from all voluntary associations in that it compels participation of all—willing and unwilling alike. In its essential form it is the one and only pure monopoly, by intent and design. In theory, at least, the state is supreme in whatever it touches as the scope of its activity. It “governs” all that it governs, in other words. Nobody within the territory of its rule escapes that rule.

To say the same thing another way, if there were nothing to be ruled, there would not be a state. You do not have to *govern* persons (government) to leave them alone. An ungoverning government is a contradiction in terms, like unmoving movement. This means that the scope of government automatically measures the scope of unfreedom allowed in a society, which is the only purpose for the governing. To observe this is not to render any judgment of any given restraint on freedom; it is not to praise or condemn government *per se*.

In a hypothetical society of persons all totally wise and good, there would be no need for any government and presumably no government machinery would exist. And since, therefore, the need for government arises out of the “unwisdom” and “evilness” of humans, the presumed need for government seems to be in proportion to the extent of ignorance and devilment among mankind. But is it? Is this a valid and reliable test?

Suppose it is a hypothetical society of persons who are all totally unwise and evil. Such a society, by this test, should have its every act and thought ruled by a dictator. Who, in that society, would be qualified to hold that power over his fellow men? Since the ruler, whomever he be, is totally unwise and evil, no government at all would seem to promise as much betterment of the situation as would a total dictatorship. This forces upon us the age-old question of who shall rule whom, and rule them in what?

Returning now to the earlier discussion of human variation, differences forever and inevitably tempt us to try to govern them out of existence—or attempt to do so, at least. Whether the difference of the “A-2s” merely irritates the “A-1s” or seems to them to be a dangerous threat of some sort, it is easy to forget the potential embodied in this difference for mutual betterment and greater fulfillment of the experience of living. And if the urge to curb the difference exceeds in the society the benefits which may result from allowing freedom of expression, it will somehow become curbed. The ultimate among ways to try to curb it is by the power inherent in government.

When we turn to government to administer the restraint, there is the force of arms and the force of taxation at its command for carrying out compliance. If it seems wise and is possible, the victim of the restraint is compelled not only to hang himself, if that be the form of compliance, but also to help pay for the rope. Disagreement with the process of restraining in any instance, whether it be by a prospective victim or for some other reason by a nonvictim, does not free him from the commands of participation, financially or otherwise.

Any “A-1” who dissents from the governing of characteristic “A-2” must face the choice between going along or rebelling in some manner. The choice is often a difficult one for him to solve. He may be a government employee himself, whose livelihood would be endangered if he rebelled openly. Or he may be a part of the ruler’s army, in which case his risk in rebelling is far worse. Or friends he admires otherwise may scorn and ridicule his disturbing the “peace” and disrespecting the law. For these and other reasons, it is easy to ride along with an edict that is judged

to be immoral, thus giving law a power that wisdom and ethics would never enthrone. We are led to believe that sinning becomes less of a sin than rebelling against the state.

The spirit of going along with the law because it is the law has taken such a hold on our thinking that in a country like the United States we tend to forget the tenets of our own government. We forget that in the second paragraph of the Declaration of Independence it proclaims as not only the right but the duty of the good citizen "to throw off such Government, and to provide new Guards for their future security," whenever a government undermines certain specified moral rights of the individual person. And we forget how we proclaimed as great heroes those who did so in the late eighteenth century.

The moral duty to rebel against immoral government, furthermore, is not premised on the extent of agreement and compliance. The moral duty is individual, not collective. If one must stand alone or with 99 per cent, judgment of the validity of the act is the basis on which to choose. How one decides to rebel, in place and time and form, is the next question he must face—a question outside the scope of this analysis.

Conflict and the Market

The processes of voluntary exchange that occur in the marketplace are in sharp contrast with the processes of government in handling affairs of society. Buyers and sellers are often mistakenly said to be combatants, in serious conflict in every exchange. But the process of trading is really cooperation rather than conflict. In every instance of a voluntary exchange, both parties have seen at the time of the exchange an advantage in consummating it, otherwise one or the other would have vetoed its taking place. Each prefers what he is to get more than what he gives in exchange. This is possible because of the difference between the two persons in what the two items are worth. If two persons agree as to the relative worths, they will not be traders.

The appearance of conflict in the market processes arises because everyone prefers a better trade to a good trade. This is

the reason for the higgling and haggling, prior to a trade. It is not conflict of the type we are considering. Did you ever hear of one trader killing another at the termination of the bargaining, if it be free and honest bargaining, as evidence of the pent up wrath which characterizes real conflict?

Each trade in a free market, then, is not only devoid of any real conflict but enjoys unanimous and hearty approval. In each trade, to be sure, the unanimity is for only two persons—the only ones involved with proper concern. But since each other trade is likewise unanimous for the concerned part of society, unanimity prevails for the whole of the free market activity. The unanimity is possible because the entire society is not given a voice in matters of no proper concern to them; the society is constantly forming and reforming into subordinate ones for the task of the moment by only those duly concerned, leaving all others as “foreigners” not properly having any right to a vote in that particular decision. The process of the free market calls to mind the rule of the Society of Friends, by which unanimity is required for a decision. If even one vote is in opposition, “it is too early for a decision.” If group decision is to follow, either the objector must change his mind or the acting group must reform and attain unanimity. The free market works like that.

It is for this reason that the free market really governs nobody. To govern means to force a decree on all objectors, under the power of the ruling portion. In the democratic process, this is considered to be the majority; in other forms, the superior might of fire power, or some other test, identifies the rulers. The free market, by contrast, does not have to decide how to find the ruler, since nobody rules anybody—not even a single person.

The free market avoids another perplexing problem of the governmental method, and this is the problem of its costs of operation. In the free market, the costs of the process are covered for every trade, leaving a profit rather than a loss for each and every participant. In governing, the residual is a loss for the victims of the process. In contrast to the free market, we could hardly expect the “A-2” victims to willingly pay the costs of their

own restraint. The costs of government are assessed against the willing and unwilling alike, customarily.

Bullets and Ballots

At the risk of an analogy that may be a bit startling, a comparison may be drawn between bullets and ballots. A bullet is fired at the enemy, presumably, in any war. A ballot, likewise, is really fired at a civil enemy even though it seems to be bestowed upon a friend; you may think that the process is one of voting for a friend, but its essential characteristic is that you are voting against an enemy.

Perhaps the clearest way to see this is to think of a vote on a specific act of governing. Let us say that there is only one "A-2" person, and the issue up for vote is the proposal to hang him. If the outcome of the vote is to involve any governing, it will be to hang him; if the vote is negative, it means no government for the point at issue. So the voting process, if it results in governing, means a vote against "A-2" by those empowered to decide. Or suppose the vote is to elect a man to some office, who will in turn decide whether or not to hang "A-2"; though you vote *for* one candidate, if any governing is to be the result, it is a vote against "A-2" by way of voting for your friend who is then to hang him. So we may conclude that no amount of indirection in voting and in electing persons to carry out the acts of government can change the fact that in voting one votes against some enemy. And in this sense, ballots are like bullets. To observe this is not to resolve the question of when and where to use either bullets or ballots.

The dream of every politician is to have unanimous support. But the fact of unanimity itself precludes anyone being governed. In the instance cited above, unanimity would necessitate "A-2" agreeing that he should be hanged, in which event he would hang himself and nobody would be governing anybody.

The dream of unanimity is shattered by the scope of the decrees that encompass government, and by the giving of equal votes to all—to the unconcerned and the uninformed as well as

to the concerned and the informed. Where else in society do we follow with approval such a design in managing our concerns? Where else do we accept as a principle an equal power in the decision but unequal responsibility in its decisions? The one thing it precludes is any unanimity, as applies to the processes of the free market. Can you imagine, for instance, arriving at any one proper price for bread, with unanimity? Yet the free market arrives at unanimity as to the prices for bread, by giving free choice coupled with unequal power to vote corresponding to unequal concern and responsibility.

The Power To Declare Civil War

Governmental bodies, for the above reasons, can now be seen in the light of their power to declare civil wars—using that term, as I have said, to encompass various magnitudes and forms of civil strife and battle. They are so empowered because they have authority to impose decrees having unanimity rule without unanimity consent. The very fact of imposing a law sets one part of a nation against another, under the force of law. To the extent the issue is of vital concern, and convictions strong enough, civil war in effect, if not in fact, will be the certain outcome.

This is not the only way civil wars arise, of course. The theoretical absence of all government in a society—“anarchy”—would not preclude conflict and civil wars. But it might be observed that to whatever extent this condition prevails, there would be government in effect without the formal label; there would be informal governments operating instead of formal governments. Each conflict or restraint might be thought of as a miniature government, with a small g and without a capitol or White House or such identities of the formal type of government.

The ancient Hebrew societies had highly open societies of a sort this analysis brings to mind. The judicial function was operating, but by an arrangement approaching unanimous consent. The judges were constantly in competition with one another, and the user had choice in the judicial process which taxes our capacity for abstract thought in visualizing how it

worked. No such monopoly power as we know it today, in matters of resolving conflict, existed.

In the old Hebrew societies, as well as in the old Roman ones, the judge was essentially a peace maker of the little civil wars that arose in the nongovernmental society. He did not originate the conflict, as is common with imposed governmental decrees; he only rendered a decision of the best terms for peace, often when the parties in conflict voluntarily came to him for a decision.

It seems highly doubtful if the way to peace is to be found by any process wherein one political power, which stands to gain from its right to serve as peace maker, is at the same time empowered to declare the wars. Such a pattern for "peace" suggests the question of whether you would patronize a doctor whose main interest was the undertaker branch of his business.

Conclusions

The law-making or governing aspect of formal governments is, then, the power to impose civil wars on citizens not previously at war. It is able to do this because of the power to impose unanimity decrees where unanimity does not in fact exist. At best, the process makes a lesser conflict into a larger one, in many instances. At worst, it creates wholly new civil wars by mere decree.

Some conflict and strife would surely exist if there were no such decrees in any nation. Whether it would be more or less, each must guess for himself; my guess is that in most nations of the world, civil strife is made unnecessarily large by the acts of the governments themselves. It seems a certainty that in every nation there are certain laws and decrees which maximize strife rather than to reduce it.

The extent of governmentally created civil wars is suggested by some facts about the volume of laws in France, as published in *Le Journal* some twenty or more years ago. The volume of laws then existing would take a person 821 years to read, were he to work at it every day of every year. This means that a person starting to read the law at age 15 as a full-time occupation would

at age 21 enter the responsibilities of adult life knowing less than one per cent of the laws he must obey, even if he could understand and remember all he had read. Or to state it another way, if we were to assume that a father could pass the acquired knowledge from his reading of the law to his son at birth, as some sort of mental birthmark, it would take some seventy generations before the law in full would become known to the citizens under their rule. The magnitude of the task is made even more distressing by the principle that ignorance of the law is no defense against having violated it.

The situation illustrated above is not peculiar to France, I feel certain, though I have so far been unable to find comparable figures for other nations. The only saving grace is that in most instances nobody pays any attention to the existence of most of the laws; civil wars have been declared by legislative bodies and administrators of government in the past, but nobody on either side knows it or chooses to fight. The situation approaches that of having the speed limit set at zero, thus making everyone who moves guilty of breaking the law, yet they move about anyhow.

One major way, therefore, to reduce strife and conflict in human society would be to return as much as possible of human activity to the unanimity techniques of the free market, instead of trying to carry out civil war decrees under guise of a unanimity that does not exist for the governmental means. Some social science inventor, we may hope, will find a way to undeclare the civil wars which have been declared in such untold numbers.

Once that discovery has been made, perhaps the same or a similar machine would also resolve issues that lead to international wars and world wars.

On the record, some sort of radically new thinking and analysis seems necessary before such a discovery will be forthcoming for adoption. All sorts of leads should be explored; this is only one, offered for exchange in the free market of ideas. If a solution is not found soon, Mars, the God of War, may be ruling an inorganic world.

NOTES

1. Wright, G., *A Study of War* (Chicago: University of Chicago Press, 1942).

2. Bogart, Ernest L., *Direct and Indirect Costs of the Great World War* (Oxford University Press, 1920).

3. Dewey, Edward R., "A New Cycle in War Discovered," *Cycles*, February, 1962.

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Harmony Out of Chaos

These are troubled and confused times.

This observation may safely be made at any time, as perhaps the most permanent statement one can make about the affairs of this life as they appear to most of us. The scenery and the players keep changing, but the script is always good. For the more one scans the universe superficially the more chaotic it appears to be.

The appearance of chaos has led otherwise highly intelligent persons to jump to two conclusions:

1. It is nonsense to assert that this is an “ordered” universe, because it then could not be so disorderly.

2. Since the “creator” who does not exist failed to make us an orderly habitat, it remains for the inhabitants to take the situation by the horns and make some order out of the chaos by planning and the use of force.

It is difficult to prove in a positive fashion that this universe is an orderly creation, unless one can attest to having been present at that time and witnessed the making. As with this question, it sometimes is helpful to try the reverse hypothesis, namely, that it is not an ordered universe, and see where that leads us.

We would then have to assume that one plus one will not necessarily be two the next time around. We would have to assume that the planets all whirl through space at random speeds and directions, changing constantly, and perhaps not even having straight lines or curves to fit any event of the universe. There would presumably be no such thing as gravity, or any substitute, leaving all mass without either attraction or repulsion. Chemicals would have no features of consistency, even in their integral parts. What any person says or does has no similarity whatever to what he will say or do in the future on the same subject or under the same circumstances. In short, no single item of your experience or that of any other person in history, as “acquired knowledge,” can be of any use to anybody in the future. To live would

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surely not be fraught with boredom, which would be absent to a degree presumably intolerable to everyone.

A fantastic set of assumptions? To whatever extent it seems that way to us, our wisdom and experience are telling us that the universe is not disorderly.

Stressing the nature of an unordered universe needs constant emphasis when trouble and confusion discourage us from the quest of discovery. It is by this process that we may live with some peace of mind. After first making up our mind that order exists, and that disorder is no more than the reflection of our ignorance and lack of faith, we are then—and only then—ready to go to work on any part of our daily affairs. All who live and act are really exhibiting the faith of which we speak, even when their words deny their inner faith. Clearest of all, perhaps, is the work of the scientist who would have no purpose at all in ever turning his hand at his work, except as he assumes order that will make like consequences out of like causes.

On the second point about the hand of man making order out of the chaos left by gods on vacation, we need only observe that this task would be patently impossible in an assumed universe of totally unreliable forces and materials. The cure of the situation by the independent power of man is denied by the assumption as to why it is needed. Before any such person can go to work with his planning and his controls, he must first obtain a license and tools from a source whose existence itself has been denied.

The State of the Social Sciences

The relevance of what has just been said about the plight in logic of the person who would control without any tools for control is most acutely at issue, in our time, in the social sciences. The reason is, I believe, that the chaos in human relationships throughout the world is so heavily on our minds that we are overly impatient with the slow processes necessary to their sound solution. If we may accept the outline of scientific development by Comte, further refined by Spencer, the social sciences have awaited the prior development, by and large, of the simpler sciences of mathematics, astronomy, physics, chemistry, and

biology—to be followed by psychology, sociology, economics, and other branches of mankind and his conduct.

Why has there been this order in the development of the sciences? Why has man learned so much, long ago, about the sun and the stars far away where he has never visited, but has learned so little about himself and his next door neighbor? Briefly, it seems to be because the one is relatively simple and the other is extremely complex.

A road block in the way of developing the science of human relationships now appears to be the lack of finding and using the basic, elemental tools of the science. For one thing, this science has always lacked—and seems still to lack—the first requisite of any developing science: precise identities for ideas and entities within the science. To illustrate the problem of which I speak, what is liberty?¹ And similarly, what precisely are other key concepts and their meanings in terms we can use for precise thought and communication with one another?

To look at the cause of persistent stumbling in the social sciences another way, it may help to look at the sister science of chemistry. Little progress in chemistry could ever have been made without identity of the key concept of the basic unit of that science—the element. Imagine trying to make any real sense out of the complexity of chemistry while dealing, in thought and in fact, only with compounds. How could a person ever find a linkage between a deadly gas, water, and a rusty nail? Yet to take that important step, the “obvious” had to be surmounted into the abstract. This is because most of our environment is made up of compounds, not elements.

If chemists had persisted in working with the seemingly natural state of affairs, they would have gone on and on in the hopelessly blinding search of the collectivist or communist state of chemical existence—the compounds, wherein the basic units of the science were concealed. Nitrogen, interestingly, is a unique exception that persists in its attempted bachelorhood, and for that very reason has been unique as an explosive.

The Elemental Unit of Social Science Is the Individual

Turning now to the social sciences, and speaking here in terms of a hypothesis for serious consideration, I would suggest that *the only elemental unit of social science is the individual person*. Under this assumption, every combination of two or more persons into an aggregate either in physical proximity or statistically is a social compound and should be dealt with solely as such. No such combination is an original unit in this science, to be dealt with to the obliteration of the elemental unit which comprises it. This does not deny the existence of such social compounds, for, as in chemistry, they abound widely and commonly—so much so, in fact, that they have stolen the show and prevented the science from developing very far.

This may not be a startling hypothesis. One is inclined to yawn and pass on to things seemingly less obvious. But just a minute; is it so obvious and well known? Though a person knows in a superficial sense that persons are individuals—his mother may have clued him a bit about the nature of his individual birth, and both the bride and groom on their wedding day may suspect this to be the case, and the honored guest at funerals seems likewise to be the remains of an individual person—is it known clearly and firmly enough to use it as such in our thinking?

Is it at once clear how this concept is denied in the way we commonly speak and discuss issues of our time, and in our attempts to resolve them? “What does the United States think about—?” “The national debt does not count because we owe it to ourselves.” “Our national productivity is ___ per cent higher than Russia’s, and so we have little to fear.” Or when someone mentions Joe Doakes, do we think of his delegated parts—the part he turned over to government and surrendered as self-responsible (a citizen of—), or think of him as a part of the corporation where he works, or the church where he belongs, or the club where he drinks beer on Friday nights? Or do we “resolve” individual problems by delegating them to some collective arrangement, and then when that fails, delegate them even

more or turn to some other collective? By our acts, not our words, you shall know us.

Differences within Groups

One might think that the biologists, of all scientists, would have been clear on this elemental unit of social science. They spend a large part of their time taking apart the various specimens of animal life, one at a time. In a sense and to a degree, they doubtless have. Yet the biologists, like the scientists in other and older fields, have tended to emphasize the broad classifications of similarity within the segment of the universe with which they dealt, rather than to preserve and concentrate thought and study on the differences within these groups.

The early steps of any science, traditionally, have been to make some sense out of the confusion, apparent on the surface, by finding some main categories of similarity. These have included the distinction between organic and inorganic matter, between plant and animal life, between cattle and horses, and the like. Only in the highly advanced course in college, for instance, is the student's attention focused on the differences within one of these classes—to illustrate, a class in judging cattle by focus on the differences between several Holstein cows.

Even in older sciences we are experiencing surprises as differences are discovered where homogeneity was presumed to prevail. In physics, for instance, newer developments are said to suggest that individual atoms within a group that was presumed to be homogeneous act in highly variable manners. Edward Teller has said that individual atoms are as unpredictable as people are supposed to be; that we have been dealing with them *en masse* by averages, much like the processes of an insurance company.

A Highly Complex Unit

In social science, we are dealing with a unit that is far more complex than an atom, an earthworm, or a hippopotamus.² The human organism, which is the basic element of this science, has

been dealt with intensely as distinguishable units in a special scientific manner only about half a century, and mostly within the last quarter century. And even now, few are working at it effectively in this manner of approach, and as yet we see only dimly the nature of the problem and extent of human variation. To sketch areas of interest, some differences in blood types were discovered around the turn of the century; fingerprints, as we have known for some time, will distinguish a person from any other person; and recently, by use of the DNA molecules, the separate identity of each of the three billion persons on earth could be stored in a thimble.

Not only does one of these features of a person vary over a wide range, but there are all but countless features of the human that so vary. Perhaps any one of these innumerable features could be used to identify a person from any other person, if we only knew how to make a tool to measure it and knew how to use it. To take an illustration again, the mind was formerly thought of as a mysterious unit of the person. We know little about it yet, but one research worker has identified some forty separate dimensions of the human mind, and has reason to believe that there may be as many as sixty.³ When the sixty are at last identified, we may have reason to think that there are one hundred; two hundred.

If one will ponder the magnitude of human variation which this suggests, it will be rather overwhelming at best. If nothing else, it will put a new meaning in the statement of the friend you met at the bar, who complained that his wife does not understand him. To be sure she does not, for the very good reason that he defies full understanding. But so does his wife, and every other person.

Some Implications of Variation

There is not the space and this is not the place to develop at much length the implications of this terrific human variation. It will suffice, for here and now, to suggest some of the implications that seem to lie buried behind the failure to have dealt with the

basic element of this science of human relationships. The meaning will then, I hope, grow and grow.

It should be noted that this all-but-infinite human variation is at one and the same time a possible curse and a possible blessing. Any one element of difference might go either way, depending on how we look at it and how we deal with it. On the one hand, human variation is a cause of conflict; it is, presumably, the sole root cause of human conflict and wars. Were everyone identical—a state of the universe that is incomprehensible, and which would end all reason for human relationships at all—there would be no cause to fight anyone or growl at him. Few persons fight themselves in the mirror, or growl at themselves except perhaps for what they did to someone else because of these differences.

These same differences, on the other hand, are the potential blessing that makes life really worth living. I do not mean the entertainment that we give each other, like the animals of a zoo which in this instance are running at large, though there is plenty of room for amusement and amazement. The real significance of human variation as a potential for good lies in the infinite possibilities for exchange that is possible for this reason alone.

These exchanges are both economic and noneconomic. You do not trade with a person in the market because he is identical with you; on the contrary, you trade for the reason that he differs from you in ability or capacity to produce, or in tastes for consumption, or in some other significant aspect. And unless you are one of those exceedingly rare persons who married solely for economic reasons, your marriage was outside the economic realm, and in any event you probably married because of differences rather than similarities.

Isolation Not Required

In identifying the individual as the basic unit of social science, isolation is not necessarily required or advocated. Such identification merely asserts that in any relationship with one another we are behaving as individuals who retain our identity while so doing. Cooperation, in fact, could not exist except as there are

separate entities to do the cooperating. An omelet does not describe a state of ongoing cooperation between eggs. The meaning of this concept is, instead, that individuals have both the right and the attendant responsibility of selective relationships with other persons, at times and places requisite to their mutual needs. Contractual obligations may give one relationship an enduring quality into time, or it may be like the trade in the market at one point of time with a person you may never see again. In any event, the identity of the individual person as the key to the science, instead of isolating him conceptually, really widens the possible scope of his opportunities for cooperation, due to the fact that it frees him from restraints imposed by others which shackle him.

Nor does the concept of the individual as the basic unit deny or prevent a unity of spirit, so long as the individual is left intact, spiritually and otherwise.

So that the eye cannot say to the hand, 'I don't need you!' nor, again, can the head say to the feet, 'I don't need you!' On the contrary, those parts of the body which have no obvious function are the most essential. . . .

I Corinthians 12.

An Important Area To Develop

The points of significance need not be belabored to establish the main point, namely, that a great and largely undeveloped field of work in this young science of human affairs seems to lie behind a firm establishment of the individual as the elemental unit of this science. The science is so young and full of unknowns or even superstitions that we may expect our grandchildren to look back on our efforts as perhaps well-meaning but amazingly in error.

Yet, if the assumption is correct that this new approach is a crying need, with terrific amounts of underlying work to be done in biology, psychology, and goodness knows what else, we may look ahead with the hope which true humility makes possible. The trail of hope, I firmly believe, leads toward more and more

harmony arising out of the seeming chaos in which we now find ourselves in our ignorance. Full wisdom and complete understanding are, presumably, not for us. But this need not prevent a doubling, a trebling, and so forth, of the little we now know; and so to that extent, the fruits of ignorance in the form of chaotic enmity will give way to harmonious human relationships.

NOTES

1. F.A. Harper, *Liberty Defined* (The Freedom School, 1958); reprinted in this volume, page 355.
2. Roger Williams, *Free and Unequal* (University of Texas Press, 1953).
3. J. P. Guilford, "The Structure of Human Intellect," a paper delivered before the National Academy of Sciences, Pasadena, California, November 2-4, 1955.

Collectivism

Gaining Recruits for an Idea

As communism-socialism has gained acceptance over the years—usually under other names in the Western world—it is often said: “Why don’t the advocates of freedom use the same mass approach that has been used so effectively by the Communists?” The question implies that the way to win adherents to the cause of freedom is, in effect, to get up on a soapbox and beckon a crowd to gather ’round.

The following advice, extracted and condensed from a copy of *Recruit*—a handbook of advice on gaining recruits to the Communist party in the United States—shows how mistaken is this notion.

List prospective recruits

“Take a sheet of paper and write down the names of everyone you know. Start with the people you know best—your relatives, close friends, shopmates, fellow unionists, neighbors. Then search your mind for the names of other people you know and put them down—perhaps a member of an organization, or anyone whom you meet occasionally and can make it your business to meet more often.

“Go over these names carefully. Jot down everything you remember about each one. What is his economic condition? What issues interest him? What does he read? To what organizations does he belong? Are you familiar with any personal or family problems he may have? Could you invite him to your home to a party or to the movies?

“Every prospective recruit has certain special problems. He requires an individual campaign. Therefore, once your general

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survey has been made, plan a special approach for each person. Select those phases of the program which would most likely appeal to that particular individual. Convince him in terms of his own experience, his own special interests.

“Go to these people. Don’t wait until you meet them accidentally. Organize your time so that you can spend several hours every week with each prospect. Make them your friends! Keep track of each one of them in an organized way and—keep following through!

“Talk to them about anything that interests them. Listen more than you talk. Be patient and understanding. Explain and answer their questions calmly, slowly and simply. Talk their own language. Stick to one idea at a time—the one that’s bothering them now. Don’t try to explain everything in ten minutes. And, above all, know what you are talking about.

Stress path to socialism

“Some prospects may already believe in Socialism. These should be easy. Show them that the Party is the only fighter for Socialism in America. Convince them that the most effective way they can fight for Socialism is within the ranks of the Party—not outside of it.

“Sure, you’ll get red-baiting arguments. Don’t get angry or excited. Take it easy. In addition to lists of suggested general literature for prospective recruits, special literature is provided for recruiting needs. Use it! This is your final clincher. It will do most of your work for you. Use it discriminately. Select specific literature for specific people.

“This advice won’t recruit anybody. These are just the tools. Pick them up and go to work. Remember—every recruit is an individual campaign! You must hand-tailor your approach to the particular person you are trying to recruit. Keep after it. Don’t get discouraged. Don’t forget, it took you quite a long time, too.”

Thus, in recruiting new members to the Communist party, they concentrate on the individual approach. The beliefs, prejudices, and individuality of each prospective recruit are care-

fully considered. The communist ideas and beliefs are then imparted on a person-to-person basis.

The individualistic approach, with its respect for individuals and their rights, seems educationally sound. But a recruit to communism, once he has been caught in the web, is forced to surrender these same personal rights. This is deception, of course, but it does not bother those who have embraced the code: "The end justifies the means."

The Libertarian, on the other hand, continues to respect the beliefs and rights of individuals, even after the educational courtship. For him, the end is consistent with the means.

The Omelet Has No Rights

“Butch,” my young son, was making an omelet one morning and I was supposed to be supervising the project. But my mind was more on the United Nations as a symbol of hope—the hope for the universal peace and the protection of human rights.

As Butch broke the eggs into the bowl there came to mind a saying, popular among party men of the Soviet Union: “When you are making an omelet, you must break the eggs.” If one thinks of the eggs as comparable to individual persons and the omelet as comparable to some political conglomerate of persons such as the Soviet Union, he will have a picture of the underlying basis for the world conflict over human rights. And the United Nations, like a mother hen, is trying to sit on both concepts at once, hoping to hatch peace from the sitting.

Just about everybody wants peace and wants human rights protected. So it is useless to waste time and space restating these general objectives of the United Nations. Instead, let us examine the lack of unity as to means. For it is over the tools of peace that we are really at war—an ideological war threatening to descend into bloody war.

The UN is purely a political agent designed to empower certain men to rule over other men. By its very design it enthrones might as right, because that is the only way its constituent members can bring their power into the focus of action.

Look, for instance, at the Declaration of Human Rights. It is patterned closely after the constitutions of the most dictatorial governments in the world today, in a manner to which I shall make reference without full details here.¹ Furthermore, the nine meetings of the Commission on Human Rights have been devoted mainly to converting the provisions of the Declaration of Human Rights into legal forms to be adopted as treaties by the various nations.

Some may contend that this is being too harsh or unfair about

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an agency set up merely to discuss things. Some wag has said that the United Nations is only an impersonal entity in the form of a mouth without teeth, designed to talk out of both sides at once with its tongue in its cheek. But did we need a new agency before we could talk with our neighbor? If a political agency designed to change the conduct of people denies itself teeth with which to chew the cud for which it was created, it will be something brand new.

If teeth are added and bite too hard, can't any nation just quit the UN? But the Charter makes no provision for the voluntary withdrawal of any member. An outvoted minority is presumed to have no right to disaffiliate. Even the right of objection in the form of peaceful withdrawal becomes, in effect, an act of aggression against the UN itself.

The Collectivist View

How could the UN be expected to operate in any other manner than as an omelet of rights—with might making right? Think of its design, not its professed purposes. In order to determine the path of its future, think of its political composition and what those countries do about human rights within their own borders. As the FREEMAN once expressed it: “We have put the top criminal on the Police Commission.”

In a troubled world where human freedoms are at low ebb, the only way ever to regain lost freedoms is to disfranchise the omelet concept of world political power, under any label and for any professed purpose. To see this more clearly, it must be understood why the omelet concept and the egg concept of human rights are mutually exclusive.

The *omelet*, or collectivist, concept holds that the social omelet is the sole concern and objective of humanity. “When you are making an omelet, you must break the eggs.” By this view, human rights are vested completely in the collective of persons, not in individuals. Since the will of the collective is deemed to be the same thing as justice, it follows that rights reside in the omelet and not in the individual eggs. So it becomes humane and socially justifiable to break the eggs for the omelet because that is

what eggs are for. "Siberian vacations" and political murders, together with all lesser forms of violation of individuals' freedom, are on the agenda of respectable action from the standpoint of rights—omelet style. Individual eggs left intact for a time are to serve in some later omelet.

The other view of human rights, the libertarian view, may be called that of the *individual egg*. It holds that human rights reside entirely in individual persons as such. This reasoning is based on the biological and spiritual nature of man. It looks upon every collective of persons, whether the Elks Club or the nation, as nothing more than a temporary arrangement of persons for purposes of some convenience; and if all persons are removed from the collective, there remains only an empty organizational shell devoid of any problem of human rights. Since the functional unit of all life and all action is the individual person, it is here that any sound concept of human rights must be anchored. The adherents to this view offer this aphorism to represent their position about human rights: "You can't hatch chicks from an omelet."

The individual person is the only unit which acts, even in an army under strictest orders doing the goose step. No single sensation of a person can be transferred to another person. His every thought is individually constructed, and can be transmitted to another only with difficulty and inaccuracies.

According to this libertarian concept, the concern of human rights is with the chain of life embedded solely in individual "eggs." And once the shell of individual rights has been broken, with the contents dedicated to some collective omelet, the embryo of human freedom will have been killed and the life-chain broken forever. This view, to put it crudely but bluntly, is that human rights no longer prevail in the cannibals' kettle of stew.

Eater or Eaten?

Adherents of the first of these two views may claim for it a superiority in justice on grounds of the "general welfare," asserting that it does not stoop to the selfish interests of some one person. But the adherents of the second view will raise these

questions: who is to eat the omelet—for whom is it being made? From whence comes his right to be the eater rather than the eaten? Who had the right to decide? *Whose* general good does the omelet serve?

It is only as we assume man to be free and to have right of choice that there is any question of human rights at all. The term human rights is really just another name for freedom itself.

No person, to be sure, can enjoy rights or freedom denied him by his stronger friends or neighbors or fellow-citizens, because with their greater power they force him to accede to their demands. But I am not speaking of rights in this sense of power rule.

A deeper meaning of rights precludes all dictates of the collective, *per se*. In fact, the will of the collective, like a circle of mirrors that reflects only mirrors, is an empty thing except as it is fed from outside by guides which arise from the hearts and minds of individual persons. They are the ones dictated by one's wisdom and conscience, whether or not a majority agrees at the moment. You feel that in justice your neighbor has no right to restrain you in certain ways, and those are the kinds of rights with which we are here concerned.

In the Western culture of which we are a part, we assume that the human organism has personal choice in all his voluntary acts, so that he may do this or that, go here or there—now or later. Predestination in any complete sense is generally rejected.

Our natural environment, to be sure, imposes predestined consequences. It sets limits on the range of one's choices and places blocks of inconvenience in his path. These natural limitations are beyond our control. We cannot, for instance, veto the law of gravity; we can only work with it, as by the use of a parachute. Anyone who assumes that since he can build a bridge, he can also build a new law of gravity, is making a fatal mistake.

Aside from the restraints nature places on a person's freedom, he may restrain himself or he may be forcefully restrained by others.

Self-restraint is the response to that wee small voice that speaks so loudly to each of us, yet which cannot be heard directly by any

other person. Some call it conscience. Some call it God. It encompasses all we know as morals. Perhaps nobody knows exactly and fully the sources of self-restraint, but few deny its role as Master—perhaps the most effective one—which, by speaking so directly and forcefully, guides our actions as free persons.

The other type of restraint is that of force and power, by sheer mastery of man over man. This may take many forms, among which slavery is a simple and clear one. Another is the rule of man by man through some sort of political organization, always man-made and man-controlled. The UN is of the latter type. As a mechanism, it is the frying pan on which to cook the omelet of rights.

The UN employees are expected to be loyal to the United Nations above all else, according to the “Report on Standards of Conduct in the International Service.”

A simple truth is that one cannot serve two masters because it is impossible to obey two conflicting orders. As applied to the problem of human rights, this means that one cannot serve both his conscience and some political mechanism at the same time, in the sense of ruler.

Whenever one is in the sorry plight of having conflicting orders from two sources, he must choose his master and suffer the consequences. It is always enticing to subordinate the conscience because the retributions it imposes are less clear and vivid than the gallows flaunted in his face by his fellow-men in the role of master. God in His design gave man, as a necessary part of the right of freedom, the chance to do evil as well as good. Had He denied to man the chance to do evil, it would have been necessary also to deny him the right to freedom itself—the problem of human rights.

On Serving Two Masters

Some will say that if a political institution is founded on moral precepts under God, as in our Declaration of Independence and the essence of the Bill of Rights under early legal interpretations, one can in fact serve both masters. But both cannot be masters, and it is an illusion to think that they are. The test—the only valid

test—is: whose dictates are followed whenever the two give conflicting orders?

The history of our own nation attests to the impossibility of serving two masters. This is revealed in the reversal of original spirit and presumed intent of the Declaration of Independence and the Bill of Rights. The original moral precepts about personal rights have now been basically negated, by legal interpretation as well as by popular acceptance. God is now expected to take many of his orders from political masters, in the role of a subordinate. Not only that, but those who represent us in the UN and do its chores are expected to push God even one step further down in authority, since loyalty to the UN is to be above loyalty to the United States.

Differences can coexist if force is not enthroned to eliminate differences. There can be an egg and there can be an omelet, if allowed separate existence. But the same egg cannot serve both, and every egg is doomed whenever the omelet is enthroned to rule. The plea of unity by compromise is a trap for the egg; it can't be half broken. The omelet as a means denies the egg as an end.

In any area of differences, living with disunity is the price that must be paid for freedom. Some are willing to give up freedom in the hope of attaining unity, only to lose both. This is because a maximum of real unity is found under freedom rather than under enslavement.

So, since two masters cannot be served at once and since individual liberty is the master we want, the libertarian's hopes for solution of the problem of human rights lie elsewhere than in any international agency of political power. Lord Acton, when speaking of human rights with his rare historical perspective on human freedom, said: "Absolute power and restrictions on its exercise cannot exist together. It is but a new form of the old contest between the spirit of true freedom and despotism in its most dexterous disguise."²

Whether one accepts the religious concept of Suárez or the reasoned one of Grotius, he must assume that there is a human right above any law written by mere man; that the higher law

shall in justice prevail whenever a contradiction forces one to choose between masters. As Coke said, this is “written with the hand of God in the heart of man. . .the eternal law, the moral law.”

The libertarian cannot look to the United Nations as an agency of hope to solve the world’s problems of peace, freedom and human rights. He knows that by its very design the UN cannot serve as the incubator for human rights, because you can’t hatch eggs on a frying pan suited only to cooking omelet. After all our efforts to use the UN as a battleground over the weapons of peace, one is forced to agree with Mr. Dulles, who said: “Our nation is today less liked, more isolated and more endangered than ever before in its history. . . .”

NOTES

1. Clinchy, Russell J., *Human Rights and the United Nations*. The Foundation for Economic Education, Irvington-on-Hudson, N.Y., 1952.
2. Acton, John Emerich Edward Dalberg, *Historical Essays and Studies*. London: Macmillan and Co., 1919, p. 132.

The Disharmony of World Unity

We are assembled here to consider the United Nations in relation to our traditional freedom as it has been known in this land.

I have been told that charges of guilt by association are being hurled at those of us here assembled. Yet we came voluntarily for peaceful discussion. In fact, we came here to discuss the matter of compulsory political association on a world basis. And if there be any such thing as guilt by association, it would seem to me that the United Nations itself would be a much more appropriate object of accusation. Would this meeting be free of any guilt by association if everyone in the world had been compelled to attend and if we were ruling and regulating everyone into one pattern?

What I want to say on this occasion is that a logical dilemma confronts anyone who is superficially opposed to the United Nations, but who still believes that the greatest strength is to be found in unity. I wish to suggest that there is weakness rather than strength in the type of forced unity characterized by the United Nations. Unless one can understand this, he is obligated to support rather than to condemn the United Nations as an agency of peace and liberty for mankind.

Unity vs. Harmony

At the outset I want to make the important distinction between unity and harmony. For we want a maximum of harmony, and I am only saying that world unity is not the route to the greatest harmony.

Going to the Oxford Dictionary as an authority, one will find that unity in a metaphysical sense means a oneness which negates any multiplicity of being or existence. Your body, for instance, has many parts but it has a unity such that the living unit is destroyed if the parts are separated. If we apply this idea to the

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problem of a social unity of mankind—the concept of the United Nations—individual persons are not to be considered as self-responsible, independent units. All persons, by this concept, are but bits of clay to be molded politically by some supra-government into a unity of social organism. Such unity denies to individual persons their rights as defined in our Declaration of Independence, for instance.

Harmony, in contrast to unity, is that peaceful arrangement of differing individual units. The musician's harmony, for instance, does not destroy the identity of the different notes that are its parts. The harmony is but the arrangement of these separate identities into a peaceful congruity, pleasing to our ears. In a society of persons, harmony is the voluntary cooperation of variable humans acting in their own right as free persons.

The United Nations is designed for unity, not for harmony. It uses force, really, to attain its ends—political force. Its ends cannot be attained except by means that destroy individual freedom as exemplified in our Declaration of Independence.

The Tree of Liberty

Socialism is an ideology based on the idea of unity. Liberty, on the other hand, is based on the idea of harmony.

Liberty is like a tree. It is rooted in the spirit but, in addition to the spiritual joys which it gives, it also brings forth many economic pleasantries like caviar and fancy cars and TV. Economic fruits grow on the ends of the twigs of this tree of liberty, but they are superficial fruits of liberty, rather than the essence of liberty itself.

Socialism exists as a parasite feeding on the fruits of liberty. It feeds by means of ownership or control of the means of production, and by confiscation of the product itself. It controls your actions and takes from you what you have produced. And the agency which administers this program of unity is a political monopoly.

Dean Roscoe Pound once told the story of a pickpocket who wandered into a church service. The sermon was on charity. He was so moved by the message that he picked the pockets of all

within reach and put it into the collection plate. Socialism is like that. The motive may seem charitable enough, but the method denies any virtue in the motive.

Since socialism lives on what has already been produced by free men, it would die if this parasitic connection were severed. It would die without access to funds to fuel its continued operation. And that source of funds feeding socialism is my next point.

Taxes and Slavery

A few days ago you filled out your income tax report, I presume. If you are an average citizen of the United States, taxes in all forms—evident and hidden—for all units of government took 36 per cent of your yearly income for the latest year of available figures.

Expressed another way, you had to work for the government from the first of January until 1:48 p.m. on May 10; then for the remainder of the year you were free to work for yourself.

The point of this is to emphasize that taxes are the unitary device by which socialism is sustained. They sustain socialism both within the country and also abroad, to a considerable extent.

Let us go back in history for a minute to gain perspective on this modern form of socialistic unity. We know that slavery was once openly and clearly labeled as such. It is said that in the Ancient World about a third of the population were slaves—a figure, incidentally, that was swelled by war and reduced by peace. The new slave was the victim of capture in a physical sense, and everyone knew when he was enslaved. It might be observed, factiously, that “slave running” is an appropriate way to describe the slave trade of old because it was in some respects like a track meet. The slaves that were brought over here must have been those who were the poorest runners among their tribesmen in those African villages, or perhaps they were the ones who had sore feet that day.

The feature of this ancient slavery that especially interests us here is the way it relates to the United Nations in an economic sense. On the stage of history long before the advent of Karl

Marx, slavery clearly embodied the concept for which Marx has since been given undue credit as an original idea, namely the policy of: "From each (slave) according to his ability, to each (slave) according to his need." This portrays a condition of socialistic unity under each slave master. The master, not the slave, decides all questions of "ability" and "need." Else what are the chains for?

Whatever the slave received in food and other things were given to him for reasons other than because of his having produced them and thereby deserving their ownership as a matter of rights. These things were doled out to him by the master for another reason. The master wanted him ready to produce again on the morrow, and knew that a starved man produces nothing. The master gave the slave these things in the same way and for the same reason that he fed the horse in preparation for tomorrow's plowing.

Slavery in some parts of the world then gave way to serfdom. Some details of the arrangement were changed, but not its fundamentals. It was still the policy of socialistic unity: From each (serf) according to his ability, to each (serf) according to his need. And who decided all questions of "ability" and "need"? The serf lord, not the serf, decided them. We must not be confused by the fact that in Prussia centuries ago there arose a practice of allowing the serf to work for himself two days of the week. This was really like untethering one's horse for a time so that he may graze in the glen as he desires. We should not become confused, either, by the fact that serfs were not bought and sold individually. They were still serfs just the same, being bought and sold as a group "with the estate." And their children were born into hereditary serfdom.

These processes have in more recent times taken on a still different name. They have appeared under a new cloak. Marx called it socialism. Others call it communism. Still others call it some sort of Deal. But under whatever name, the key is still this policy of economic unity: From each according to his ability, to each according to his need. And the master, by whatever title and whatever process of becoming enthroned, decides matters of

“ability” and “need.” The subordinate has no more real authority over himself in these matters than did the slave or the serf or the horse.

The device used under this new cloak of disguise to administer the transfers between “ability” and “need” is that of taxation. The government’s power to tax is the modern counterpart of slavery and serfdom, though much more disguised in this respect.

Since this is so vital to my theme, I want to explore more thoroughly this similarity between the power to tax and ancient slavery. I want to compare them as to the unitary aspect: From him according to his ability, to him according to his need.

Who sets the amount of the tax, the government taker or the taxpayer? The government, of course, in meeting assembled yearly for the purpose—a meeting at which you, as the taxpayer, have no right to cast even one lone vote! Your plight in this respect is like that of the slave and the serf.

If the taxpayer doesn’t approve of the amount of the tax, who is empowered to render the final decision as to “justice” in the matter, the taxpayer or the government taker? The government, of course. It is a “court of justice” that passes judgment on its own acts.

Who decides what shall be done with the money collected in taxes, the taxpayer or the government taker? The government, of course, as did the slavemaster and the serf lord.

Is there any limit, in the sense of recognized personal rights, to the amount of the tax to be taken at any time in the future? None whatever. By exactly the same process which now takes 36 cents of your earned dollar, the entire dollar can be taken. In Britain they have been taking in taxes all that some persons earn, and even more. This has happened even in our own country at times. Any restraint from taking all of it is no more than the restraint of political expediency, not a recognition of personal rights of the citizen as a really free individual.

The popular cliché that we, the people, are the government blinds some persons to their plight. If we are really governing ourselves, why employ a police force as the handmaiden of the

revenue agent? Government is but a separate group of persons who, however selected and however buttressed by laws, govern the remainder of the people. In this respect it makes no difference whether those who rule came to office under hereditary kingship, military conquest, political conquest, or whatnot. The process is not altered by its name, nor by the title of the person who wears the crown. Slavery is no less slavery for any of the reasons; nor serfdom; nor modern socialism; nor the unity of a United Nations.

The 36 cents taken from you in taxes, in part to finance the United Nations, is what maintains the “unity of socialism” by which free men are prevented from dealing voluntarily with one another in that harmony of mutual advantage.

It would be possible for me to go on and document this connection between taxes and international socialism by picking figure after figure from the budget of the United Nations and its numerous subordinate branches—financed in large part by the United States government. But there is not time for such detail. You can look up these facts for yourself. But when you do you will find embodied in your 36 cent tax load the tap root of world socialism which in that way feeds on the fruits of freedom from the more prosperous nations of the world. This parasitic economic attachment must be severed in order to regain our freedom which has been surrendered in the name of unity under an international governmental master—socialistic unity.

To many persons this analysis may seem to advocate something anti-social, perhaps even un-American. To them I would recommend another reading of the Declaration of Independence. And I would commend to serious thought man’s fundamental right as defined a few years ago by David A. Simmons, one-time President of the American Bar Association and also Consultant in 1945 to the United States Delegation at the United Nations Conference on International Organization here in San Francisco. He said:

Man’s fundamental right: is the right to be let alone.

Observance of this fundamental right does not preclude any form or degree of lawful voluntary cooperation among free men. It allows a maximum of harmony among variable mankind.

In closing I want to relate a personal experience. One Sunday shortly before April 15, while I was working on my income tax, I was in quite an unsocial mood toward my seven-year-old son. At dinner that night he asked me to explain this income tax business, which put fathers in such a bad mood. So I explained it at length, being full of the subject from the complexities of this new "simplified tax form." He listened intently to my explanation and then when I finished exclaimed: "Holy Cow! I hope I *never* grow up!"

At first we thought this comment amusing. But on second thought it seemed more sobering. Three-quarters of a century ago his maternal grandfather, as a teenager, had come alone to the United States in order to escape the socialism of Germany under Bismarck. He came to a new land to gain freedom. Now, in this "land of the free," his grandson hates to grow up and face this unity of socialistic finance. Where will coming generations be able to go to find freedom if we lose it here, and if the United Nations continues to grow in world power?

Let me offer, in condensed form, this alternative to the United Nations as an objective:

Unity in the eyes of God, harmony in the affairs of man.

Some Observations at the Iron Curtain

Here one may compare life in the planned society with that of comparatively free people.

Berlin, Germany, August 31 [1956]—Today I visited East Berlin. And there hangs an interesting and tragic story, in the opinion of this observer at least.

The trip was made with ease and seeming safety. Occasionally we would be greeted, in passing, by a Russian soldier on guard, but little more. At least I was not invited to be a “guest” for twenty-five years or so in the salt mines of Siberia.

Anyone can tour East Berlin if he chooses. The real danger in passing beyond the Iron Curtain is the extreme unpredictability of a planned society and of the police state. This may seem to be a paradox. For the proponents of a planned society claim that foresight and planning will bring stability, security, and the removal of all those uncertainties they charge against a free society.

On the contrary, in a command society of this sort where authority is centralized, the whims and uncertainties of the single top commander of the entire system are substituted for and prevail over the whims and uncertainties of individuals operating their own limited and separate affairs in a free society. It is a simple fact that any one person is less predictable than an average of many persons—a principle by which insurance companies operate.

And so the great danger of a visit to East Berlin seemed to be that one might enter without restraint at 1:00 p.m., intending to return, likewise without restraint, several hours later, but that the rules might be changed while he is there. Due to this universal unpredictability of a planned society, there is therefore the risk that the orders might be changed at 2:00 p.m. while one is

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still there, thus preventing his return for some reason he could not have foreseen. That is the risk one must take in such a visit.

For the first time in my life I clearly felt this sort of uncertainty which permeates everything in an extremely planned, authoritarian society—the “ordered society.” One does not know at 1:00 o’clock what will be “planned” for him at 2:00 o’clock. And if such a constant threat be security, I do not know what the word means.

The Division of Berlin

Speaking only as one private person, unofficially and admittedly without all the facts which then confronted the Allied High Command, the division of Berlin always seemed to me to be a tragedy of the first order. Visiting both the East and West Zones of the city and making observations at first hand further confirms that opinion.

Imagine, if you will, attempting to resolve a conflict between the Marxian socialists and the lovers of traditional liberalism in the City of New York by dividing the east from the west—say at Fifth Avenue. The east sector would be given to the Marxians and the west sector to the anti-Marxians.

To make the parallel more accurate, one must assume that the political administrations of the two sectors had recently been in mortal combat; that suspicions, distrust, and antipathy were still acute between the two regimes.

Try as I may, I can hardly conceive of a setting more threatening of continuous conflict. It would seem like a house divided within itself, in the worst sense, with a division that is political. What was previously an integrated whole so far as trade, transportation, and communication are concerned, becomes one oriented around chronic conflict with a rigid separation geographically.

An Exhibit of the Planned Society

But perhaps one may find some usefulness in what seems to be the tragedy of this division of Berlin, for here is an interesting

experiment. In East Berlin we have a sector ruled by a regime that is presumed to be devoted to the welfare of "the common man." It is the kind of society which the socialists claim will free the ordinary person from the insecurity and poverty of the "dog-eat-dog" world of a free society. He is to be secured against the alleged evils of a competitive economy of private enterprise and personal ownership of property. The political rule of East Berlin is claimed to be a "liberation" of the people from the insecurities and "robber economy" of laissez faire.

Across the line in West Berlin, on the contrary, there prevails to a high degree the free economy with its incentive system of free markets. These are the so-called evils of a free society, against which East Berlin is supposed to protect the common man.

Against this background, please note these significant facts: Today's *Der Tagesspiegel* newspaper reports that during the past month 15,200 persons officially migrated from East Berlin to West Berlin. This is 1,000 more than in August 1955.

During the first eight months of 1956 the total was 115,000 persons. This compares with 85,000 during the same months of 1955, or an increase of one-third. There is only a slight movement from West to East.

At this rate, the equivalent of the entire population of East Berlin would go to West Germany in seven and one-half years. Such a rate must be something of historical note for any area other than one in the throes of active combat. Not all of the migrants, of course, were from East Berlin originally. Many came from elsewhere in East Germany, simply using East Berlin as the best gateway to be found along the long border between East Germany and West Germany.

It is to be noted that these figures include only those arrivals who register officially in West Berlin. An unknown additional number do not register, so the figures understate the total migration.

The crucial question is this: If socialism by such an authoritarian design really accomplishes its claim of benefiting the common man and protecting him from the cruel hazards of a rela-

tively free society of private ownership and free exchange, why is this intense migration occurring? Why, if it works out that way, is not the migration moving in the opposite direction—from West Berlin to the heaven of “welfare of the common man” in East Berlin? Can it be that 172,500 persons yearly are so ignorant and foolish as to migrate to *less* welfare, when the two are accessible side by side and can be viewed by anyone who wishes to take a look? They can all talk daily with the common people in both parts, as a basis for their decisions.

A Dying Half City

The unbelievable destruction of central Berlin extends into both sectors. But it is in East Berlin where one has the feeling of traveling through an urban corpse. Few people are wandering around among the ruins there, in sharp contrast to the bustling activity across the line in West Berlin. The migration figures verify the clear impression one gets in visiting the two parts.

In East Berlin the appearance of the people reflects a hopeless and pointless existence, whereas in the West sector there is evidence of some real hope and the driving enthusiasm which this hope brings.

In East Berlin, generally, there is relatively little reconstruction going on. The people are living in the ruins as best they can, without evidence of an attempt to improve their plight under their own hopeful initiative. In West Berlin, on the other hand, there is a beehive of reconstruction activity of all sorts.

I have three distinct impressions of what I saw in East Berlin, so far as structures are concerned. First, from the standpoint of luxury of structure and appearance, was the colossal War Memorial. It was lined with monumental structures inscribed with quotes from Stalin, and the like. One may be full of sympathy, of course, for the victims and their families who suffered privation and death for a cause some of them doubtless disfavored, or who may have been following their duty as they saw it. But beyond that is a dominant feeling that the motivation for the design of this War Memorial was the glorification of the Authoritarian State itself and its dictatorial leaders. How otherwise

explain why these luxurious marble structures were built instead of using the materials and effort to provide housing and food for the common man?

Second was the rather impressive front of the structures along one street down which we passed, namely, Stalinallee. Lining both sides of this street are fine masonry buildings several stories high. On the ground floors there commonly are stores. They are all State stores. Only occasionally were people seen doing business in these stores. Since things are rationed strictly and since incomes are so low relative to the rationed necessities of bare existence, how can the "protected common man" buy anything? He just doesn't have use for this fine appearing line of stores, except as a place to stand outside, yearning.

Lastly, immediately behind this facade facing Stalinallee, and almost everywhere else, we saw only the dull, distressing remnants of destruction. Little was being done except in places some of my friends came to call "Showallee" (Stalinallee). It brought to mind the joking accusations about a farmer in our community when I was a boy. It was said that the farmer spread all the fertilizer along the few feet of crops adjoining the road. He seemed more concerned about creating untypical impressions of his farming ability among the passersby than about the appetites of the wheat and corn plants in the unlucky rows located more than a few feet from the road.

Such are the impressions of one observer of the experiment created by the seeming tragedy of dividing Berlin. It is a city divided between a relatively free half and a slave half, between the incentive of private initiative as against the "security" of an authoritarian society. It gives the feeling of what it would be like to view a person who had applied a "welfare salve" to half of his body, causing it to rot and waste away, while the other half continues in health and vitality.

My sympathies are deeply with the victims of the half that is a "society for the common man." One is reminded of the several communist communities started in many parts of the United States a century or more ago, which have all failed due to the errors of their theories of welfare. They served as fine educa-

tional experiments for those outside to watch and ponder. In a like manner, all the world should view this experiment of Berlin and ponder its lessons, thoughtfully and prayerfully. For we must all live on performance rather than on promises, on bread and meat rather than on words about security from politicians.

A divided Berlin and the conclusions of those in the experiment—the 172,500 migrants yearly at the present rate, and all others who must be packing their migratory bags—should be evidence above doubt.

Help Wanted

WANTED—Experienced tool operator. Must bring your own machine. Can pay up to \$22,705 a week.

Imagine reading an advertisement like that in the evening paper, and you with a role in this hypothetical drama.

“Belinda,” you say to your wife, “listen to this!” And then you read her the ad.

You await the morrow impatiently, when you can apply for this wonderful opportunity. You sleep fitfully amid dreams of avarice.

In the morning you are quite ready to take the day off from your old—almost obsolete—job. A phone call; an appointment; a wait in line for the interview.

Why, you wonder, do all these people leaving their interviews seem so dejected? Finally it is your turn.

“Good morning, sir,” you begin. “I come to—”

“Let’s not waste words on the weather,” he interrupts. “How many years have you been working?”

“Twenty-seven.”

“Have a job now?”

“Yes.”

“A good one?”

“Yes, pretty good. But I guess I’ll change now.”

“Do you own a machine?” he asks.

“Well, I have a 1936 Ford. And a—”

“Do you have the machine required for this job?” he asks sharply.

“Which is what?”

“A press machine.”

“No. But I guess I could pick one up on my way home. I go right by Sears—”

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“In case you don’t know, this machine weighs 10,605 tons. And furthermore, you would be lucky to be able to get one within a year after you placed your order. Also, can you operate one? Have you ever even *seen* one? And finally, the machine costs several million dollars. You don’t appear able to buy a wheelbarrow. Next applicant.”

Belinda beholds her beaten beloved coming dejectedly up the path.

“I almost got the job,” you explain. “All I lacked was a machine costing several million dollars and knowledge of how to operate it. But if I only owned one, I’ll bet I could learn how to operate it in a few days.”

“But why couldn’t the boss provide the machine and just let you operate it?” she asks.

“Because,” you explain, “our nation is completely socialized, you know.”

This explanation is clear enough to you, but not to Belinda.

“So what?” she objects. “From the cradle to the grave we have been taught that socialism means opportunity for the common man. And you surely qualify for that. You are about as common as anyone could ask for. So I still say, so what?”

“The ‘so what,’ my dear, is that socialism will not tolerate a profit. Our socialism decrees that all the product has to go to the man who operates the machine. For anyone else to benefit out of the proceeds is theft—a social and economic sin of the first order. Suppose the boss had saved over the years and provided such a tool for people like me to use. By now the machine would probably be all worn out, and he would have been prohibited from getting back what he had saved and put into the machine in the first place, to replace it with a new one. So what has he done over the years? He has saved only for the tools he wants to use himself. That is the only way he can get his savings back—by selling the combined product of his own tools and his own work. Everybody in our nation, you will notice, is doing the same thing. If we want any tools to help us in our work, we have to provide them for ourselves. That’s why he had no machine for me to operate, and advertised: *Bring your own machine.*”¹

“The selfish old tightwad,” Belinda accuses. “Has he no spirit of charity? Isn’t he willing to help us poor souls in need? Why doesn’t he save tools for someone else to use? Where is his spirit of brotherly love?”

“I wondered, too,” you confess. “So I quizzed around a bit before I charged him with having a heart of stone. I found that he is, in fact, a highly charitable man to those he believes most deserving. Since he can’t help many persons, he helps those who have first helped themselves. If a man has done his part and sacrificed the joys of today in order to save and invest in tools for tomorrow’s work, and if such a person then finds himself in sudden need because of something clearly beyond reasonable foresight, that is the sort of person he helps.”

“I guess we don’t qualify,” Belinda bemoans. “We’ve rather overinvested in fun all our lives. And our savings show it.”

“We’ve always lived as father did,” you confess. “He always said there’s no use saving tools for one’s children because the inheritance tax will take it all. Our socialist idea, you know, is that everyone must start equally—at zero. Poverty for everyone is better than envy for some. So father just lived his up, as we have been doing.”

Even in a prosperous United States, how many people have you known who could afford a machine of this sort, in order to be able to apply for a job like the one advertised?

How many persons do you know who could take a job requiring that they bring even half the value of this tool? Or \$100,000? Or \$25,000? In many industries today the average tools per worker for an entire industry cost \$15,000, or more.

It takes years of strict thrift for anyone to accumulate such amounts of savings. It would take even longer if you had to start at the bottom of the ladder with hardly any tools, climbing round by round only as you could save from your meager production. Under this socialistic program, you would be an old man before you had many tools to work with—unless you were to steal them.

Strange, isn’t it, that so many people accept without question or doubt the socialists’ claim that their scheme gives equal oppor-

tunity to all; that it gives opportunity to the young and the infirm, in contrast to the neglect and cruelties of free enterprise?

The facts, as illustrated here, are just the reverse. The young and the infirm are just the persons who would find the going toughest under pure socialism.

Under free enterprise, the young man doesn't have to bring his own tools. He can team up with others who have saved and invested in tools, but who either cannot or do not want to operate these tools themselves. A fair trade is then arranged between owners and users. Both benefit. The young man benefits especially because it enables him to find a good job at once.

With the tools he now has available for use, the average worker in the United States can produce in one year what it would take him twenty years to produce without the aid of these tools—almost half a working generation.

Tools are costly, to be sure. They come from prior sacrifice in the form of savings. But if the average worker would set aside all of the added productivity that tools now make possible and put it into a capital fund for a period of *three years*, this fund would more than equal the full amount invested in all our present stock of tools. The full productive return amounts to something like 40 per cent yearly on the investment, as compared with what could be produced without the tools to aid his efforts. A handsome return, indeed!

Or put it this way: A fund of \$1,000, invested wisely in tools like those now in use, seems to have increased the output of the user of those tools by as much as \$350 to \$400, yearly. Under our private capitalism, however, persons other than the users have saved and invested, by and large, in these tools. Others have made the tools possible. They have been willing to do this for a return of, say, \$70 a year on this \$1,000 investment. If we subtract this \$70 from the total increase in output, it leaves a net gain of \$300—plus or minus—for the users of the tools. They get this even though they have saved nothing, have risked nothing in the investment, and work no harder than before.

When a bargain like this under private capitalism is available to the tool user, how foolish for him to refuse to operate the tools

unless he gets, in addition, some of the \$70 required to induce savers to save. For when the tool user thus forces the tools to stand idle, he is throwing an economic boomerang which returns to harm him in two ways:

1. The goods not produced while he refuses to use the tools will not be available for him to enjoy.
2. Saving will be discouraged, from which more and more tools could have been created and from which he would also gain the major part of later benefits. He is killing the goose that would lay more and more golden eggs—mostly for him.

The capitalistic method offers a grand opportunity to this young man and others who can't provide their own tools. Under the seeming miracle of capitalism, savers and inventors and tool users all team up for an extremely fruitful joint endeavor. All benefit from the rewards of progress.

Under socialism, by contrast, this young man could not even hope for such a job until late in life—and probably not then. Actually, under socialism no such jobs ever become available to anyone because parasitism kills off progress. It saps the seeds of progress and prohibits advancement to an economy wherein such machines would be available for use.

Under free enterprise, where others have saved to provide the capital, an advertisement might read:

WANTED: Experienced tool operator. Bring your talents. We provide the tools.

NOTES

1. The brand of socialism referred to here is that where the government has control of the means of production, but allows any individual to acquire whatever tools he can from his own savings. He can use these tools himself and have the product, but he cannot collect any profit from letting others use them. There is also a 100 per cent inheritance tax.

The government cannot provide any tools from its own means, because it is without independent means. What the government has to spend must first be taken away from those who work.

Property

Public Dis-Utilities

The concept of a “public utility” as it has developed in our country is what I propose to challenge. It is a concept that apparently continues to grow in favor. I propose to challenge it on grounds of our basic human rights of private ownership, and in the light of our traditional concept of private enterprise under private capitalism.

This concept of a “public utility” arises from a perversion of our traditional idea of human rights. And so it is there that we must start, because any opinion of justice must be founded on one’s assumption about basic human rights.

Human Rights in Outline

A concept once traditional and rigidly observed in our Western world was the one stated clearly in the Declaration of Independence: “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. . . .”

Thus the most basic human rights may be said to be:

- (1) The Right to Life.
- (2) The Right to Sustain Your Life.
- (3) The Right to What You Produce.
- (4) The Right to Own Property.
- (5) The Right to Dispose of Your Property.

The only concept of ownership that is consistent with these five basic human rights is one in which ownership is strictly personal. Let us review this according to our basic human rights.

The right to life is strictly an individual, personal right. This is of necessity true because of the biological nature of life. Life is attached separately to individual persons—one life for one per-

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son, no more and no less. Neither laws of the state, nor plans of the planners, nor dreams of the dreamers can make it otherwise. So the right to life, the most basic of human rights, is unalterably a personal thing.

Each person among 165 million persons in the nation has the full right to his own life. His right is not limited to 1/165 millionth of his own life coupled with a right to 1/165 millionth of the life of every other person in the nation. He owns all his own life, together with his own time and its economic derivatives.

Without going through all the five rights in detail, it is clear that the personal and individual nature of the fundamental human right to life carries over into the derivative economic affairs of ownership, control, and the disposal of private property. There is no more justice in a compulsory, collective ownership or control of property than there is in a compulsory, collective ownership of life.

A further word of explanation may be needed about this matter of *common ownership*, so as to distinguish it from share ownership or part ownership.

Common ownership is not negotiable, because it can be neither refused nor renounced by you. It is forced upon you whether you want it or not, whether you like it or not; and you are prohibited from selling or transferring it to any other person. True, you may be allowed to exercise certain privileges such as voting on matters pertaining to this so-called common property; or you may not. But if you find yourself to be one of a minority in something you deem unwise and unwanted, you have no access to the right of disposal. You cannot defend yourself by severance of participation. Thus the presumed ownership is not, in any sense, a private matter of yours. And so it is for this reason a contradiction and a denial of your basic rights.

Share ownership or part ownership, on the other hand, clearly defines what it is that you own. This is illustrated by corporate shares. The share you own is a clearly identified unit of total ownership which you may buy or sell or give away. You may do so whenever you wish and on any terms you wish to accept. This feature of negotiability or transferability is the essence of every

form of ownership consistent with human rights. Except as there is this feature, it is in violation of basic human rights.

How about joint ownership and partnership in this respect? Are they not forms of ownership in common? No, these are still individualized, personal arrangements, rather than being collective in the sense of ownership in common. A person who enters into one of these arrangements does so by his own choice. He may sell his share and leave the cooperative arrangement if and when he so desires. He is not bound by any irrevocable contract—any “implied contract” imposed upon him against his will, perhaps before he was even born. So joint ownership and partnership, being personal and voluntary, are consistent with basic human rights.

Control, the Essence of Ownership

Ownership has ordinarily been associated with the holding of a legal title to anything. In identifying ownership we ordinarily ask: “Who holds the deed?” Yet this test can be a decoy of ownership, as we shall see. Under the spell of this illusion, one may surrender the essence of his ownership while being hypnotized by the possession of a worthless deed.

This technique of confiscating the essence of ownership while leaving the title with the victim of the theft is, in fact, a fairly new discovery in socialist-communist methodology. In earlier times it was considered necessary, in attaining the communal political state, to acquire actual title to the property. But now it has been discovered that this is unnecessary for carrying out the socialist-communist program.

A widely accepted definition of economic socialism is: “State ownership *or control* of the means of production.” It may be impossible or inadvisable for some reason to actually take title to the property. When this is the situation, the end purpose of socialism can be attained merely by arbitrary control rather than formal ownership.

Perhaps no better brief statement of the control device for attaining a socialist state has been offered than that of Hitler—

himself an important architect of national socialism in our time—who said:

“It gives us also a special, secret pleasure to see how the people about us are unaware of what is really happening to them. They gaze fascinated at one or two familiar superficialities, such as possessions and income and rank and other outworn conceptions. As long as these are kept intact they are quite satisfied. But in the meantime they have entered a new relation; a powerful social force has caught them up. They themselves are changed. What are ownership and income to that? Why need we trouble to socialize banks and factories? We socialize human beings.”¹

The reason why autocratic control rather than formal title is the essence of ownership of many things can be seen by considering the reason for its economic worth. For many things, such as an electric plant, the advantage of using it is the only purpose of ownership. For worthless things—free goods—there is at issue no problem of ownership or control. Having no value, they are not economic considerations at all. A title to a worthless thing is not worth the paper on which to record a claim of ownership.

Who, for instance, would pay anything for title to a cubic foot of air? Or to a cubic foot of sand in the Sahara Desert? Or to a cubic foot of water in the ocean?

So for productive tools it is their worth in use that underlies the value of ownership. Lacking the advantage of use, ownership would be as worthless as it is meaningless.

It follows, then, that the power to extract from anything its economic worth becomes a means by which to confiscate all meaning and purpose of ownership. That is why control is the essence of ownership. That is why the architects of modern socialism have discovered that by controlling anything to which you hold the formal title, they can make your title worthless. And when that is the situation, it in essence becomes theirs rather than yours.

So collectivized political control makes a sham of private ownership and private rights to property. The significance of such control supersedes the title which you may still have safely stored away in your strongbox.

The Leverage of Control

To see how this matter of arbitrary control affects the essence of ownership, let us take a simple illustration.

Suppose your business is the only one of a certain type in your town. Let us say that it is a grocery store. The store and its stock of groceries are owned in your name, with good and proper title.

Now suppose that I am granted the power of control over your business. I do not actually hold title to a single can of beans. How I acquired this power is beside the present point; we shall merely say the power of control was given to me for purposes of "the public good," in order to "defend the public rights."

Now let us say that last year your annual statement of operations was as follows:

	Amounts per Dollar of Revenues
Total revenues, operating and other	\$1.00
Deductions from revenues:	
Oper. exps.; restocking -----	\$0.51
Taxes -----	0.21
Deprec. and amortization -----	0.09
Capital costs:	
Inter. on loaned funds -----	0.05
Divs. on stock equity -----	<u>0.11</u>
	<u>0.97</u>
Earnings retained in the business -----	\$0.03

Now, under my authority, if I were to force you to reduce your prices by only a few percent, no earnings would be left for retention in the business. The same thing would happen if, in a period of inflation, I were to prohibit you from increasing your prices, at a time when your costs had risen by a few percent.

Were I to be even more drastic in using my powers of control and were to force you to reduce your prices further (or to hold your prices constant while inflation pushed your costs up), I could easily eliminate not only your earnings for retention in the business but also all funds for a return on your investment as

owner. Were I to continue to do this next year and every year thereafter, your stock would become worthless to you as private property. An earningless investment becomes a worthless investment.

It is in this way that my power of control would allow me to destroy the entire worth of your property. Though you still would be holding title to it, your title would be worthless. This illustrates how autocratic control rather than a formal title is the essence of ownership, even though control was given “for the public good,” or “in the interests of society” or “to further the general welfare,” or whatnot. The reason for granting the control makes no difference from this standpoint.

Control by Socialized Competition

It is possible to accomplish the same end of destroying the worth of your property by a more subtle method than arbitrarily setting your prices for you. Suppose that in the “interests of the public,” or whatnot, I set up a socialized competitive grocery. This, we shall say, is justified as a “pilot grocery, by which to test the fairness of your prices.” Or perhaps it is “to prohibit you from gouging the public with exorbitant profits.”

By undercutting your prices only a very little bit—only a fraction of a cent—I can draw business away from you. Housewives, as they compare our prices, will begin to come to my store. A single customer added to my business and taken away from yours will spread my overhead costs thinner and cause your overhead to more heavily burden you. For this and other reasons my costs per dollar of sales will go down and yours will go up, sharply cutting into your earnings and into the worth of your property.

Realizing what is happening, you will probably cut your prices down to mine in the hope of regaining lost volume. But then I can cut mine below yours again. This can go on and on, as you vainly try to meet my prices.

By means of my competitive grocery I shall have exercised no mandate over you. I shall not have forced you to reduce your prices by any proclamation, under the authority of my control. I

shall merely have induced you to do so as a “voluntary act.” The voluntary aspect would be that you decided to cut prices and try to keep your volume rather than to go broke through declining sales at the higher prices.

You could not stand such competition very long because your total assets, let us say, are equal to only about three and one-half years of sales. And let us say that over half of these assets are financed by borrowed funds rather than by owner’s capital. Unless you pay these bondholders and lenders their interest regularly, they can take over your business and liquidate the property. So your problem soon becomes that of where to get the funds to keep going.

A Bottomless Pit to Meet Losses

If I were an ordinary citizen using my own private funds to compete with you, I would be running the risk of depleting my own funds too, the same as you. I might be the first to suffer financial failure under the price-cutting policy I have initiated. That threat would quickly cool my ardor about forcing competitive prices further and further downward.

But in this illustration I am not an ordinary private competitor of that sort, using my own funds. I have an almost endless pit from which to draw funds for my continuing losses. Why? Because mine is a socialized grocery store. As a part of the authority by which I am empowered to control your business, I also have the right to send you a bill for the losses sustained in my socialized grocery business.

This is the worst conceivable sort of competition—if, as I would deny, it can properly be called competition at all. Though I originally gained my power of control for the stated purpose of “eliminating cutthroat competition and stabilizing human welfare,” mine is the power to engage in the most ruthless cutthroat competition conceivable. Whereas you must pay your own losses from your own savings, I can send you the bill for my losses too. You can be forced to pay the losses for both of us, your own and that of your “competitor.” So the process really amounts to confiscation. It is not really competition at all.

The bill I send you to cover my losses appears as “taxes” in these illustrative figures I have shown. The total tax bill of 21 cents covers many things, among which is my bill to you for part of my losses at the cut rates I have set. Should you refuse to pay this bill, I am empowered under by authority to take over your property forthwith.

I can go on and on cutting prices, sending you successively greater and greater tax bills to cover my losses. The fact that the tax bill is already greater than the total of (1) earnings retained in your business, (2) dividends on all stocks, and (3) interest on all formal loans to help finance your operation, does not curb my authority any. No limit has been set on my power to violate your personal rights in this manner. Should you contest it in court, I have been delegated to be the final judge in the matter.

Facts, Not Fiction

The figures I have given you are not just picked out of the air of fiction to illustrate my point. They represent the combined operation of nearly all “investor-owned” electric utility companies in the United States for 1954—the latest figures published in this series. All except 1% of this type of business—that of the smallest concerns—is included.²

For purposes of clarifying the picture they reveal, all actual amounts have been expressed in proportion to total revenues of the FPC Class A & B Companies (\$7.7 billion), as though total revenues were \$1.00. In other words, the relative amounts are true to fact for the composite of essentially all investor-owned electrical utility companies of the United States, with the minor exception that they include intercompany revenue.

One-fifth of the total charges to consumers for their electrical services is required to pay the tax bill of these electric utility companies. The consumer does not see this, however. He sees only a monthly bill for “electricity” rather than the one-fifth being shown as taxes—a fact about which most consumers are probably ignorant. This is really a double tax on the consumer, because when he pays his electric bill he must pay it with income remaining after paying a personal tax on it as income.

Overstated Profits

The figure I have given—14 cents of the total income dollar as net income to pay stockholders and for retaining in the business—is the figure which appears in the official reports. But I suspect these profits to be seriously overstated, even for these boom times. The reason is as follows:

The accounting practices in almost universal use fail to allow adequate depreciation for plant and equipment under the inflationary conditions that have prevailed for decades. For instance, if your yearly depreciation is on the basis of original costs and if inflation has tripled the costs of replacement, your depreciation would be understated by two-thirds of the true figure for the plant and equipment used up during the year's operation.

I have no idea how much this overstatement of profits may be in the figures I have shown. A careful accounting job on each company would be necessary to reveal the degree of error. But to illustrate, one telephone company last year showed the degree of error for its operations by publishing two financial statements—one as required under the governmental control authorities, and the other the true report as based on the method developed by Northwestern University.³

In this telephone company, for instance, the conventional accounting method overstated profits by about three times. The true net income was only 2.1 cents per dollar of total revenues instead of the 7.0 cents which conventional methods of reporting showed.⁴

But the precise figure is not important from the standpoint of property rights being discussed here, in connection with "public utilities." A "profit" is merely an accounting derivation designed to assist management and owners to appraise the progress of the operation. Its magnitude does not alter ownership rights, and it should never become a device for violating rights of private property. For instance, if I have produced a bushel of potatoes with my own efforts, the entire bushel of potatoes is mine by rights. If by some accounting procedure I should arrive at a figure of five cents of "profit" in its production, that five-cent proportion of the bushel is no less mine than any other part of

the bushel. It is all mine, no matter what the profit calculation might show.

What Is a Public Utility?

In the light of all this, let us now appraise this popular term “public utility.”

What is utility? To economists, *utility* is merely a thing desired. Or, it is something adaptable to human desire. Electricity when harnessed for our use has that quality, but it is not alone in this respect. The list of things having utility is all but endless.

What then would be a “public utility?” I suppose it should be defined as something desired by the public. And the public is merely an abstraction to describe a composite of individual persons. Who else except individual persons could desire anything?

So perhaps we should have given a prize to the ingenious gent who labored and brought forth the term “public utility,”—a prize for coining the most redundant redundancy of that year!

The reason why such a term as “public utility” came to have acceptance is that sometime in the past there arose in the garden of ideas this communal weed-notion. And it has been crowding out certain important traditional concepts in our nation. It threatens to take over, more and more, our rich heritage and to blight the origins of our economic fruitfulness. To stop its spread we must recognize it for what it really is, and apply the hoe. This weed-notion is that there is a “public”—or “society”—as it is sometimes called—which somehow exists apart from the persons who comprise it. Thus it is a supra-individual concept which assumes a social whole greater than its parts as separate, cooperating individual persons. And it is this whole which has come to be assumed to have certain rights that are denied to the persons who comprise all of society; a “social good” distinct from individuals’ good; a “public welfare” somehow greater than the sum of individual personal welfares.

Since we are here concerned with matters of justice, we must realize that collective justice can be only the sum of individual justices for the persons involved. And these individual justices,

in turn, rest on those basic human rights that have been sketched in outline form.

Especially unfortunate have been the consequences of the invention of this phrase "public utility." It has created a whole chain of thinking which ignores its redundancy. From it has sprouted the notion of this special category of utilities—those utilities presumed to somehow apply peculiarly to the communal mass of humanity rather than to be the proper concern of persons as separate individuals. But as already explained, this concept of a communal mass is itself sheer nonsense from the standpoint of justice based on human rights. There is no such distinction between the utilities of different economic goods and services. And so, in this strange anthropology of what passes for thought, it seems that a redundancy has now begotten notions that seriously endanger our traditional way of economic life.

Out of this chain of notions has come the idea that it is fitting and proper for the political agent of the communal mass to either own or impose arbitrary control over these "public utilities." It is argued that the public should thus control what properly belongs to the public.

If one asks how the public ever acquired the essence of ownership rights in these things, it will be said that as "public utilities" they really always belonged to the public anyhow; that when the government gained control of the "public utilities," it was merely regaining property that had been improperly surrendered to private ownership.

Control by Owners vs. Politicians

Once arbitrary control has been vested in the communal mass rather than being left with specific persons as private property, surprising things seem to happen—surprising to those who have visualized a Utopia under ownership in common. It is not surprising, however, to "conservatives" who know that being efficient is only another term for conserving. It is not surprising to those who know that responsibility goes with private ownership as the handmaiden of efficiency.

A wise saying is this: What is everybody's business is nobody's business. And concern about efficiency under ownership in common is very close to being nobody's business. The custodian of things owned in common is not much afflicted with a sense of responsibility. The linkage is so vague, so unprecise, so confused with other influences that it fails to induce efficiency in the use of scarce things—economic things. Evidence on this point is overwhelming.

In the early days of this nation, socialists like Robert Owen of England, and his visionary followers, set up scores of communal societies in the United States. Many were of religious motivations, but many were also strictly economic. Not one of them has survived. All suffered economic failure, if not failure in spirit. There must be an important reason why not a single one among all these trials was a success. Would you install a machine in your plant which had failed in every test? Yet as a nation we continue to try other forms of these same processes of ownership in common which have consistently brought economic failure when tested in pure form.

There comes to mind the instance of two iron mines in Sweden. One was started many years ago in the northland under private management; this operated with continuing efficiency as reflected in its profits. The other, started some 15 years ago, was politically managed and was designed to relieve the need of people for employment in another northland area; it has never made a profit, and last year the loss per employee was about as much as the private consumption of four average Swedish people.

In instances like these, where the managers are political managers, political purposes are uppermost in their minds. It was politics which put them there, and it is politics alone which can remove them. Efficiency, being a secondary consideration, always loses the nod to political considerations. So under political management the economic efficiency can never rise above the notoriously low economy level of politics.

These experiments in communal ownership are failures because the discipline imposed upon management is not linked

directly to the responsibility of personal property and private ownership. The gambler who can gamble with other people's money will be reckless indeed. If his pocketbook is refilled from the pocketbooks of others—if his own property or economic position is not endangered by his failures—he will throw efficiency to the wind and be wasteful of costs. He will act this way for the same reason we waste anything that is not scarce and therefore not valuable.

The Public Utility of Human Rights

It is highly important to note that not only the owners but others, as well, lose from inefficiency; that both owners and others gain from efficiency. The so-called profits arising from efficiency become the buying power for trades that will benefit others. A thing wasted can benefit nobody. That is why the preservation of rights of private property is so important to the general welfare. That is why there can be no real public utility except as human rights are protected from invasion, either by taking title or by gaining arbitrary control.

As has already been shown, when rights of private property are invalidated the most basic of human rights is denied. This practice invalidates the premises on which our nation was founded under the Declaration of Independence and the Constitution. And collective theft becomes validated.

These are serious charges, I know. But is not a serious charge justified when the foundations of our way of life become seriously threatened? The government already owns over one-fifth of the wealth of our nation, we are told, and controls untold amounts more. If we continue to accept these notions that certain "public utilities" should be maintained under socialist-communist ownership or arbitrary control, the door is being kept open to accept at some later date precisely the same concept and processes for bread and shoes and houses. These have utility too for members of the public, as does electricity. In fact, if we were to try to array utilities, would not food be first and therefore the leading candidate for communal or political management under the concept of "public utilities"?

In closing, then, I would stress that these processes which are now so generally accepted and endorsed as justifying communal ownership or arbitrary control of "public utilities" must be recognized for what they really are—socialism or communism in sheep's attire. And in the light of human rights and human freedom, these are the processes that destroy the dignity of man and paralyze the enterprise of self-responsible persons.

It is for this reason that I would rename political ownership and arbitrary control of these services, using instead the term *public dis-utility*. For is it not an act of public dis-utility to destroy the value of property which has been properly acquired by private individuals? Since the public is nobody but these private individuals, there can be no public utility that is not basically private utility.

We must, as I see it, preserve the basic rights of private individuals to acquire and use as private property whatever they have produced or otherwise acquired without theft. If political agents violate these rights and confiscate the property of others for the benefit of themselves and their friends, that should be labelled a public *dis-utility*, and those who carry out such schemes should be labelled public *dis-servants*.

NOTES

1. Rauschnig, Hermann. *The Voice of Destruction*. New York: G. P. Putnam's Sons, 1940, pp. 192-93.

2. Advance Release of Data for "Statistical Bulletin for the year 1955," Number 23, Edison Electric Institute, 420 Lexington Avenue, New York 17, New York. May 1956, Table No. 42.

3. "Business Profits—Fact or Fable?" School of Commerce, Northwestern University, Evanston, Illinois.

4. Indiana Telephone Corporation, Annual Report to Stockholders, for the year ending Dec. 31, 1955.

Why Pay For Things?

“Why do we have to pay for things?” asked a five-year-old boy at dinner one evening. Probably his question was prompted by the suffering of privation endured by all small boys, with their many wants to be served by few pennies. If unrestrained by either force or understanding, this condition can easily lead to theft.

This simple question caught father with his sheepskin up in the attic. So as a stall for time, the question was referred to an older sister who was a college student. Since she had never had a course in economics, it seemed safe to predict that she would fumble it for a few minutes.

She first asked how else it would be decided who should have things. And then she explained two choices—thrift or payment for things—briefly but clearly. This approach struck me as an excellent alternative to either the rod or parental mandates by which children might be taught to respect the property of others. The argument, in amplified form, follows.

How might it be decided who gets what? There are not enough things to go around, you know. There never will be enough. We always want more things than there are to be had. Who will go without? Who will get what there is?

One way to do it would be for everyone to grab what he can. That is the way things tended to be done once, long before we were born. Under that way of doing things in its pure form, people fight over what little there is to be had. The man who works hard to get some food must either eat it at once or fight all the time to keep it. Nobody heeds his plea, that it is his because he worked to get it.

When things are done that way, you would not really own anything. You would just have it, and anyone could have it who could take it away from you. A boy's bicycle, for instance, would not really be his. Any bully could take it away from him; a bigger bully could take it away from the first thief, and so forth. People

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would lie and do all sorts of mean tricks to get things away from one another. The strongest and meanest and worst persons would get more and more things, so that most everyone would become meaner and meaner. Unless they did, they would have to go without things. They would have to be mean and physically strong, or die—under a system like that.

Who gets the bloody noses and broken heads under that system? Mostly it is the little folks, of course, if they have anything anybody else wants and if they try to keep it. The old persons suffer, too, as do the crippled and the sick.

The other way to decide who gets what is for each person to own things. That is the system we have, generally. You own what you make. No bully has any right to it simply because he is big enough or mean enough to take it away from you. If he does take it, we say that it is still yours and he should return it to you.

Under this system, the person who makes anything may sell it or give it to other people. If as a small boy you had been given a bicycle, or had bought a toy ship, for instance, these are yours until you want to give them away or sell them. When they are sold, somebody must pay to get them.

That is why we have to pay for things. It is because we consider things to be owned by each person instead of belonging to nobody. If you want something you have not produced, and which has not been given to you, you must pay for it. The only other way to get it would be to steal it, which is the other system. People don't have to pay for things under the other system, but many starve because there are so few things produced.

It is normal for little boys, who want many things and don't have much money, to wonder why they should have to pay for things they want. But if we operated our affairs the other way and fought over things rather than owning them, little folks wouldn't have much of a chance of ever getting a bicycle at all.

The system whereby each person owns things—which means you have to pay for things you want—is really the cheapest and best police force in the world, in addition to being the only system that will defend the weak and the infirm. If we would all conduct ourselves by that rule, we would need no policemen at

all because everybody would be serving as a policeman over himself. He then serves without pay. He can spend all his time producing things and enjoying life in whatever way seems best.

That answer to the question of why we have to pay for things, expressed in terms a five-year-old could understand, seemed to leave little more to be said.

On Sharing Profits

Much ado is adrift about profit sharing, or more specifically the extent to which employees should share in profits. How can a sound decision be arrived at? What is the principle involved?

The first step is to separate the matter of profit sharing from separate issues with which it is commonly confused. For instance, a business may be in trouble with employees through some fault of one or the other. A strike may be threatened or in progress. Employees' demands are resisted by the employer until appeasement is resorted to in order to try to continue production. The employees, in fishing for favors, may include profit sharing as one form of bait, along with things like a new bowling alley, vacation trips to Florida, or whatnot. When this happens, profit sharing is not being judged on its own as a matter of principle, purely as a device for appeasement—not the object of this analysis.

The claim of employees to a share in the profits may arise as a diluted form of the Marxian theory of surplus value. This theory asserts that all the product belongs to the employees who use the capital; that none of it belongs to the owner of the capital per se. One who really believes in this surplus value theory should be opposed to any profit sharing plan, because it compromises his belief that the user of the tools has a proper claim to *all* the profits, not just a share in them. Why should he allow the owner of the tools to have any of the profits, under this belief?

And furthermore, how can it be claimed, under the surplus value concept, that the immediate users of those particular tools should get all the profit, as against other users of other tools contributing to the task? If the theory has validity, shouldn't the profit be shared with all the other employees elsewhere who produce goods and services purchased by this particular firm—those who made the steel it bought, those who supplied the electricity and telephones used, etc.? So even according to the

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surplus value theory, profit sharing in the form usually proposed has no validity.

Others who argue for profit sharing will concede that capital owners deserve some reward for their services, but they will contend that the profit should somehow be shared with the employee “partners in production.” Shared how? Half and half? Or some other proportion? The only way such questions can be answered is to pin down the basis for the claim. Who has a valid claim to what—on what grounds, and how much?

Profits and Ownership

Before a thing can be shared, it is first necessary to know its precise nature and amount. What, precisely, are profits?

In business accounting, profit is the amount remaining for the owner out of his income for the period, after providing for all costs other than return for owner capital.¹

Profit sharing from the standpoint of justice, then, leads basically and at the outset to the question of ownership. This can best be seen in its essence by looking at a simple case. A helpful place to start is with a single person who, as a private owner, is producing something without the help of any employees.

Josephus Doakes, let us say, produces potatoes and sells them on the local market. His own time spent on his own land is all that is involved in their production; no employees; no other production expense. He takes a bushel of his potatoes to the local market and sells it for \$2.00. Who can question the fact that since he owns both himself and the land, he thereby has an undisputed claim to the entire \$2.00 derived therefrom? Since nothing else went into its production, nobody else has any valid claim to any of the \$2.00. Each of the 200 cents is his without distinction between the first cent, the hundredth cent, or the two-hundredth cent. Valid claims cannot be made by others, to either certain cents among them or to any proportion of the whole. For to do so would violate Josephus' rights of private property as a free man—as much, in principle, for one cent as though someone were to claim the entire \$2.00.

Now let us assume that Josephus retires to the status of a

landowner-manager, hiring Alonzo Brown to perform all the labor of growing and marketing the potatoes. At the outset the two men bargain for a wage. Josephus offers to pay him either on a piecework basis—so much for each bushel of potatoes he grows and markets—or on an hourly basis for the time worked. Alonzo chooses the hourly wage plan. Then they bargain for the hourly amount. Alonzo looks around at all the other jobs available and finds that the best he can do elsewhere is \$1.50 an hour (a figure Josephus probably does not know, however). Josephus looks around to see what other help he can hire, and finds that it would cost him \$1.90 an hour (which Alonzo probably does not know either). Let us say that when the bargaining is settled and a wage arrived at, it is \$1.70 an hour. It turns out that the end of the season Alonzo has produced and marketed an average of one bushel of potatoes per hour of work. The bushel of potatoes will still sell for \$2.00 as before, since its worth to consumers is not altered by details of the production arrangement about which consumers know—and care—little or nothing.

The Owner Bears the Risk

From the standpoint of ownership, the potatoes till sold were, of course, the complete property of Josephus, just as if he had done all the work himself. Who could argue that the full \$2.00 of sale proceeds does not also belong to Josephus, as before? This is clear if one realizes the nature of the agreement between the two men. Josephus agreed to pay Alonzo \$1.70 for the time he worked. He did not agree to give him a proportion of either the potatoes or of the sales proceeds. The wage claim of \$1.70 stands against Josephus—all his property and income alike, other things as much as the potatoes. The \$1.70 is owed whether the potatoes bring \$2.00 or some other price—is owed, in fact, even if the potatoes cannot be sold at all or if they were to be destroyed by a flood on the way to market.

The point is, so far as property rights are concerned, that the entire product belongs to Josephus until sold, irrespective of whether he produced it himself or hired someone to assist him in its production; that from the standpoint of property rights,

ownership is entire and indivisible. Nobody working to assist in its production has any claim to it whatever, so long as the owner fulfills his contract as to the wage payment that had been previously agreed to. And if the wage has not been paid in full, the claim is against all the owner's property equally with all other unpaid claimants such as the telephone bill, the utility bill, the family physician's bill, or what not. There is nothing peculiar or preferential in the employee's claim, as against any other item of expense.

The Profit Sharing Idea

We may now test the profit sharing idea against this background of the nature of profits and of ownership's rights. Using again the instance where Josephus hired Alonzo at a wage to produce potatoes on his land, let us suppose that it is now argued that Alonzo, in justice, has a right to some share in the profits.

Since from the standpoint of ownership the so-called profits are an indistinguishable part of the entire bushel of potatoes or of the \$2.00 for which they were sold, Alonzo has no valid claim to any part thereof so long as he has been paid his wage, according to the original agreement. Alonzo owns no part of them, any more than does any outside person. There is no way to arrange priorities of rights to ownership among persons, all of whom lack any such rights; and so the employee has no right to any of the profits with priority over anyone else.

And if, by some reasoning that wholly escapes my imagination, one were to argue that under private property Josephus should be forced to surrender some of the \$2.00 to someone else, it would seem reasonable to argue that Alonzo should at the time of the distribution take his place in line with all other living humans. The mere fact that Alonzo happened to be closer at hand as a workman should give him no priority in rights over the telephone operator, or the engineer on the railroad, or some distant Asiatic infant.

It is therefore irrelevant to go into the complex question of how one might calculate fairly the amount of the profit that Josephus should divide with Alonzo. But let's see what one gets

into if he tries. In the instance cited, 30 cents was left over after paying Alonzo's wage for the time he spent in producing the bushel of potatoes. Was there in this instance a profit of 30 cents? And \$2.00 profit, by similar reasoning, when Josephus had done all the work? Are we then to conclude that Josephus could increase his profit by \$1.70 if he did all the work himself rather than to have hired Alonzo? Or if not, what is the "profit" to be shared?

The point is that no matter how the accounting is resolved for purposes such as a corporate financial report, or income tax accounting, it does not alter the rights of ownership—Josephus owns the bushel of potatoes until it is sold, and Alonzo owns the \$1.70 of agreed wage. And Josephus happened to have 30 cents left as a residual for the use of his land and for his management—call it what you will. Alonzo's right was limited to the \$1.70 wage, because he had chosen its certainty rather than the uncertainty of a residual.

Suppose there had been a loss of 10 cents instead of a profit of 30 cents; would Alonzo then claim a share in the loss? Loss sharing is the other half of profit sharing. There is as much or as little of justice and rights in one as in the other. I would say that for the situation described here neither is justice; that the wage was separately and validly agreed to as \$1.70, leaving the loss as well as the profit for Josephus alone to own.

Then there is the point that Alonzo had a profit, in a sense, as part of his \$1.70. The best job he could find elsewhere would have paid him only \$1.50, so Josephus was paying him a benefit of 20 cents above what anyone else would offer. If the profit sharing argument were valid, should Alonzo share his 20 cents with Josephus, and Josephus share his 30 cents with Alonzo?

Whenever one departs from strict adherence to the concept of ownership in the form of personal property rights and contractual obligations, he will have constructed a seemingly unsolvable problem. The tests to be applied are those of property and of contract. However calculated, to whom does the profit belong? Is his title valid and complete? What contractual obligations were made? Have they been met in full? These are the questions to be

asked. And when they have been answered, justice already will have been identified.

Profit Sharing as a Wage

So far we have been speaking of a contracted rate of pay, which is almost universal in our economy. Another approach to profit sharing is to have “profits” made a part of the wage, when arriving at a wage agreement. In other words, if we were to adapt the potato project to such an arrangement, Josephus and Alonzo would not agree on a wage of \$1.70 but would agree on some amount to be derived from the records of account after the potatoes have been sold and other costs determined—on some proportionate basis thereto. Payment by such a plan might become Alonzo’s entire reward, or it could be made a part of his wage to supplement a base pay per hour lower than \$1.70.

Though such an arrangement is perfectly proper, it is erroneous to call it profit sharing. For if profits are the amount remaining to owners after payment of wages and other costs, it obviously can’t at the same time be a figure which includes some of the wage to be paid. A name—even “profit sharing”—does not change the animal. A wage is a wage, not a profit. Profits can’t include nonprofits. And profits are something over and above all wages, accruing to the owner for his ownership.

Basing a wage in part on the financial results of the over-all operation should be referred to by some name other than profit sharing. It is as correct to call it cost sharing as to call it profit sharing. Why not speak of it as merely one form of wage payment, without any fancy name? That is what it really is.

As to whether the employer and the employee want the wage determined this way or that, they will have to decide on a plan and a rate at the outset and whenever wages are reconsidered. Perhaps they will agree on an hourly wage to be paid at the end or at the beginning of each day, or weekly, or monthly; it may be on a piecework basis; it may be some proportion of the outcome of the market venture in general; it may be some combination of these, together with wages in the form of more bowling alleys

and picnics for employees, or De Luxe soap in the washrooms. Whatever the design of the wage plan, it will be valid if it is proper and agreed to by both parties to the employment. But however arrived at as to form, it is still all a wage and not profits.

I do not see how any form of wage payment—including this—can be said to be wrong in principle, provided it is understood in advance by both parties and voluntarily agreed to without coercive force. That goes for what is erroneously called a “sharing in profits” by nonowning employees. One may question this or that plan on the basis of its wisdom, or its effectiveness for purposes of efficiency, but he cannot question it on the basis of rights.

True Profit Sharing

There is only one way by which an employee may share in the profits of the business where he works, and that is by becoming a part owner. To do this he must invest capital in the venture, as would any nonemployee owner, thereby becoming a sharer in any profits and losses along with the other owners. But when he does this, he becomes a dual personality economically; he profits as an owner, as well as benefiting through the wage he receives by working for his owner self. When he does this, he enjoys profit sharing as a result of his owner function, not as a result of his employee function. It is not a method for profit sharing with employees as such, but is instead merely profit sharing with some new owners who happen also to be employees.

Ownership by Employees

It is not the main purpose here to appraise the wisdom of an employee owning shares in the business in which he is employed. But in favor of his doing so might be mentioned its effect in revealing a harmony of interest that should be evident between owner and employee. This becomes more vivid to the employee if he owns a share in the business. He is then less likely to engage in the common processes of economic suicide, typical of labor unions whose activities seem to rely on maintaining a chronic

state of civil war between the forces that must cooperate if they are to live economically.

A point against employee ownership in the business, on the other hand, is that when his savings are thus invested, the employee's total risk is enhanced. For instance, if all a person's savings are to be invested in ownership of the business where he is employed, lack of orders leading to his being laid off or losing his job will come at the same time when dividends are likely to be reduced or suspended. He would lose both ways at the same time. So instead of his savings being a backlog of income available in time of adversity, they become an even more vulnerable object of the same adversity. Perhaps he will even have to sell his shares of ownership at especially depressed, sacrificial prices in order to tide him over the adversity.

Perhaps an employee's savings should be invested elsewhere in some form more safe and stable than his job—at least in some form not acutely vulnerable to the same adversities which affect his job. It would seem far better to place his savings where they are not so likely to suffer adversity at precisely the time when he will need reserve income. This severance of the two is hardly possible, of course, in a small self-owned, self-managed business wherein the advantages may justify the risk involved.

The more savings the employee has, of course, the more risk he can afford to take—the more safely he can put a part of his savings in the business where he works, as well as elsewhere. To the extent this can be done with safety, the more there will be *true* profit sharing at its best.

Profit Sharing Inherent in Capitalism

A discussion of profit sharing seems hardly complete without at least mentioning a form of employee benefit already existent throughout our entire economy to an amazing extent. It is a by-product of the capitalist system of private ownership and free exchange. Though it is not participation in profits in the usual sense of that term, it is participation in the benefits that flow from savings and invested capital, and it goes widely to the users

of the tools. It is, in other words, precisely the same sort of thing aimed at in the Marxian theory of surplus value, only it is the user primarily rather than the owner of capital who is really getting the “unearned” benefit. The idea, briefly, is as follows:

As a consequence of the savings of capital invested in the tools of production in the United States, it has been estimated that as much as a nineteenfold increase in output has resulted, in contrast to what the same person would be able to produce if he were to work equally hard or even harder without the aid of these tools.² Looked at in this light alone, it can be said that as much as 95 cents of every dollar of production in the United States now is a consequence of savings that have been invested in tools—savings and investment primarily by others than the employees hired to operate them. One might say that this amount deserves a description usually affixed to profits, in that it arises out of the production made possible by the savings and tools; that otherwise the enhanced production would not be there even if the same laborers worked equally hard without any such tools.

The other 5 cents of the average person’s income dollar, then, can in this sense be said to be a just wage for effort exerted, if we were to measure justice by what it could produce in the absence of these tools.

But when we look at the economy from the standpoint of who gets the fruits of production, we find that the owners of capital get only 15 cents instead of the 95 cents; that users of the tools get 85 cents instead of the 5 cents. Of the “profit” figure measured in this way, then, the users of the tools are already getting 80 cents out of the 95-cent amount which the tools make possible; the owners get the other 15 cents. That is a sort of profit sharing, if one wishes to think of it in the sense of a profit which tools make possible—an automatic consequence of a capitalistic, free exchange economy.

The fruits of this form of profit sharing go to the labor force of the entire nation, more or less alike and without discrimination, rather than just to the employees of a selected individual plant or business. In a degree, it goes to the labor force of the entire world, too. If we want the benefits of production to be widely

dispersed, we get it under a system of private property, individual enterprise, and free exchange as a sort of automatic consequence of the free decisions of all participants. It is "profit sharing without special privilege," one might say, with opportunity for all.

NOTES

1. This differs from a concept of profits in theoretical economic analysis which uses the alternative opportunity cost for all factors of production. Whatever else may be said for it, the alternative opportunity concept is not one that a business accountant can use to measure profits as they are considered for this purpose.

2. "The Greatest Economic Charity" by F. A. Harper in *On Freedom and Free Enterprise* edited by Mary Sennholz. Princeton, New Jersey: D. Van Nostrand Company, Inc., 1956, pp. 94-107; reprinted in this volume, page 564.

Property and Its Primary Form

One day in the late 1940s, a former student of mine at Cornell University honored me with a visit as he was returning to complete his doctorate after a sojourn at Harvard. During our conversation he said: "I have come to believe that too little attention has been given to private property and ownership in our study of the problems of liberty."

I probably recoiled a bit from the accusation, feeling that I had always recognized its importance. But I was perfectly willing for him to give it more attention if he wanted to; that would help keep him out of mischief.

Prior experience with this quiet, thoughtful student who had an effective way of teaching his teachers must have left its impact. From whatever cause, as the days and weeks passed I found myself unable to shake off the impact of his comment. The concept of ownership began to come into focus in ways it never had before.

It is irrelevant to our purpose here to recount, step by step, the added insights into the importance of the problem. I would only point out how perplexing problems began almost to solve themselves when I finally began to analyze every question with this preparatory question: Whose is it? For when I did that, it became clear time after time that the perplexity had arisen from trying to decide for others what they should do with *their* property. To attempt that is to try to solve the unsolvable. I would usually discover that it was none of my business what the other person did with it, in addition to its being unsolvable.

What I propose to do, then, is to raise certain questions I shall not presume to answer here. And further, I should like to propose for critical analysis one aspect of property and ownership that seems to have been neglected out of all proportion to its importance by those who have studied the problems of mankind in society.

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History of Property Concept

Property as a concept has a long history.

If Rousseau had spent more time in the fields, forests, and jungles rather than in the sidewalk cafés, he might not have written his famous *Discourse on the Origin of Inequality*. In his book, the “noble savage” was portrayed as ignorant of any property sense, supposedly being happy and peaceful in that animal-like existence of ignorance.

Even before the emergence of man in recorded history, evidence suggests that the property concept prevailed among animals. This is seen in the manner by which animals still treat possession of space and abode, presumably as they did in the dim and distant past. Ardrey tells us that the innate urge for “territory,” which in the context is another name for property, exists widely in the animal world and is even stronger in many instances than is the sex urge. There is no government as we know it and no formal organization, yet we see the disposition to preserve domain over what is necessary for their continued existence in this animal world of property rights. Ardrey concludes: “The roles of territory, of dominance, and of society in the play of our ancestral instincts exist without question, and by their existence cast extraordinary doubt on the most precious premises of a post-Freudian, post-Marxian world.”¹

Rousseau’s evident and profound error, however, was accepted by all who breathed the air saturated by his influence in those crucial early years of the nineteenth century. Hearnshaw aptly described him this way: “Rousseau, in short, was an amazing anomaly; a thinker who, because of defective training and inadequate powers of concentration, was able to hold at one and the same time radically incompatible beliefs. . . .”²

Faucher tells us that the distinction between mine and thine is as old as the human race, as early man sought to extend identity to things as well as to himself and other persons. I see no reason to disbelieve this early origin of the property concept, because its necessity is evidenced in even the lower forms of life. Sheer survival depends to some degree on this trait and we may assume that any species lacking it or losing it was retired to the archives

of archeology. Whether the property sense was an inborn sense or came from some other means of knowing is not important to us here. We shall merely observe its existence as a functioning concept.

We, as humans, must have acted wisely for purposes of survival and advancement, and yet without any formal comprehension of property during most of our history. We did so in a manner like failing to walk off cliffs; like breathing and eating enough of the right things; like all sorts of actions necessary for survival, though without any formal knowledge of the intricacies of physics, chemistry, or nutrition.

From the standpoint of formal thought about property, Cicero was a pioneer; he developed the thought that the earth became the patrimony of labor. And shortly thereafter, Seneca in his wisdom recognized that property is an *individual* right at about the same time as the Christian religion was emphasizing the religious counterpart of the moral responsibilities of the individual. Seneca offered this view of property in an era when the rights of the state were considered to be sovereign. Yet after this helpful beginning, one can search largely in vain the writings of philosophers and embryonic economists during the intervening years for extensions and development of the concept of property and ownership; most of these authorities hardly even recognized this problem in their writings.

The physiocratic school probably pioneered in their understanding of the great importance of property in a formal sense. Of course, they failed to foresee certain important criticisms which later would be leveled at private property; but Charles Gide says of such works as Abbé Baudeau's *Philosophie économique*: "The reasons which they advanced are more worthy of quotation than almost any argument that has since been employed by conservative economists."³ And yet even Quesnay, dean of the physiocrats, did not bother to define property except in one of his treatises on natural law.

Adam Smith apparently considered property as unworthy of much discussion and hardly mentions it, much less defines it. Nor did he analyze it in either its moral or economic aspects where he was so distinguished.

J. B. Say, in his famous work on political economy, considered matters of the origins and underlying aspects of property as unworthy of his attention. He saw little or nothing to say about it except that it exists.

The contemporary books that have devoted major attention to property and ownership are few indeed, aside from those dealing with the details of government processes and court cases. Even distinguished economists we revere have explored this subject very little. Why this neglect? And why has so much of what has been written either disparaged private property and ownership or progressively chiseled away the corners of its claim to merit? The work of Saint-Simon and his followers on this matter has ruled long and with little formal, intelligent challenge.

One wonders what happened to the fine beginning made by David Hume, who believed that the right of private property was the basis for the modern concept of justice in morals.⁴

As to the neglect of this important subject, I would venture to offer several reasons:

1. Failure to see why property underlies all human liberty in society, insofar as it merits our concern.

2. The historic belief that ownership is one form of sinfulness, to be avoided and prevented as much as possible; the belief that if one person owns anything, he thereby is taking it from others who have an equally valid claim to it in equity; that aside from the Creator's claim of ownership, property should all be owned by everybody and available to everybody equally, as a collective of humanity and not as individual persons.

3. Even those who have upheld the propriety of private ownership of property have treated it as self-evident and needing no further explanation of justification.

4. As some specific extensions of the preceding point, there has been failure to identify certain underlying aspects of the right of individuals to own property, such as:

- a. How could a valid claim to property by any person arise in the first instance? For without this, how could any of the subsequent claims be valid?

- b. How can increases in value be allowed to become the prop-

erty of a single person, since these arise solely from increasing scarcity which the single owner did nothing to create by laboring to produce it in the first place?

c. How can it be said that a private owner should hold any basic claim to the possession and use of an item of property, when it should be clear that if he fails to use it or uses it for his own purposes, he is thereby denying to all others what should equally be theirs; that, therefore, the basic control—which is the essence of ownership—should be in the hands of the collective of persons, to be administered through their agency of government?

d. If there is no economic function that ownership performs per se, how can personal gain from property be permissible in justice?

If these should be among the important reasons why the subject of property has been neglected so pathetically, and thus allowing private ownership to lose by default, they deserve some concentrated thinking by highly qualified minds. Some brief comment about them may bring the questions into clearer focus.

Scope of Property

First, on the matter of neglect in realizing the fundamental importance of property and ownership, the scope of our concern becomes impressive under the definition of property which will be presented later.

It should be clear that concerns about property underlie absolutely every aspect of economic affairs. Since economics, by definition, deals with all things that are both desired and scarce, it deals, therefore, with all things of worth—property and all its associated phenomena in society. Every item of property must be owned by somebody, or by somebodies in some form of collective arrangement. Value cannot exist without an owner. It is only *who*, not *whether*, that becomes the question about ownership. The popular myth of unspecified ownership in common conceals the fact that even there certain specific persons in power have control—and therefore ownership—of that property.

When it is realized that property underlies each and every

aspect of economics, it is difficult to understand why it has been so much ignored throughout the history of economic and philosophic thought.

It should also be clear that property underlies every aspect of human liberty which justifies our concern.⁵ Why? Because it is only by depriving us of ownership of things that are desired and scarce—economic concerns in property—that makes it possible for one person to trespass upon the liberty of another. In all other aspects of one's life his liberty is not subject to serious restriction by his fellow men, because by definition all else he desires is in ample abundance so that when some person commandeers a part of the supply there remains all anyone else wants.

I can think of no exception to this all-pervading nature of property in relation to aspects of human liberty that justify our concern. Failure to realize this and the overwhelming implications must be one important reason for historical neglect of the property question. To illustrate, no less an intellect than Max Eastman once confessed: "It seems obvious to me now—though I have been slow, I must say, in coming to the conclusion—that the institution of private property is one of the main things that have given man that limited amount of freedom and equalness that Marx hoped to render infinite by abolishing this institution."⁶ And even then, in this expression of his discovery one wonders if he saw the full significance of property, for note that he said only "one of the main things."

Alleged Sin of Ownership

The concept of private property had no function for Adam, though we may assume he wanted things he did not have, at times.

As Eve and others joined the fray, things increasingly became economic, and the issue of "mine vs. thine" came to have meaning and purpose. Property, then, has been a problem to be resolved somehow since the dimmest recesses of man's history. The earliest people in society doubtless shared in large measure our modern lack of any complete solution for the problem. The

occupation of theft and marauding does not reduce the scope of property; it only evidences confusion about a code of property rights by which all should live.

It seems likely that the sense of property first arose among things of economic worth related to hunger—things nearest the stomach, so to speak. This includes the game that had been caught, the fruit and nuts that had been gathered from tree and bush, as the first items to be treated as property. Then, presumably, as tools of crude fashioning used to gather the game and other food came into being, these probably found their place among the list of property items.

Later—much later—things such as land became recognized as objects of property and lengthened the list still further. But this step must have awaited, in the main, the domestication of plants and animals and their attachment to some specific piece of land—plants and trees with their roots in the earth at one place and animals that someone restrained on a certain piece of land. When this step was taken in agriculture, specific pieces of land became objects of identification as property.

As mankind advanced more and more in an economic sense, property items increased apace to take care of the widening scope of value. Tangible tools and intangible ingredients of economic production, in all its highly complex forms, acquired value and became property. So the list lengthened still further.

In all this historical development of property about which we have speculated, another influence has been the social arrangements in which people lived. Aside from the institution of the family, mankind apparently aggregated for purposes of mutual assistance in protection and perhaps sociability at an early date when property was only in its embryonic stages. And this influenced the development of ownership units correspondingly. In any event, Faucher tells us that land was owned historically by the tribe before it was owned by the family; that it was owned by the family before it was owned by the individual.⁷ In other words, ownership has tended historically to move from the larger aggregates of society down to smaller units, finally reaching the single person in relatively recent times. Even though

there were distinct evidences in ancient Rome of individual ownership, no member of the family other than the patriarch himself was allowed to own and bequeath property.⁸ Thus, from viewing the property concept historically, it seems fair to conclude that common and aggregative ownership is the one truly archaic; that the concept of individual ownership as a universal right is still in its infancy and “the wave of the future.”

Out of those dim and distant practices of ownership by aggregates of persons we seem to have carried over the idea that it is somehow sinful or wrong for an individual to own property. In our time it is still widely asserted that for one person to own an item of property is akin to theft of it from others in society. This is clearly a remnant of the idea of collective ownership as the only just form; and that if any single person claims it, he is being unjust to his fellow men in general.

Buttressing this same view of justice embodied in collective ownership has been the continuing proclamations and interpretations of clergymen and religious leaders in numerous instances. By this type of thinking, one is being sinful to use or possess anything at all, or at least anything beyond the necessity of bare existence. Each person among the multitude is thus supposed to give his all to the multitude—and somehow increase the total as measured in justice if not in bushels. This admonition is said to arise from the concept that the Creator created everything and that we are robbing Him if we consume or possess or use economic things beyond sheer necessity for survival. And so, since all belongs to the Creator, it is argued that we are supposed to give items of value to someone else. If this seems to be stretching a point of view, it may be recalled that no less a reputed authority than Professor Richard T. Ely held that Karl Marx is a crusted Tory as compared with Jesus, and that “anyone who accepts private property in any form whatsoever, even in matters of consumption, must reject Christ.”⁹

By the same terms used in this argument against the first person owning a thing, by what right could a second person have it instead? Is it not an argument, if valid, for universal suicide by starvation and exposure? The calculus of it is difficult for the

mind to grasp, and yet its influence over history and still in our time cannot be denied. The ethical overtone of the archaic viewpoint still dictates many governmental laws and legal interpretations.

The long prevailing and continuing view that private ownership is sinful has another serious consequence, which is to have discouraged scientific and philosophical attention to the deserving subject. Were it similarly held, generally, that horseless carriages were a work of the devil, motor transportation would still be largely the dreams of "sinful" minds.

Property as a Self-Evident Fact

Proper credit should be given to the few great minds who perceived at an early date the importance of private property as a social organization. But many of these persons considered it to be self-evident that there was property, so that devoting any time or space to discussing it was wasteful and unnecessary. The fine work of Quesnay has already been mentioned, and yet he failed even to define it in all except perhaps one treatise on natural law; his contemporary, Turgot, seemed acutely conscious of the origin and importance of property, yet failed to deal with its principles or forms to any degree. And we have also mentioned the surprising neglect of the subject by authorities such as Smith and Say.

As to more recent times, many persons consider the classic eleventh edition of the *Encyclopaedia Britannica* as the most complete and reliable encyclopedia of information on developments up to the time of its publication. But note the extent of its treatment of "Property"—only one paragraph of 172 words! The reason for this neglect is not clear, but at best we can hope that it was not considered as sinful even to discuss it.

Coming now to the contemporary works on economics, the absence of any formal treatment of property and ownership is striking in book after book where one might expect to find extensive discussion of it. Rather than to give details here about these many fine books in other respects, I shall leave to anyone interested the task of reviewing for himself the literature from

that standpoint. Few books have dealt with property, either, as a specific object. Those like the distinctive ones by C. Reinold Noyes and Gottfried Dietze have a high scarcity value.¹⁰

The view of property as a self-evident fact is reflected in the major emphasis on governmental processes and legal technicalities, rather than of the deeper philosophic and economic aspects, in all the books and bits of books that deal with the subject. And most of the others which dealt with it at all treated private property as sinful in some respect or degree. For all who feel otherwise, the literary arena is still critically uncrowded in that corner.

Alleged Origin by Theft

Another point of great importance is that of whether or not the institution of private ownership originated in theft. This, it seems to me, has been seriously neglected. The assertions that property originated in theft have been so dominant that many persons may even believe it to be the meaning of original sin.

The original alleged thefts are said to have then continued throughout man's history, especially by the device of national conquest and governmental confiscation. A group of anarchists of the socialist variety, of which Proudhon is exemplary, have always held that private property is the essence of privilege and the parent of all other kinds of privilege, with the state acting in the role of bulwark for the process.

When a stork came along and set Joe Doe down in some field or forest, it is not to be denied that the land and trees and all their likes in the sense of the earth and the sea were already there when he arrived. He did not create them. At that point, he had done nothing to change them for better or for worse.

A common story goes like this, in effect: Some other Joe Doe, soon after birth, learned to walk and pick up sticks and stones. Being an inventive genius, Joe discovered that he could walk around a piece of land, drive sticks in the ground with stones at the corners, and proclaim that "This piece of land is mine forevermore."

At this point the labor theory of value enters this analysis of the

“original theft” as a crucial question. Since the inventive Joe is said to have done absolutely nothing in creating the land or making it better in any way, it is thus alleged that he obviously stole it. He had ground no stones to bits to make the soil; he had not even leveled it, or moved a spoonful of dirt other than by driving the stakes into it.

I shall only say here that this theory deserves much attention, analytically. For unless we can establish in logic a clear title for the first owner, we are plagued with the charge of chronic theft in every subsequent claim to its ownership into the infinite future, in dealing with all matters of property.

Blackstone—who, incidentally, himself speaks of property as something “unconnected with his person,” which raises a moot question with which I shall deal later—regrets that “few men seek to investigate the foundation of these rights. . . .”¹¹

Theft in Continued Ownership

Closely akin to the question of whether the original claimant of an item acquired it by a process of theft is the question of whether the continuation of successive ownership is likewise by processes of theft. But there is a difference between the two questions that requires separate analysis.

If we accept the position that no valid ownership can arise from theft or follow any point of theft in its exchange, the reestablishment of validity in its ownership requires that we go back to the first theft and put it on the track again by restoring it to its proper owner. Or, perhaps, validity could be restored at some other point by establishing ownership which creates, in effect, someone as an *original* owner again. This means, of course, that there must be a basis for validating any first claim to any part of Creation, or otherwise there could be no valid claims to private ownership of anything anywhere. It is for this reason that I have preferred to separate the question of whether an original claimant is or is not practicing theft. Did he steal it from someone else who wanted it—valued it, economically—at that time, or did he merely use something in which nobody else saw any value as a specific item to be owned?

Once ownership of an item is originated—and for present purposes we shall assume no theft was involved—we are then confronted with a different sort of question: How about the validity of ownership after one or more other persons likewise come to value the item, and would claim it as owners if they could? The distinction between the two questions arises from the fact of there being multiple claims, in contrast to a sole and single claim of some original owner of anything.

The problem of continuing ownership, in turn, seems to me to break down into two parts:

1. With passing time and changing conditions, the value of a thing changes either up or down. If the change is upward in value and did not arise from changes made in the item by its owner, how could it be argued that the increased value should belong to him? He had done nothing to enhance its value, by this argument, so any and every other person worked no less to bring about the increase than did the owner-claimant; the others, therefore, have as much right to its appreciated value as he does, leaving him with an invalid claim to the increase.

2. Mere possession of an item by its owner creates a question in justice. The question may be posed thus: What is wrong with theft is that it strips the owner of the advantages of using the item; and isn't that all that is wrong with theft? If so, it may be said in like manner that private ownership of any item bars every other person from the advantages of using the item, for precisely the same reason.

The self-esteeming advocates of private property may assert that the answers to such questions are clearly self-evident; that, as was evidenced in the work of the classical economists of fame, these questions do not even warrant their attention.

It is neither the place nor my purpose here to deal at length with these particular questions, but perhaps the direction my answer would take might be suggested. The condition that gives rise to economic worth in the market place is that two (or more) persons want a thing when only one exists. It should be clear that there is no way to prevent this situation merely by settling ownership on one or the other. To give it to one person leaves the other

bereft, whichever is chosen; and to give half to each leaves both of them in semidisownership. The best that giving it to a third party could accomplish is to leave both of them without property. The situation will be mitigated, therefore, if ownership is vested with the one who wants it most, and this is a decision to be arrived at through the market process. Any other solution will necessarily worsen the conflict of desires.

An important point to be kept in mind in any such questions is that neither of the duplicate desires for the item, nor the limitation of its supply—the two factors causing the condition leading to ownership—will ever pass away by worshipping at the wishing well. If someone chooses to speak of this unavoidable condition as “theft,” he is only asserting that theft is a necessary and permanent condition in our society. In submitting any proposal to vest ownership elsewhere than with the person who bid highest in the free market, he is only nominating someone else of his own choosing to be the alleged thief instead.

The Legal View

Before attempting to define property and ownership, some prior issues need to be recognized. One of these is the legal vs. the nonlegal view of the matter.

Bentham serves to represent a long list of authorities who have asserted that property did not preexist government; that property is purely a creation of the laws which society enacts through government; that, therefore, property exists only by a grant of privilege under the power of collective political might.

Mirabeau once expressed the view this way: “*The law alone constitutes property*, because it is only the political will which can erect the renunciation of all, and give a common title, a guarantee to the use of one alone.”¹²

One may hasten to conclude that this is true when it is noted that in the oldest known legal system—Egypt, running back to about 4,000 B.C.—an important function of the king’s palace was to house the records of title, boundaries, wills, and contracts.¹³ But this is evidence for the conclusion.

Among those who have differed sharply from this legalistic view of property was Charles Comte, who said with impressive logic: "It would, perhaps, be more correct to say that it is property which gave birth to civil laws; for it is hard to see what need a tribe of savages, among whom no property of any kind existed, could have of laws or of a government."¹⁴

In the opinion of Sir Henry Maine, from his distinguished and thorough studies, earliest law is itself "a habit" and not the "conscious exercise of the volition of a lawgiver or a legislature."¹⁵

These two sharply contrasted views have divided the great minds of all time on the nature of property and ownership. Most social scientists, I fear, have hardly advanced their thinking in this area far enough to see clearly the question, namely, whether property and ownership preexist the processes of government and are basically independent of them as such, or whether they are purely the creation of government. This would have to be resolved before any clear definitions of these concepts could be determined.

The Theocratic View

Before attempting to define property and ownership, one can hardly ignore another issue, the theocratic one.

According to one view of the matter, all of Creation is owned by the Creator. No human, by this view, may acquire a clear and exclusive title to any part of Creation as private property—legally or extralegally, formally or informally. At best it may be said, these persons aver, that we human inhabitants of this part of the universe are being allowed by the Creator to use some of His created materials for our use as tenants and for the duration of our stay on earth. For this we pay Him no rent as such, of course, and have no exclusive or enduring claim to its use that would allow us to transfer its use or ownership to some other person of our own choosing. Valid and full ownership, they say, is therefore impossible for any individual person. The theocratic view then may hold that the government is His agency here on

earth for handling all conflicting claims and desires for the use of limited items of usefulness, operating as landlord or manager of the property.

It should also be observed, however, that it is possible to hold a religious view of Creation without going this far in an acceptance of any governmental function as managing director of the created property.

The view that the earth was originally owned in common to all men, and should therefore remain so, was held by the Stoics and by certain Fathers of the early Christian church.¹⁶ The same view has been echoed since by many persons, such as Professor Ely.

The theocratic view is perhaps nowhere else so concisely expressed as in this biblical verse: "For all the earth is mine."¹⁷

For poetic beauty and completeness some would prefer: "The earth is the Lord's, and the fulness thereof; the world and they that dwell therein."¹⁸

Others may raise the interesting question of the meaning of: "Thou shalt not steal."¹⁹

Or how about the implied meaning of the question: "Is it not lawful for me to do what I will with mine own?"²⁰

Important as are these underlying religious questions about creation, it seems to me they are not necessarily involved in our consideration of property and ownership among persons on earth for the duration. The problem of those other matters are of another dimension. Whether one be a devout atheist or a devout patron of a faith that considers all to belong to the Creator and that therefore nothing in that sense belongs to mortal man, he must face the same problem of how we shall deal with one another here and now while the show of earthly life is in process; how shall we resolve these problems as they arise? Neither the religious nor the secular view would seem to necessitate giving any property privilege to one person that is denied to another.

If the view is held that all belongs to the Creator, for instance, and that it cannot belong exclusively to you as an individual, such a limitation of your powers of ownership of created property would hardly give you a license to dictate to other human beings

what they may or may not use during their lives; or what they may or may not do with their claim on property at the time of their death.

So for purposes of our present discussion, I would prefer to avoid completely this interesting theological question. And if someone should contend that all creation belongs to the Creator, and that we function only as His tenants, perhaps we can at least speak of property and ownership as being at a lower—but real—level of dealings of persons with one another. It still can be held in logic, I believe, that none of these contemporary mortals may properly assume a superior status in this creation. We could then go on with our discussion of the problem, using terms for a common problem that faces atheists and religious members of our earthly society alike.

Defining Property and Ownership

A review of the literature of economics and other treatments of interhuman affairs shows us that they are acutely lacking in definitions of property and ownership. To be sure, the physiocrats contributed some clear understanding of the importance of property, and the Scottish school of Locke and others gave us some noteworthy starts on defining its nature. All this should be rediscovered and extended. Once we clearly define our key terms and the question, we shall probably be far on the road to solutions of perplexing issues in our time.

As to the definition of ownership, it too has suffered the neglect of the ages. And what is worse, discussions of even the learned authorities have shuttled carelessly back and forth between property and ownership, as though they were two words for the same thing. It is, on the contrary, extremely important for any precise thinking to distinguish clearly between what is owned and those attributes of attachment that we call ownership. To fail in this would be like speaking indiscriminately of a picture and the nail by which it is hung on the wall.

We are now prepared, I think, to consider some definitions:

Property is anything to which value attaches and endures in the time dimension, so long as it is susceptible to identification and is

also possible of separation enough so that it may be exchanged from one person to another, insofar as its features of value are concerned; it may be either tangible or intangible, provided these features of identifiable and durable worth inhere.

Ownership is the placement of these features with some person (or persons, in a manner whereby their separate identities survive) so that he may enjoy rights of possession, use, and disposal of its worth thereby.

Irrelevant for purposes of definition is the question of why an item has value for the person. It matters only that one or more persons attach value to it, for any reason sufficient alone to him. All that is required is that the person desire it, and that a scarcity makes it unavailable to him free of cost or sacrifice in order to get it.

Duration of the economic worth beyond the present instant is one of the requirements of property. This is what gives property its capacity for identification, in part, for future possession, use, and exchange. It may be tangible or intangible, physical in nature or other, and wanted for either "consumption" or "production"; such distinctions do not matter for this purpose. There is needed, of course, something that will serve to identify who has it and who does not have it. The *who* becomes our crucial question, but beyond my purpose to resolve here.

The durability need not be permanent, in whole or in part. The value of an item of property may diminish and eventually disappear totally, and commonly does. So long as some value remains, it is still an item of property.

Property is by its nature something, of course, that exists in parts or pieces, and it is those with which we deal and of which we speak.

The Origin of Property

As my final point, I wish to suggest briefly a view I now hold about property which not so long ago I had neither accepted nor rejected, because I had never consciously considered it. I now feel, however, that it is an extremely important part of the whole question of property and ownership.

Traditionally, the issues of property and ownership have been said to arise only as the population increased to where they crowded each other for survival in items of food and the like. This view invites the common belief that property originated in the forest and stream, and that the primary objects of ownership were these essential items to preserving one's life. It has led to what might be called the *hyperopic* view of property which has always prevailed—the view that property refers to something separate from the person himself, usually of a physical nature.

I now believe this view to be wrong, basically wrong, in an important respect. The *primary* object of property and ownership which antedates all others and is superior to all others in its importance is *self*. It seems to me that all other items are secondary to this. And using this concept of primary property, questions seem to be answerable with relative ease and certainty, using self-ownership as the premise.

It may seem strange that self-ownership has been so tardy in considerations of property and ownership in general, since mankind has always lived closer to himself than to the forest and stream where property matters have always been focused. Though he could not escape from himself physically, he seems to have done so mentally in past developments of property concepts. One is reminded in this connection of the pattern of development of the physical sciences where astronomy gained a lead of thousands of years ahead of human biology. In fact, the latter has only recently begun to emerge fully. So perhaps we may be excused for our hyperopic tendencies in the social sciences.

The reason for including the person as an item of his own property is that he possesses all the required features giving rise to the condition of property:

1. Desired.
2. Scarce.
3. Durable, in the time dimension.

You are presumably desired by yourself, and hopefully in addition by your spouse and offspring and others.

You are scarce, extremely scarce, just short of not existing at

all. No assembly line can conceivably resolve the problem of your scarcity.

You are durable—we hope.

The condition necessary to prove the property aspect of the person could be evidenced here and now, except for certain taboos and social amenities, merely by putting you on the auction block. For most of the history of the human race this practice has been accepted and commonly practiced. In a sense we still practice it everywhere in the world, though at the continuous auction (in effect) many of us keep bidding ourselves in as the highest bidder. Those who are not their own highest bidders customarily limit the sale of themselves to some minor proportion of their lives at some prescribed tasks—or at least some prescribed location—for a day, a week, a month, or a year, and at some specified sales price. By one view of the matter, in another form we are said to lengthen the span of the sale “until death do us part,” which is perfectly legal if some town clerk or other licensed witness officiates. And still others, in unfortunate ways, fail both to be their own highest bidder or to accept higher bids of others in any form; they are the ones who jump off bridges, or otherwise terminate their property problem in some tragic way.

As I now see the matter of property and ownership, the first person singular is the *primary* form from which all other forms of property arise. It is the prior and superior form. All others are secondary, because they could not come into being without self-owned beings to make them their property; they cannot arise and stand conceptually by themselves, without the primary form of property as a pedestal on which to stand. To focus the question even better, we might ask ourselves whether a slave could own anything basically and completely from the standpoint of justice, if we start by denying the slave his self-ownership. To say that he could do so would be like saying that your cow owns her calf and the milk she produces.

Finally, I would suggest that this view of self-ownership as primary property, from which all other property arises as derivatives, does not rest on the labor theory of value; nor does it rest on any comparable value theory. It rests on the subjective

evaluation of worth, with all market prices determined in the market as with other things of worth.

The origin of all economic property and claims to ownership, then, is to be found in self-ownership of persons and thence on to derived and valid claims to all other forms of property. He acquires these other things, in part, by using his own labor to "create" something from the tools made available to us by Creation. If we will approach the problem of property and ownership through this door, I believe the clouds of uncertainty and misunderstanding will fade rapidly away.

As one timely example of this approach, how would the issue of "civil rights" or "minority rights" be resolved by this approach to involuntary servitude of anybody, in whole or in part?²¹

NOTES

1. Robert Ardrey, *African Genesis* (New York, 1961), p. 167.
2. F. J. C. Hearnshaw, *A Survey of Socialism* (London, 1929), pp. 142-143.
3. Charles Gide and Charles Rist, *A History of Economic Doctrines* (London, 1915), p. 41.
4. Henry D. Aiken, *Hume's Moral and Political Philosophy* (New York, 1948), Book III.
5. For the author's meaning of liberty, see *Liberty Defined*, Mont Pelerin Society meeting of 1957, St. Moritz, Switzerland; reprinted in this volume, page 355.
6. *Reader's Digest* (July 1941), p. 39.
7. L. Faucher, *Cyclopaedia of Political Science, Political Economy, and of the Political History of the United States* (New York, 1888) pp. 383-391.
8. Justinian's *Institutes* (Sandar's translation).
9. Gide and Rist, p. 538n.
10. *The Institution of Property and In Defense of Property*, 1936 and 1963 respectively.
11. *Blackstone's Commentaries on the Law* (Washington, 1892, Gavit edition), p. 218.
12. Faucher, p. 385.
13. John Henry Wigmore, *A Panorama of the World's Legal Systems* (Saint Paul, 1928), Volume I, p. 12.
14. Faucher, p. 385.

15. *Ancient Law* (London, 1917), p. v.
16. Bruno Leoni, *Freedom and the Law* (Princeton, 1961), pp. 52-53.
17. Exodus, 19:5.
18. Psalms, 24:1.
19. Exodus, 20:15.
20. St. Matthew, 20:15.
21. See an interesting interpretation by Alfred Avins, *Cornell Law Quarterly*, Vol. 49, No. 2, pp. 228-256.

III
Humane Studies

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Humane Studies

Education

What College—If Any

Two million students will soon pack their trunks and be off to college. The yearly cost of this gigantic enterprise of “higher education” is some four billion dollars—enough to deserve careful attention by those who will pay the bills.

As parents, we have little direct control over its spending. Each college board picks its president, the president picks the faculty, the faculty members pick the texts, and so on. Parents may send up wails of complaint about this or that, but whether these effusions from afar are heeded or not depends on the wishes of those holding the reins of official control.

Indirectly, however, the consumers of higher education have a form of vote which speaks more forcefully, even if less loudly, than these wails of complaint. Each casts a vote for the college of his choice—two million votes to be cast this year for certain colleges, and untold millions of votes to be cast against the other colleges. In the final analysis these preferences will rule the empire of learning. Lack of a favorable vote can close a college, just as lack of consumer acceptance can close an automobile factory.

This sort of voting is done quietly in the living rooms of the land. Yet the power of this vote in the peaceful market of free choice has been all but forgotten amid the tumult and shouting of this era of reliance on political processes. In politics, the vote of the person among a minority carries no direct power in the

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decision; and furthermore, every excess vote within the majority is superfluous. It is different in the nonpolitical free market where each vote—even a minority vote—carries a direct power equal to that of any other, actually and effectively. Just as each consumer's vote against a certain make of car moves the manufacturer one step closer to no business at all, so does an adverse vote against any college tend to close its doors. So Junior becomes a very important person when he picks his college. Although he has no direct power to say how any certain college will be operated, he has a real voice in whether it shall operate at all.

Perhaps Junior will decide to vote against them all, and not go to college. Such a decision might be wise for him, even in a nation where no respectable young person is supposed to be caught with his diploma down; where sheepskins are worshipped per se. Not everyone should go to college, any more than everyone should try to be a concert violinist or a major league ball player. And Junior may be one of those who should not.

A leading college president recently had the wisdom and courage to assert publicly that education profits by exclusion. I'm sure he would say the same thing about baseball or opera or any of the other highly selective fields of endeavor. With wide differences in the types of abilities of young people, why should \$5,000 to \$10,000 be invested in something the person is not duly fitted to do? This sizeable sum of money and years of his valuable time would be better invested in something for which he is suited.

But let's suppose that Junior gives promise of making a college education a good investment. Then, which college?

Who Shall Choose?

I would argue that the choice should be Junior's, not his parents'. After all, it's Junior's future that is at stake. He is the one who will have to endure the consequences of the decision, not his parents. It would be unfortunate for him to make a mistake, but it would be even worse for his parents or anyone else to make a mistake for him and impose it upon him against his will.

It will be argued that if the parents pay the bills they should choose the college, on the theory that he who pays the fiddler should call the tunes. But it is possible to saw one of the horns off this dilemma. It can be done by letting Junior pay for his own college education.

At the age when he would start college, Junior is old enough to earn his own living; and he is as physically fit to do so as he will ever be. Why not then conclude that what he does with his time and money should be a matter of his own decision, on his own responsibility?

He probably lacks the necessary \$5,000 to \$10,000. And it may seem ill-advised to postpone a college education until he has saved that amount. But if his parents consider his honor and credit to be good, they can loan him the money. If not, what purpose might a college education serve, anyhow? The first rule of true learning is that it must be wanted if it is to be acquired. Children sent to a reform school, for instance, are not avid learners.

A college student who is paying his own way is likely to have figured out the cost to him of every hour spent in the classroom, and will be most anxious to help make it worth the cost. He will appraise it with as critical an eye as the bicycle he is thinking of buying with his own money. In that spirit, learning will be at its best for the teacher as well as for the student.

A parent who follows this plan of letting Junior pay his own way to college may be accused of being a Scrooge or a Shylock. The accuser can be reminded of the eventual rights of inheritance, and observe that at the later date Junior may be even better able to endure the dangers of an outright gift and use it wisely. At least we must face the fact that if freedom is to be instilled in the minds of youth, it is imperative that they shall be trained in self-reliance at as early an age as possible. And one way to instill in them the idea that the world does not owe them a living is to begin as early as possible to have them practice managing their own affairs and paying their own way from their own money. Certainly they should begin to do this before they attain the age of majority and have already graduated from college.

Parental Advice

Leaving the choice of a college to Junior does not preclude parental advice. The acceptability of advice will be in proportion to the respect already established for its source. And in the voluntary society which we as libertarians espouse, how much further should we go in this matter of selecting Junior's college than to give him facts important in the choice, and help in weighing them?

Above all, we would want our child to choose a college where learning in every field is in harmony with a philosophy of freedom that is founded on moral precepts. It would be a college where individual rights are upheld above any government-granted rights; where voluntary action is upheld and allowed to operate at a maximum; where willing cooperation with any other person or persons is considered proper, so long as it does not infringe on the individual rights of others.

It would be a college where all the compartments of learning respect the existence of an ordered universe as evidenced by natural laws which no mortal man can alter, and where evidence as to the nature of these laws becomes the major object of study, in the light of present knowledge about them. Whether the study is directed at mathematics or geology or history, these views would serve as the foundation from which facts would be viewed and conclusions weighed. In the spirit of philosophy that is the essence of science, all authoritarianism by fellow-men, in either learning or social matters, would be renounced in favor of the wisdom and conscience of oneself, while within his own proper sphere or rights.

In this environment, as one gained in knowledge he would come to realize the vast extent of the unknown. A libertarian is always wisely humble; an authoritarian lacks humility, and always presumes wisdom and knowledge beyond the small amount he possesses.

The teachers in such a college would have this type of mind, and would for that reason be able to stimulate an unlimited curiosity in their students who would come to think and act in the libertarian tradition.

Risks in Learning

In this college there would be no indoctrination by rote of the words of the freedom philosophy. Views contrary to those of freedom would somehow be exposed, on the theory that no student intelligently believes anything until he knows precisely what it is that he does not believe—and why. The intelligent student of freedom will also know well the concepts of socialism-communism. He will know how these concepts have become embodied in biology and economics and all the other compartments of learning, and he will be able to recognize them anywhere when they appear.

Exposure to the ideas of socialism-communism is, therefore, a risk every intelligent libertarian must take. If I have not yet prepared my child to take that risk safely, it merely means that I have not yet prepared him for the process of learning about which we are concerned. If Junior is not prepared for that, he is not yet prepared for college.

It is possible, of course, to raise a child in a sterile intellectual atmosphere. His diet could be restricted to the words of the freedom philosophy so exclusively that his environment is kept completely pure, without any exposure to the ideological germs of socialism. But that will not have made him immune to the disease, any more than the raising of animals in a germ-free environment at the Lobund Institute of Notre Dame University makes them immune from diseases. It keeps them from suffering the disease so long as they are kept in that germ-free environment. But if they are to continue free from disease, they must be kept imprisoned in that environment forever. For once outside, they are in far greater danger from the diseases than are their brothers who have been safely exposed all along to germs in a normal atmosphere, and have built up a “natural immunity.”

The Power of Truth

Education is like that. The educated libertarian is not one who has been protected to the point of no exposure to illiberal ideas; he is one who, through reasonable exposure, has acquired intel-

ligent immunity to them and is ready to face the real world which is full of those ideological germs.

As with most other things in life, one can search for the ideal college and never find it. In the eyes of any college president, not even his own is ideal, though he is constantly working toward that goal. The problem is one of finding the best we can.

The best to be hoped for is a college where there are a number of teachers who effectively train students in the way you want them trained. Perhaps only one such teacher is enough. Truth is so powerful against untruth that we need see it only once and it will hold against repeated attacks.

If Junior can have access to one or more such excellent teachers after having been prepared for this excursion into real life, he will come out all right. He will come out a healthy libertarian, possessed of an acquired immunity toward socialism that is strong because it has been soundly reasoned out in his own mind.

In reaching toward the ideal, helpful evidence can be assembled for Junior. Aside from having had personal experience with faculty members—usually lacking, except for a few—the next best thing is to follow the Packard Car ads of years gone by: “Ask the man who owns one.” In other words, we can ask those who have attended various colleges recently. But information can never rise above its source, and there is no use asking anyone who does not know well the philosophy of freedom about which we are concerned.

One can inquire directly from the colleges. I once wrote to a number of college presidents and asked: “What person or persons on your staff, in any fields of work, do you consider to be learned and effective exponents—in the classroom or outside—of (historical) liberalism, in the tradition of the concepts of Frederic Bastiat, Adam Smith, Lord Acton, John Locke, James Madison, Thomas Jefferson, Herbert Spencer, John Stuart Mill (his *On Liberty*), etc.?”

The responses were most interesting. The thing which most impressed me was that questioning was welcomed. The presidents of what seem to be the better colleges were happy to have

parents concerned about this matter, and welcomed the chance to tell what they had to offer to any parent honestly interested.

Their answers were, of course, limited by their own knowledge of the subject, as well as by their willingness to give a forthright answer. In other words, it soon became evident that it was a test of presidents as well as of their faculties. As between two colleges of high renown, for instance, one president replied that he was embarrassed to have to report how few on his faculty could meet this high standard; the other said that "most" of his faculty in the social sciences and the humanities would meet it. Further investigation revealed that the former college was by far the stronger of the two in the effective teaching of traditional liberalism. The difference between the two presidents was itself a useful bit of information for the purpose of selecting a college.

Having assembled a list of professors in the various colleges who were claimed to be effective teachers in this respect, I was then able to check them further. In one instance, a college president has listed professors who did not measure up well by this standard of test on further investigation, and at the same time he failed to mention some on his faculty who would measure up well. Such highly significant evidence about various colleges was subsequently uncovered. It suggests how the method of obtaining information may be used to go as deeply as one wants.

This is not the only way to assemble facts of help to Junior in selecting his college, but it is one way to go about it. This much seems sure: There are few colleges or universities in America which would today rank high by the standards a libertarian would apply. And further, the liberal traditions on which this nation was founded are now so little understood that each person will have to largely do his own research, laboriously and carefully. Having assembled what facts he can find, Junior is better able to arrive at his own conclusion.

The Economic Scoreboard

The other day I read of a high school football team ending a season full of defeats which culminated a string of eighteen successive losses over the years. The players, it seems, had fine uniforms and a pretentious gym. Evidently what they needed was better football education.

The game of economics in this country is something like that. The record shows that we need better economic education. For despite the abundance of material splendor parading before us in the show of ostentatious consumption, we seem to keep losing most of our games in terms of economic principles. Later I shall explain what I mean by the game of economic principles, and why victory is not to be found recorded on the scoreboard in terms of things like chicken dinners and high-priced automobiles.

Hitler on Human Ignorance

I am reminded of an astute observation about this human weakness for watching false economic scoreboards. It seems that a man was once reviewing the state of affairs in the nation he governed. And he said this to a subordinate official:

It gives us also a special, secret pleasure to see how the people about us are unaware of what is really happening to them. They gaze fascinated at one or two familiar superficialities, such as possessions and income and rank and other outworn conceptions. As long as these are kept intact, they are quite satisfied. But in the meantime they have entered a new relation, a powerful social force has caught them up. They themselves are changed. What are ownership and income to that? Why need we trouble to socialize banks and factories? We socialize human beings.¹

Was he right? Are people fooled that easily?

The man who made that statement apparently knew well the game of attaining personal power by playing on the weaknesses

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of human ignorance. He was Adolf Hitler, and he was speaking to Hermann Rauschning in 1934. The tragedy that befell the German people and later engulfed much of the rest of the world attests to the consequences of economic ignorance. It illustrates how the fruits of welfare will surely be lost when Mammon is worshipped to the exclusion of economic and moral principles.

Mammon—grasping for material welfare by any means—is a tricky idol. If given a dominant role in our aspirations it will rule our conduct to the exclusion of morals.

An understanding of economic and moral principles could have saved the world the anguish of that Hitlerian debacle.

The Rise of a Science

We are not concerned ourselves at this particular session with economic textual content in detail. But we can hardly discuss this matter of economic education without pinpointing a little what we are talking about. Otherwise we will go home having only basked a little in conferential futilities and generalities. What is this thing we need to offer educationally? What is economics?

Economics has been defined as the dismal science, and most people avoid study of it, if possible. Yet it is something which touches the life of each of us, closely and continuously. In fact, we become so involved in economic affairs at so early a date in life that we come to take it for granted, as we do the air we breathe and the terrain on which we walk.

One is reminded in this respect of the history of other spheres of human interest as they have developed in the past. From the time human life began, air and terrain were here about him and under him more or less as they now are. And he took these things for granted just as most people do economics. Not until the discovery of elements in chemistry and physical laws of the universe did matter come to be thought of consciously and meaningfully. Only then did principles evolve that could be studied to advantage. Only then did our physical environment come to have a useful meaning in a manner not even comprehended by our ancestors back to the occupants of the Garden of Eden.

So it is with economics. We can continue to exist, after a fashion, and swim around in economic ignorance, as a cave man to whom chemicals were just something to swim in, or to stand on, or to fill one's lungs with subconsciously. Or economics can be raised to the level of a science and comprehended in terms of its principles of cause and consequence, so as to put meaning into our daily affairs and enable us to add the protection of understanding to our hazardous economic existence. From the dismal science for the few, economics can be made the common knowledge of the many.

What Economics Is

The study of economics is the study of all matters pertaining to things that are desired but scarce, which exist for trade or can be produced. Those are the things we sometimes speak of as "economic goods and services." Those are the things which comprise economic activity in its entirety, as they are being produced and owned and traded.

First, a thing must be desired to be within the domain of economics. You can't sell the measles, for instance. If it is to be economic, somebody must want it. Lacking want for it, nobody would work to produce it. And even if it already existed in nature without requiring any work to produce it, nobody would care to as much as own it, merely for the asking. Since nobody would care to own it, there would be no buying and selling of it—no exchange. No economics.

Second, to be within the economic domain a thing must also be scarce. Otherwise, even though desired strongly by people, if they can have all they want without turning a hand it is not worth even a scrap of paper to represent one's title to it. So there will be neither ownership nor exchange of it at any price, either. The air we breathe in the great outdoors, for instance, while essential to life, is not scarce enough to command a price.

Unless, then, a thing is both desired and scarce, no bargain basement is low enough to attract any customers.

But there is also a third feature required of economic things which we must recognize. A thing may be both scarce and de-

sired, yet not enter into these economic processes. Faith, dreams, and imagination play constantly on things desired and scarce, but still not available for trade. Heaven, for instance, is not listed for sale in the mail order catalogs where children find many other “heavenly” offerings, because nobody knows how to produce heaven and offer it immediately for sale in that way. Heaven is a contemplation of theology and not of economics.

So neither measles nor fresh air nor heaven are for sale over the counters, but each is absent for a different reason. Each of them has certain qualities requisite to economic things—each is desired, or scarce, or producible and available for trade—but none of them has all the requirements.

So to repeat, economic education deals with matters pertaining to things that are desired but scarce, which exist for trade or can be produced. If we will think for a moment of how and when such things enter our lives, the problem of economic education can be better focused.

As Economics Enters One's Life

Economics enters the child's life even before he is born, in a sense. Economics has touched his existence when his mother visits the family doctor—at a \$5 fee, perhaps—and has her fond hope confirmed into expectancy. He doesn't especially concern himself then with economics, I suppose. He isn't bothered about where the money is coming from or whether the consultation fee is worth the cost. He doesn't ponder problems of value and distribution, or the law of diminishing returns. Nonetheless, he has at that time become involved in economic processes, however unconsciously. From then on his economic involvement continues and intensifies until birth and after, through infancy and on to adulthood and old age.

Even in infancy the child is a budding economist. We do not know precisely when he first becomes conscious of these economic affairs. Probably the age of his first doing so varies from child to child. But I suspect there is economic consciousness in the infant at a very young age, long before we as parents realize that it is there. Some child psychologists assert, for in-

stance, that when the infant clings to his bottle of milk he is asserting a rudimentary sense of economic perception—a consciousness of something which is, to him, desired and also scarce.

The Sense of Self

Economic sense probably arises even before the infant treats his bottle of milk as something desired and scarce. I suspect that the beginnings of economic consciousness must be at the time when the child first attains his vague sense of the self-conscious. For if we apply the test of economics, self-consciousness itself seems to qualify as a matter of economic consciousness. Let me explain why I think so, by asking that the three tests of economic affairs listed above be applied to self-consciousness.

Are you desired? You certainly are. You are desired by yourself (unless you are suicidal) to whatever extent you have any pride and conscience. And in addition, you are desired by others—by your family and all your friends—both economically and otherwise.

Are you scarce? Exceedingly so. There is only one of you, and there can never be any more. In the sense of being reproducible by exact duplicate, you are as scarce as the Hope diamond.²

Are you exchangeable, or capable of being traded? Yes. If slavery were tolerated, this would be clear because of the price for which you could be sold. \$20,000? \$50,000? \$100,000? I don't know how much.

But slavery is not tolerated in our society. We do not allow one person to sell another. And yet we practice its equivalent, economically, in another way. By owning yourself you can sell yourself in small pieces. Whenever you hire yourself to be employed and receive a wage for your labors, you are selling a piece of yourself as a price for some of your time and effort. It is like your being sold into slavery, except that you sell a part of yourself day by day and pocket the proceeds day by day instead of someone else selling you all at once and forever pocketing the proceeds all at once. This is done willingly by you, not against your will as in slavery. The same reasoning holds, too, if you work for yourself and offer for sale whatever you produce.

So in making yourself available for trading in the form of pieces of your time, effort and life, the third and final requirement that marks you as an item of economic concern has been fulfilled. You are not only desired and scarce, but you are capable of being traded as well. The difference between you and a bushel of wheat is not that either you or the wheat lacks scarcity or desiredness, but rather that you own yourself and control your own sale whereas the wheat does not. And this difference has to do only with how you are involved in economic matters, not whether you are involved in them.

That is why it seems to me that the most elemental form of economic sense originates in the remote recesses of early life when one first becomes self-conscious. This must be at a very tender age. Psychologists tell us that the first vocal effusions of the baby, which keep his parents awake at night and disturb the peaceful quietude of the community, is in part an expression of his self-consciousness. He is loudly proclaiming, in his own way: "Here I am." From some such beginning, he will go on to increase in self-consciousness and economic consciousness until economic reality finally comes to assume more tangible forms in his mind and life.

The Sense of Possession

The baby who is clinging to his bottle of milk, to which I have already referred, is evidencing a sense of possession more advanced than that of mere self-consciousness. He has taken another important step in economic comprehension because he now realizes that something specific other than himself is also desired and scarce. And only by realizing this is he ready to begin to act wisely from an economic standpoint.

This sense of worth as applied to overt economic objects shows up in strange ways at first. The infant may scramble to retain possession of a toy, for instance—some old can, perhaps, or some crude block of wood that fell aside from father's carpentry. He is laboring to retain possession of something he deems to be his, just as the farmer will labor to protect a bushel of potatoes he has grown. Oldsters may question his selection and scorn his judg-

ment of value, but they should not scorn the child's growing sense of valuation because it is a necessary step in this budding economist.

It is important to nurture this new sense of possession while the infant advances in economic understanding beyond his earlier elemental sense of self-consciousness. If you quell it by economic diseducation, you will, in my opinion, be preparing the little hopeful for blind devotion to communist-socialist doctrine—or perhaps some brand of Jekyll-Hydeism, causing him to live in hopeless economic frustration.

The Sense of Exchange

Then a little later in the child's life he acquires a sense of exchange. This sense of exchange, as can be seen, comes to him only after he has acquired that earlier sense of possession, for obviously things to be exchanged must first be had. They must first be possessed before they can be traded.

Arrested Sense of Possession

This brings me to the point that morals and sound economics are wedded to each other; that a harmony between them is obligatory. Perhaps the best way to see this is to consider an arrested sense of possession where economic and moral perception has stopped short in its development—aborting before reaching maturity in the form of a moral sense of exchange.

As he grows older, a child's desires, starting with possession of only his bottle of milk or an old can or a block of wood, expand upward toward caviar and fancy cars and yachts. His sense of possession expands, in other words, with his developing tastes and expanding desires. He also grows in strength and cunning which may be used to get things in one way or another—to possess more and more things.

If this expanding urge to possess more and more things, together with increasing strength and cunning to acquire them, is devoted exclusively to a sense of possession for himself alone, the person will become the lowest form of thief. Such a person

will have become a master at breaking the eighth commandment, as well as many of the other commandments such as the seventh and tenth—perhaps even all of them, as one can see if he will study them in the light of this sense of possession.³ Such a person will have acquired a sense of grasping but not a sense of exchange, because he lacks restraint. He will be bent on scheming to grasp everything he can, by any means whatsoever. He will devote himself to the theft of whatever strikes his fancy. Totally unqualified to participate in an exchange society, he is a candidate for the ultimate in economic illiteracy as well as the worst in moral turpitude.

The Jesse James's? The Al Capones? The Dillingers? Did they have a sense of possession. Most assuredly they did. But they evidenced no sense of restraint. Theirs was an arrested sense of possession which turned them into moral corpses plying their trade of plunder. We would have to grade them about zero in economic understanding as evidenced by their actions.

The Right to Own Things

The sense of restraint lacking in the chronic thief is founded in the right to own things—in the right of ownership of private property. This must be accepted by enough people to dominate as a social code, or else theft will prevail.

Restraint may occur in temporary and isolated instances due to other reasons, of course. But other reasons for restraint do not suffice for outlawing theft generally in a society. For instance, I may refrain from trying to steal your pocketbook if you are bigger than I am or if I suspect that you are more proficient in combat. But in that event you would steal my pocketbook unless you were restrained by a sense of justice founded in the right of private property—or perhaps by social pressure, which in turn is based on the prevalent acceptance of this right.

This economic sense of private property rights which leads to restraint from theft is, then, clearly a moral concept in harmony with the eighth commandment, among others. You would not steal except as you covet what belongs to another, and refuse to recognize it as his private property.

Back of the belief in private property, in turn, lies the concept of personal freedom. You can have private property only as you are free—free to work and to produce and to keep whatever you have produced. Without freedom there could be no private property at all.

We have now circumscribed the economic circle of logic involved, beginning in a sense of self and ending in a self with cents. The sense of self-consciousness with which the infant's economic involvement begins can be traced on to private property rights and to freedom itself—concepts which underlie and pervade both economics and morals.

The Economic Scoreboard

We should now be ready to put up the scoreboard for recording the score in terms of economic principles; to tell us how we have been doing in the economic game. It would include these tests:

1. To what extent is a person free to use his own life and time in whatever pursuits he may choose, so long as in doing so he does not trespass upon the same right of each and every other person? It is not permissible for instance, for him to murder another person as a use of his time and effort.
2. To what extent is a person free to keep whatever he has produced with his own time and effort, and to use it or dispose of it in whatever way and whenever he wishes, so long as in its disposition he does not infringe upon the same rights of others? It is not permissible, for instance, for him to use the weapon he has produced to rob another person of his wealth, nor to lobby or buy votes for collectivized theft through political devices.

It should be clear from this why I reject figures on national income per person, or the number of chickens in dinner pots, or the number of fancy cars on the road as valid evidence for the economic scoreboard. These are merely illusions of economic victory. These pleasant fruits grow best on a sound economic tree, to be sure, but the harvest continues for a time after the tree has been infected with a moral disease.

The Score in 1954

By these tests of economic victory, the home team is hopelessly behind and has been falling more and more behind since the turn of the century. Why do I say so?

I say we are losing out in the economic game because now a lesser part of a person's time is truly his own. He can't use as much of it now as he chooses, in ways that do not infringe upon the same rights of others. If you are an average person, for instance, you have to work from New Year's day until late in April before you have satisfied the prior tax claims upon your productive effort, taken from you by force and applied to uses which you may or may not approve. And you may have to work till later in the year to complete payment of tribute to non-governmental persons or organizations in ways which a thoroughly free society would not countenance. For the remainder of the year you are free to work for yourself.

I say we are losing out in the economic game because a third of your income each year, if you are an average person, is taken from you in the manner just described. Some is taken direct from your employer, who takes it out of your pay before it ever gets into your hands. Some is taken by a tax on manufacturers or distributors, and is part of the purchase price you pay for things you buy. Some is taken in the form of direct taxes, which are billed to you personally as an attachment on your income or your property. Some is taken from you posthumously as the hearse moves down the street, as a bill sent to your widow and children. The third of your income taken from you in these ways is a greater proportion of the national income, mind you, than the amounts that were being taken in 1929-30 in countries since overcome by tragedies of authoritarian governments in one degree or another:⁴

USSR	29
Germany	22
France	21
United Kingdom	21

I say we are losing the economic game because we have increasingly adopted as the law of the land specific measures

advocated by Karl Marx, the “father” of communism, and by his ideological successors as the means by which world communism could be established.⁵

We seem blind to these danger signals as we move about amidst so much material splendor, made possible mainly by the thrift and productive accumulations of our forefathers. We are blinded by economic and political ignorance in the manner Hitler explained so well to Herman Rauschning in 1934. We are blinded by the confused intellectual leadership of “economists” who are trying to be politicians, while politicians are trying to be economists.

Lest we ignore or forget, let me read you a few messages from the record of history given us by Lactantius, the famous Roman Professor of Literature and Philosophy, appointed to his chair by none other than Diocletian himself. Lactantius felt compelled to give us these facts, “lest the memory of events so important should perish, and lest any future historian of the [Roman] persecutors should corrupt the truth. . . .”

Diocletian, an inventive criminal and a creator of evil brought ruin to all and dared tamper even with the Divinity. In part because he was greedy, in part out of fear, he turned the whole world topsy-turvy. He brought three associates into his government, and divided up the Empire into four parts, with the result that armies were multiplied, for each of the four men tried to muster a far greater force than earlier emperors had had when they governed individually. More than that, tax collectors began to outnumber taxpayers and, after exorbitant taxation sapped their initiative, farmers abandoned their farms and plowed fields grew up into woods. In a policy of terrorization the provinces were cut up into scraps, a multitude of governors and hordes of directors oppressed every region—almost every city; and to these were added countless collectors and secretaries and assistants to the directors. Judges seldom had civil cases before them: They tried (not frequently, but incessantly) condemnations, confiscations, and requisitions of every kind of property, and unbearable inequities in the imposition of taxes.

Even the measures designed to provide salaries for the sol-

diers were beyond endurance. Diocletian's boundless greed would never allow his own treasury to be tapped, so he constantly piled on new taxes and contributions in order to keep his personal hoard intact. When by his general mismanagement he caused stupendous inflation, he attempted to fix prices by law. Blood was shed over common, cheap articles, panic caused shortages in the market, and the net result was that the scarcity was worsened. . . .

He became a raving lunatic in his efforts to make Nicomedia the rival of imperial Rome. I shall not state how many perished for the sake of their estates or their wealth (for this practice had become common and indeed practically legal), but he made a special point of it in that no matter where he saw a farm more carefully kept or a house more elegantly furnished than usual, he immediately brought charges against the owner and inflicted the death sentence—it seemed as if he could not steal his neighbor's property without also taking his life.⁶

When To Teach What

We must finally bring our problem back from the fall of Rome to the fall of 1954, and to the challenge facing us as teachers. When can we begin to teach economics to the young? And how? Though these questions are within the domain of later speakers, I want to end by citing two incidents as illustration of the problem.

While on the faculty of an eastern university years ago, I was in charge of a graduate seminar to which were invited speakers. One day I invited a renowned economist, the editor of a learned journal. We had agreed on the purpose of his talk, which was to instill, if possible, in the graduate students of an applied area of economics an enthusiasm for economic theory and give them evidence as to its practical usefulness. My notes attest to the fact that few of these students grasped hardly a thing of what he said, except to note that the lecture demonstrated the truth of his assertion that economic theory is a luxury that only the most advanced students can afford.

Well years later, one evening, while members of my family

were sitting at dinner discussing something, a five-year-old boy asked, out of the clear and without any apparent connection with the discussion that had been going on: "Why do we have to pay for things?"

Well there you have it. We are losing the economic game year after year, being lulled into complacency while watching false scoreboards and basking in false economic glories. Youngsters are itching to go out for economic spring practice, so to speak. What are we going to tell them? Are we going to say: "Wait fifteen or twenty years, Bud, and if you become an outstanding student you may be ready to find out why we pay for things?" Or shall we train them in sound economic practices from the day they are born—seeing, for instance, that their own right to bits of private property is respected by us; and answer all economic questions as they come along, as best we can with terms befitting their experience and comprehension?

It is later than we think, I fear, in this economic game. Fifteen or twenty years could bring economic and moral disaster beyond our worst fears. The records of history attest to this threat, and my final admonition is that every leader of education review the records of history, especially as interpreted by such authorities as Liddell Hart on learning from history,⁷ Lord Acton on the history of freedom,⁸ Draper on the background for European culture,⁹ Weaver on some high spots of history,¹⁰ Mees on the helix of history,¹¹ Burckhardt on the ancient Grecian civilization and later comparisons,¹² and Hayek on more contemporary debacles from economic ignorance.¹³ From these one can see clearly the destiny of the road of economic ignorance on which we have been traveling, even here in the United States.

NOTES

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2. Roger J. Williams, *Free and Unequal*. Austin, Texas: University of Texas Press, 1953.

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4. F. A. Harper, *Liberty: A Path to Its Recovery*. Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, 1949, p. 110; reprinted in volume one of *The Writings of F. A. Harper*.

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6. One translation of "On The Manner In Which The Persecutors Died," by Lactantius.

7. B. H. Liddell Hart, *Why Don't We Learn From History?* London: G. Allen and Unwin, Ltd., 1944.

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12. Jakob Christoph Burckhardt, *Force and Freedom*. New York: Pantheon Books, Inc., 1943.

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Simply Speaking

The educational rage of the age is for simplification by condensation—a worship of brevity, so to speak—and for injecting levity into the lessons. In economic education especially, we are under constant pressure to condense our educational materials. As this view is often expressed, “Everybody in the shop—even the slowest and least able mind—must be able to grasp it quickly.” And we are under pressure to employ humor, satire, cartoons, and the like.

Now it is an admirable urge to want to spread as far as possible the comprehension of economic problems and the means for their wise solution. But the way to do it, in my opinion, is precisely the opposite of that so often advised.

As someone has wisely cautioned in all educational endeavors: Do not overestimate the information of your readers, nor underestimate their intelligence.

Let me illustrate the sacrifice that is paid for too much brevity. In one area of economic phenomena, for 1891-1892 to 1913-1914, the concept can be expressed this way:

$$x_1 = 0.9091x_2 - 0.8755x_3 + 0.1276x_4 - 0.2706$$

$$R^2_{1,234} = 0.7153$$

x_1 = Price of No. 1 northern spring wheat at Minneapolis

x_2 = Price of spot red wheat at Liverpool

x_3 = Production of wheat, United States

x_4 = Production of wheat, world

So far as I know, it is not possible otherwise to express these particular ideas and information in so condensed a form. And yet I would venture the guess that in this most condensed form it is almost wholly incomprehensible to most persons, precisely because of the fact that it is so highly condensed. Yet the idea involved here is a simple one, common to everyday experience. The obscurity lies in the condensed form of its expression, not in the idea itself. And the mathematical process that was used for

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the analysis (multiple linear correlation analysis) could all have been carried out by the use of simple addition and subtraction, if one had wished to employ such a laborious way of doing it.

How might the above concept be told so that it could easily be understood by most persons? It could be done by *expansion* of the explanation. Then the slowest and least able minds for that type of thing would be able to overcome the handicaps inherent in its condensation.

Who Are the Masses?

The question at issue here is how to educate “the masses.” But first, who are “the masses”? At any given time “the masses” do not include a certain list of persons on one and all subjects; included are different persons on different subjects. Each person is a member of the masses on every subject he doesn’t understand. The man in the shop, as elsewhere, is among the masses on some subjects but not on all subjects. This means that on almost every subject most of us must rely on others in whom we trust, until such a time as we have mastered a given subject sufficiently for a higher degree of independent judgment.

“The masses,” for the very reason that they are unqualified to grasp the idea quickly from its condensed form, will either not grasp it at all or will have to get it from an explanation that is much longer and more detailed—more carefully spelled out than the illustration given above.

Elimination Is Not Simplification

Some will argue: “Yes, but those we want to reach won’t read what you call an adequate explanation. Some persons cannot grasp the full idea, and so it must be condensed and simplified for them by omitting part of the idea involved.” But to the extent that this is true, it serves as a way to avoid becoming educated on that matter, not as a way for them to gain a thorough education on the matter.

In the instance of a person who has trouble with the complexities of calculus, for instance, the difficulty is not resolved by

teaching him first grade arithmetic instead. Such an approach is a way to avoid teaching him calculus at all, not a different and better way to teach calculus—although admittedly arithmetic is a necessary prerequisite to understanding calculus, and one which he must first master. This is another way of saying that no person can be reached beyond what he can at that time understand. Any idea, when presented in writing as clearly and as briefly as possible for an adequate explanation, is written for those who *can and will* understand it. No others can at that time be reached with this idea, and there is nothing anyone else can do about it, directly and for the time being.

To use another analogy in the physical realm, suppose the task is that of designing a road for ascending a mountain. If the vehicle for ascending the mountain has a powerful enough motor, it could ascend a steep incline directly, and reach the top by the short route. But if a less powerful motor is to be used, the “condensed” direct route will not suffice and a road must be designed that will wind up the mountain by a reduced incline of correspondingly greater length; a less condensed route must be used. The road may then seem too long to this traveler, but he must recognize that he can reach the top in no other way.

Brevity May Defeat Purpose

Now take an illustration from the economic field. One eminent economist has defined economics as “the theory of all human action, the general science of the immutable categories of action and of their operation under all thinkable special conditions under which man acts. . . the indispensable mental tool for dealing with historical and ethnographic problems.” There it is in a nutshell, probably as condensed and simplified as those concepts will allow. Have your friend try this on those among the masses who, as he asserts, most need “condensed and simplified” economic education. Of what use is this lesson in economics to such persons? It must be longer if the meaning is to be clear to them.

Or, if he prefers, he might use another definition of economics that is a bit more salty: “All economics can be reduced

to one simple fact: There is no such thing as a free lunch." Have him try that one, too, on those among the masses. How many of their economic problems will it solve? What will they have learned from it that will be useful for solving the daily economic problems with which they are confronted? What new comprehension does it give of the fundamentals of the society around them? No, this educational tool is also too condensed to be useful, and a person who can grasp its full meaning must have known its essential meaning beforehand. He could not have learned it from this abbreviated lesson in economics.

Or let us take any one of many involved concepts which, in their most condensed—and in a sense, simplified—forms, are often described by terms such as "labor theory of value," "positivism," "agnosticism." Each of them is so efficient in the sense of condensation as to be wholly meaningless to most of us. Such condensations are therefore futile for purposes of education on the full meanings wrapped up within them. They label a meaning, but they do not explain anything. They can be used only to label a meaning already comprehended by the person, nothing more.

The same can be said, incidentally, about humor, satire, and cartoons as educational devices. They may decorate an idea, but they are not adapted to carrying a new idea to a person in an educational sense. Take, for instance, a joke; its humor is, of necessity, a reflection from what is already known, and without this knowledge the joke will fall completely flat or perhaps backfire.

Or let someone try satire on you where the object of the satire is some sacred and firm belief of yours. You can then see why it fails for educational purposes. The effect is to repulse and antagonize you rather than to change your belief. Its enjoyment as satire will be restricted to those whose beliefs are already those of the satirist. And so satire, like humor and cartoons, adds levity to the lesson only for those already "educated" on the point. To all who believe otherwise, it blocks the educational process with disgust.

Care Required by the Urgency

It should be clear that the more ignorant I am in any field of contemplation, including economics, the more difficult will be its mental processes for me. And the more ignorant I am, the more the necessity of an explanation that is spelled out by expansion and careful detail—if, that is, I am going to learn anything new about it at all.

This is not to argue for greater length of any discourse per se, on any subject. Merely greater length and more detail does not, of course, necessarily make a lesson better for purposes of education. Whatever the scope and content of the idea to be propounded, it should, of course, be as clearly and briefly written as its scope will allow. The first rule for transmitting an idea is to express it as nearly as possible in terms that will be meaningful to the recipient, so as to focus it within the perspective of *his* experience. This is an important point in every educational process.

So in the work of this Foundation, we have tried to deal with each idea as clearly and as briefly and as directly as the subject would permit. We have recognized the limitations and dangers of the devices of levity. We have tried to resist the educational rage of the age for such a degree of simplification and condensation that it would preclude true education. As has been said, “Make haste slowly, my son, befitting the care required by the urgency.”

Well, I'll Be Switched!

Those of us who are either fathers or mothers, or sons or daughters, have doubtless pondered the problem of posterior applications of force as a means of dealing with juvenile misconduct.

Suppose a child has done something he shouldn't. What should be done about it? Some pretty deep philosophical problems are involved. They are the same ones involved in international squabbles—even war, where the participants are older and operate in gangs. But let's reduce the problem to a size we can see, based on our own direct experience, so as to avoid becoming befuddled by the sheer bulk of the battle.

The Deed Is Done

Your child, let us say, has enacted a misdeed.

The first fact to be realized is that nothing can undo a deed already done. That much is sure. It is not within our power to alter past events. We cannot decide that the Stone Age shall not have been.

All that can be done in the direction of undoing the deed is to replace the former physical position of things, and the like. If Johnny has pushed Suzie's doll carriage over the bank, for instance, perhaps he can be made to bring it back. Or if the doll has been broken, perhaps he can be made to either patch it up or buy a new one from his candy money or penny savings.

Such readjustments do not really undo the original deed. One indelible consequence is that Suzie's feelings have been hurt, with the result that her disappointment in Johnny is imprinted upon her mind forever. And neither the patched doll nor a new one like it quite suffices to replace the object of her fondness before it was marred or ruined.

Or to illustrate this point more clearly, the life of a dog that has been killed or a person who has been murdered is definitely beyond our power to replace.

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What else can be done to Johnny for having committed this misdeed? One thing only—you can apply some sort of retribution. You can do that, or just let the matter go.

Retribution

The form of retribution you choose may range all the way from a rebuke, such as a mild scorn of disfavor, to something of the violent sort. In common parlance, you may either go easy on him or beat the tar out of him. The choice will differ among parents, but for any one parent the selection at any one time will probably depend on the adjudged seriousness of the misdeed or the frequency of its recurrence. Perhaps the time of day and how tired you are when the misdeed occurs will have an influence on your choice; the birch rod doubtless is a tool used more in later afternoons and evenings. But let such details go. They are not of primary concern here.

Retribution can have only two purposes:

1. To penalize the misdoer for a misdeed that has already been performed. This is in addition to forcing him to replace the thing stolen or broken, and the like.

2. To discourage similar misdeeds in the future.

Let's consider these two purposes separately.

Retributive Justice

One who believes in Eventual and Eternal Justice in the Universe must reject the first of these two purposes of retribution. He must refrain from punishment for its own sake, as distinct from trying to prevent repetition.

To refrain from posterior applications for purposes of retributive punishment really stems from one's religious faith. And it is a severe test of that faith, indeed. For in the heat of parental disapproval, it becomes almost irresistible to get in on the act and try to help God a bit; to try to decide for Him what would be a fair potion of gall in this particular instance; to apply the potion now rather than to wait for Him to settle the matter in that universal accounting of justice in the Hereafter.

If I really have faith in an Eternal Justice, I cannot logically bow to this temptation. My excuse for doing so would be a claim of false authority. Tested in the light of an Eternal Justice, I would then myself be originating a misdeed merely because another has done a misdeed, and that makes no sense. I would be starting a chain reaction leading to an endless market for birch rods as a consequence of the original misdeed.

So anyone who believes in a formalized Heaven and Hell, or any counterpart thereof, must reject as a valid purpose of retribution the penalizing of misdoers beyond the point of repairing damage done. On what authority can I assume that the processes of retribution have not already been fully designed, or that I am empowered to design or redesign them as part of my life mission?

That He May Fear

If one rejects retribution for its own sake alone, then the only valid purpose it can have is to try to discourage repetition of the misdeed.

Usually these retributive ceremonials are quite private affairs between the parent and the child. Neighbors are generally not invited to be observers. Why? Couldn't neighbor children benefit as observers and also acquire goodness that way? Why restrict the lesson to one who has already performed the misdeed? Why not let its benefits accrue as well to others, where misdeeds may be contemplated but still undone? Perhaps, if the process can attain the goal, something is to be said for public whipping posts, public executions, and the like.

So if misconduct can be discouraged by retribution on the misdoer, can it not also be discouraged in an alert child who merely observes the application of posterior pains on the misdoer? And if that can be made to work, is it not possible to forestall misconduct in an innocent child by applying in advance a sample of the retributive process?

Pre-Punishment

For instance, if George can be prevented from cutting down a second cherry tree by the application of a bit of force after the first misdeed, can't Tom be discouraged from cutting one down by being allowed to observe George's punishment, as a sample of what might be in store for him in like circumstances? In fact, couldn't George have been prevented from cutting down the first tree if he had been whipped in advance, as an innocent boy, as a sample of what the misdeed would hold in store for him? This would be a unique procedure, to be sure, and it opens up quite unlimited opportunities for "retribution in advance," so to speak. But if one assumes that the process truly prevents misdeeds, what is wrong with such preventive measures applied to the innocent as well as to the guilty?

The deep, philosophical question at issue here is whether or not the process attains its objective. Can people be made moral by force? There is no doubt, I suppose, that the conduct of a child can be altered somewhat by the application of force or the threat of force; that he can be influenced through the process of fear which this engenders. The child can surely be made to act one way, or not act another, due to the push of fear rather than to the pull of understanding. But since moral conduct must be a personal and self-willed choice based on what the individual himself deems to be good, rather than what he fears, then force and the threat of force surely fails to cause moral conduct—whatever else one may say about it. However much the child's actions may be influenced by restraint and by the generation of fears, it is something other than moral guidance that is being accomplished.

I suspect from my own experience that when as parents we apply a whipping, it is the consequence of having reached a state of intellectual bankruptcy at this point. We don't know what else to do. So our discouragement or animosity breaks out in this particular form, with the child directly on the receiving end.

Perhaps there is nothing else to be done at that stage of events. But isn't it possible, somehow, to avoid their ever reaching that critical stage?

Love and Respect

Now, love—or at least respect—is surely a requisite to the child's learning a lesson that will reorient his conduct into proper, self-responsible action—moral conduct.

If a whipping has the effect of destroying this love and respect, a most precious and essential starting point of the child's education will have been lost.

It is not easy at such critical times to remember that the child's deed seemed *to him at that time* to be the right thing to do. It seemed to him that it was the thing to do, that is, as a composite opinion that took into account all considerations known to him, together with his intuitive guides to conduct. To say this is no more than to state an axiom, yet as a tool of thinking it tends to escape parents in such times of emergency.

So the child's deed—which to the parent was a misdeed—simply reflects the child's tools for decision at that time. In differing from his parent's decision of the right thing to have done, it simply means that the two had different tools for judgment. To beat the tar out of the child because of this difference of opinion fails to introduce a single new element for rational choice into the child's kit of decision tools. When again similar circumstances arise, the child will surely still think as he did before as to what is the right thing to do. The whipping does nothing, basically, to correct the concept that caused the child to behave in a way deemed wrong by the parent. All that the whipping can do is to inject the new ingredients of violence and fear into the child's kit of reactions.

What Was His Reason?

I once observed a teen-ager handle a problem in an interesting way. A younger child had perpetrated a misdeed, as his elders judged it. The elders, in conference assembled, were pondering what to do about it. Finally the teen-ager said: "Let me try to handle this. I want to talk with him first, and find out *why* he did it. He must have had *some* reason, and if we can find out what the reason is, we will know where to start to work."

This approach seemed to me to be astute and sound. Why start to work on a problem until we know precisely what the problem is?

I am reminded in this connection of a proposal for resolving arguments. As a starting point, each side states its case and all the facts that contribute to the position each takes on the issue. The second step is for each side to state the facts and position held by the other side—state them *to the satisfaction of the other person*. Only after that point has been reached are the parties ready to try to proceed with the final step of resolving the difference. The only point of present interest about this procedure is to recognize that both parties have reasons for their position; that only after all the facts have been laid on the table for both to see, is it possible to proceed toward agreement based on reason rather than on power.

Who Should Be Whipped?

Now there is an interesting question to be posed at this point, about a difference of opinion between the parent and the child. Let us assume that one of them is going to use force on the other as a means of handling this difference of opinion. We have already concluded that the process relies on fear rather than on understanding and sincere conviction; that it probably destroys love and respect on the part of the victim. The problem now arises as to which of the two is to be the victim. Who is to be whipped?

Ruses may be used to decide this question, such as seniority rights. Or the law of guardianship might be invoked, or something of the sort. But behind all these masks to the claim of authority looms the real one—superior might. The one who is bigger as tested by the tools of this battle—force—will be the applicer; the smaller will be the recipient. Might rules games of might. And so the parent wins the initiative, ordinarily.

A common parental observation is this: “This is going to hurt me worse than it does you.” That, I take it, is supposed to convince the victim that he is not, after all, to be the principal

sufferer. That is a claim surely lacking in convincing power. On the contrary, it probably only induces in the child a further—and unnecessary—loss of respect for the parent who poses such a porous pontification.

Now let's take a bit of inventory of our analysis. The only valid purpose for a whipping is to induce nonrepetition of misconduct—as judged by the parent, and in contrast to the child's judgment at the time of the deed. The process substitutes force for reason. It operates through fear, and will be no more lasting than will be the child's fear of his parent. This approach is the antithesis of love and respect, and is alien to all that love and respect can attain. It denies education and bars new tools for learning moral self-reliance, by which the child will make wise choices.

One may now ask, in the light of all this, why the child should not whip the parent rather than the other way around? If the child truly loves and respects the parent, then his having to do this should induce sincere regrets for having done something that led to this sad ending. It would, furthermore, avoid the risk of losing the child's love and respect, to whatever extent there was any originally.

The child may not, of course, have any love and respect for the parent. If this is the case, then a fundamental requisite to educational influence is totally lacking anyhow. And a lashing, by itself alone, is surely not the way to establish love and respect. So if the parent has failed up to this time to gain the love and respect of the child, why shouldn't the parent be lashed for his failure; who better to administer the penalty than the child, the victim of neglect?

The Test of Experience

Before throwing such a strange proposal into the ash can, one might try applying it to his own experience as a child. In my own experience, the one and only lashing I received was one where—to this day—I am convinced that the judge rendered a hasty decision prior to obtaining all the facts in the case. The

whipping had absolutely no effect whatever, so far as I can detect, of helping me to acquire better tools of judgment in the future. All it did was to sacrifice some of that sacred ingredient of love and respect, from which alone can come a positive influence for the future.

How about your own experiences? Did you ever learn anything fundamental from the applications of brute force upon your posterior? Did you ever gain from it any love and respect for the inflictor?

It would be difficult, I suspect, to take this step and hand the switch to the child to be used on one of us as a parent. A friend of mine, on whom I tried a trial run of this reasoning, remarked: "I think I'll have my wife try it first."

Of course, there is another alternative. And this is to avoid the process of force entirely; to rely totally on gaining enough advance respect in the eyes of the child so that guidance can be accomplished out of respect and understanding, rather than to have to resort to force. Failing in this, perhaps the battle is lost anyhow.

A complete reorientation of processes of the parental handling of children in times of misdoing, along the lines suggested, might also be tried elsewhere. It might be tried where there are differences of opinion in larger categories of humanity—even international and interracial affairs. In the face of continuous failure in international affairs by the use of force, might we not consider a new approach even there? Rule by sheer might is a doubtful device, even from the standpoint of the seeming victor.

To Shoot a Myth

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

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

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

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

The real reason why myths are impossible to shoot is that the forms they can take are infinite in number, and also that they evade one's aim at an infinite speed.

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

It is similar with any other problem or question, however simple or complex it may be, since each problem has only one correct answer. So if one's aim were perfect and he could shoot a myth with every shot, he could spend his entire lifetime shooting myths released by only one myth factory, without ever demolishing all this factory could produce. For automation is well estab-

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lished in myth factories; their production can operate at a fantastic speed, with practically no cost.

As I write this, my wife and I are on the North Atlantic on a Norwegian freighter. Last evening a heavy fog fell on us and our path. Captain Aaby had to leave in the middle of his dinner to oversee operations and was up all night watching things. The bits of moisture in the fog cloud may be compared to myths in their number. They impeded our view as myths becloud the truth. It is possible, of course, to "shoot" a fog particle. But how foolish it would have been for Captain Aaby to do that. Instead, he proceeded on his course the same as ever, guarding only against collision with another ship or an iceberg.

Such is the futility of the enticing sport of shooting at all existing myths. And in addition, they are hard to shoot because they flit here and there at the speed of force without resistance since they are not burdened by the weight and rigid confines of fact. And if you should happen to be so lucky as to hit one squarely, it is likely only to spatter into any number of sub-myths, as if you had hit a gob of mercury with a hammer; and then you will have only spread mythology rather than having demolished it.

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

The Major Myth

Perhaps the greatest economic myth of all is the one that the government should—and can—do for us what we cannot otherwise do for ourselves. In social science this is the counterpart of a principle that the whole is greater than the sum of its parts; for if

you remove the “we” out of any social agglomerate, nothing is left but the shell of a dream. And so if we translate this myth into its real equivalent, it becomes: “We can do for ourselves what we cannot do for ourselves.” For in doing things for ourselves, we can do anything for each other, cooperatively and by means of exchange, to any extent we desire and are capable of doing under any man-made scheme that we can design.

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

Derivative Myths

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

When the government gives indiscriminate aid to mothers of children born out of wedlock, it seems like a fine, humane thing to do when viewed only on the debit side. Why should the innocent children of irresponsible parents be made to suffer privation? Why not legalize aid to them? The myth of the matter comes into focus only when one looks at the credit side of the matter. You cannot legalize the economic support of illegitimacy without inducing more of the same thing—without stimulating the production of the subsidized product. The fruits of this action have become more and more conspicuous with passing time, as in the instance in Illinois where for the third generation one household is living on the alms of illegitimacy and has abstained from any other form of gainful employment. The process is not quite the same as profitable barnyard reproduction of calves and pigs since the cow and the sow do not resolve

their economic welfare by choice in quite this same manner. But otherwise, there is some striking similarity. If the market pays for raising pigs, farmers will raise them. If the government pays for having illegitimate children, that product will be forthcoming, too. So if pity for one illegitimate child leads to one additional case of illegitimacy that would not otherwise have occurred, the merit of the process is certainly debatable; if two or three or more are the result, it is clear that the myth has generated the object of its pity. The myth is found by looking at the credit side. Why can't someone invent a means of myth control?

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

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

Then there is the case of untold millions of dollars of taxpayers' money being spent to increase agricultural production, while billions of what taxpayers have left thereafter are being spent to study the problem of how to dispose of "surplus" farm products, to buy and store those products, and to dump them at far below purchase price. The similarity between this and the alms to illegitimate children, both produced in surplus because

of reliance on the forthcoming alms, is too close to escape notice. The myth is evidenced on the credit side of the account.

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

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

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

Truth to the Rescue

Fog on the high seas is not man-made, of course, whereas economic myths enacted into law are man-made. And therein lies one difference perhaps worthy of note. Whereas man has no

control over the creation of fog, in any detectable form or degree, he has control over the creation of manmade myths. And so birth control of myths is a worthy objective, while shooting them after their uncontrolled production is a rather futile sport. How to control their birth, then, is the question.

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

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

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

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

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

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

Training the Young To Be Capitalists

It is a tragic fact that there are so few real believers in capitalism among the younger generation of Americans. Surveys of opinions and beliefs of high school students reveal this clearly, showing how most of them believe private capitalism to be some sort of social sin, as also is communism in their view. And all sorts of political action continues to indicate a dominant opposition to capitalism.

Perhaps this situation is not surprising when we consider the extent to which teaching in the schools and colleges has become a socialized profession. Equalism is rampant there. The best and the poorest teachers share about alike under the tenure system, in the demand for their services, and in their rates of pay.

In the United States, for instance, the average college and university instructor now gets less pay than the average wageworker; the average full professor gets only 55 per cent more than the wageworker despite his large investment of time and funds in obtaining a license to practice his profession. In Russia, by contrast, the average full professor gets 700 per cent more than the average wageworker, as contrasted with the 55 per cent in the United States.¹

One wonders, in view of this and despite all Russia's other authoritarian impositions, whether the concept of opportunity and reward for extraordinary accomplishment may not become better understood and taught in Russia than in the United States. Those teachers who themselves experience economic reward for excellence are the ones most likely to extol it in their teaching and influence on young minds, and to condemn equalism.

Unfortunately we are not going to change this situation overnight. The educational practices so strongly entrenched in our schooling in the United States are likely to continue for quite a time. A bit may be accomplished here and there, of course,

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especially in the nongovernment schools and colleges where it is easier to recognize merit and reward superior accomplishment among teachers. To the extent we are still free to make such choices, we can lend our financial support to the schools which do this, so as to help them pay the costs it entails. And we can send our children to such institutions to be taught, paying without stint the tuition and full costs involved, rather than supporting institutions of learning where we all send to each other the bills for the socialized costs of socialist education for our children.

All these things can be done by us as individuals, to be sure, and perhaps we can thereby slowly change the climate of educational practice. But working through the established educational system is not enough and will be slow at best. We must also look for all sorts of other ways of teaching and instilling in our children an understanding of and sympathy for the concepts of capitalism. This means opportunity for exceptional attainment, the right to have the rewards therefrom, and the right of the earner himself to dispose of these rewards as he deems wise—knowing that without a thing's being produced in the first place, there can be no problem of its disposal.

Above all, we should search for ways of teaching capitalist ideals in the home as a part of the home life of the child. This is where most of the teaching of fundamentals will be done anyhow, if at all, through precept, practice, and demonstration. For one thing, it is basic to teach the child the processes and rewards of thrift and ownership. For unless he learns this and finds it a satisfying practice, he will never really become a capitalist in the sense of personal opportunity, responsibility, and reward for wisdom and diligence.

Ventures into Business

How can the child be taught thrift and the merits of ownership in the home? There are surely countless ways, far beyond my ingenuity to discover. Having the child pursue his urge to embark on some childhood business venture of his own is good in some respects, but it also has some weaknesses. For instance, a

child's dream of a business venture is usually less likely of success, even, than is the average experience of ventures of more mature and experienced persons where a high percentage never make the grade. Yet we can learn from failures, if it doesn't kill our spirit.

So a ready kit of first aid in event of failure, or perhaps less success than he probably anticipates, should be ready to soothe the youthful venturer. Even so, I would support and cheer all such childhood ventures, especially those giving promise of success in a noncharitable market. The objectives of Junior Achievement, as well as the Jaycees' admirable project of Self-Reliance Awards to high school students, are all of good purpose.

Shares in Going Concerns

But the approach intended for special attention here, as having at least a major place in the training of a child to become a worthy capitalist, is one less speculative than the ordinary childhood venture, more certain of moderate success and adapted to being started at a younger age and on a smaller scale. And that is to help the child participate in business ventures that are already in operation and proved to be successful and going concerns. I refer to ownership participation in corporations, through the purchase and ownership of equity shares.

The ownership and participation can be started at a very young age—should be, in fact. I know from experience that a child of four or five years of age can begin to grasp the essentials of ownership participation in this way.

One approach is as follows: Have the child invest his own money in some equity ownership, preferably money earned by him doing some useful tasks. Allowance money, if the parent is convinced of the wisdom of giving a child unearned income in that way, may be used but I feel it to be miseducation to give the young child overt gifts of money to purchase equity shares. If he is given capital funds—different in a way from giving him food to keep alive—it blocks his mind a bit to the correct lesson of earned ownership. This he should learn well at the outset, if he is

to be taught to reject the prevalent attitude that the world or some major part thereof owes him luxuries of living merely because he happens to exist.

The Urge to Earn

Before a child can invest his earnings, of course, he must have earned something and have saved the part he is to invest. How can he be induced to do that? This is an important first question. But it is one I am not going to tackle here, beyond a few brief points.

It is clear that before the child will work to earn something, his wants must exceed their fulfillment. His wants must exceed the promise of their immediate fulfillment from the hand of a fond and doting parent who is ever generous to the extreme. Only then will he have any reason to work as a way to get something he wants.

Things the child wants for joy of immediate consumption doubtlessly carry the strongest urge at the outset. This may be a candy bar which he must forego until he has earned its price, or a toy, or something of the sort.

Then the child can slowly be weaned to earn and save for things more enduring and distant in his desires. Soon he will become willing to provide for things only vaguely foreseen as desires, things not yet of precise form but assumed to be needs that will become clear later. He is then ready to be led into investing his earnings in corporate ownership because that is its nature.

Investment Trusts

So the child should be urged and induced to put savings from his own earnings into ownership of going business concerns. Personally, I prefer some sound investment trust for this particular purpose. It gives the safety of wide diversity of ownership as contrasted to the greater risks of any one corporation. It avoids the necessity of switching from one corporation to another as the changing winds of economic climate alter pros-

pects for its continuing success. Investment trust shares can more safely be left quietly to work for the long pull of time because the management of the investment trust takes care of all the trading in individual corporate shares as a service for its owners. This reduces the temptation of the child to venture into some highly risky speculations of individual stocks.

Many a promising capitalist has had his early faith in the capitalist system killed and buried in the crowded cemetery of "rare opportunities to get rich quickly," where investment neophytes so often meet their doom. The child should be encouraged to begin his education as a capitalist in a way that will minimize this sort of risk.

Forays into those "golden opportunities" of risky, new corporate ventures not his own is a game warranting only mature and experienced minds. That game should be left to persons of means who can afford the high mortality rate such ventures entail.

Beginning Young

It is easy to wait too long to begin such a program, and to underestimate the early age at which the child can begin to learn important lessons from the experience of equity ownership. It is a temptation to delay the beginning because the child will have only bits of money to invest, and because the commissions for buying small quantities become an excessive added cost.

But this problem can easily be handled in another way. Since the child is a minor anyway, and you as parents are his legal guardians, the purchase can be a private arrangement between you and the child until he reaches a more advanced age—perhaps until he reaches maturity. Let us assume that you already own shares of the XYZ Investment Corporation. You can allow the child, as he progressively accumulates enough savings, to buy individual or even fractional shares. I find that one-tenth of a share, for instance, is an easily workable fraction to use, allowing the child to become a capitalist at a young age. If shares are selling at \$20.00 a share at a time when the child has \$2.00 saved, the child can buy from you one-tenth of a share as a

private deal between the two of you. Then he can continue to buy additional fractions just as fast as he can save each one-tenth of the current price.

As dividends are paid, they will come to you as parents, in whose name the shares are registered. You then pay the child his dividend share as you receive it each quarter year. If the quarterly dividend is 30 cents, the child would be given for one-tenth of a share his dividend of 3 cents. The amount may seem trivial to us as adults who deal in much larger figures, but it is significant to a child and important as a device for teaching how the capitalist system works—how one can gain rewards from savings he has put to work for him in many business concerns of the nation. The feel of the income he receives as reward for past thrift and investment will be a matter of great and worthy pride to the child.

Lessons That Can Be Taught

Each time when the child is given the dividend his investment has earned, you will have a rare opportunity for all sorts of lessons about how the capitalist system works. I know from repeated experience that it is a powerful teaching tool with the young mind.

Suppose, for instance, the family is on a trip. As the hours of travel become long and you try to think of ways to reduce the child's tedium, try teaching him about the capitalism of which he is now a part. Even if he owns only one-tenth of a share in some good investment trust, you can hardly go a mile without being able to point out some business along the road in which he is a part owner. "You own a little of that," you can tell him, swelling his chest with the just pride of ownership from his own savings and investment. Even though we know that the amount of his ownership is so trivial that a microscope would be needed to find it, its size is not so important as is the fact.

At a very young age the child can also begin to understand the growth pattern of compounded, reinvested earnings. He can understand and appreciate that admirable little story of Arkad

whose basic argument for saving was this: "A part of all you earn is yours to keep," so keep it, along with the earnings on the earnings.²

For purposes of a feeling of participation in the process of ownership, some may argue that it is better to have the shares registered directly in the name of the child whenever full shares are acquired. This may well be true, and worth the cost and trouble. For the child to see his name on the certificate, and to receive quarterly dividend checks made out to him is surely more real and vivid to the child than to have it come through the parent. The extra trouble and expense may be worth it.

However you handle the details of such a program, you can watch the child's interest in capitalism grow and grow from such teaching. Endless lessons can be wired into his interests. The appeal of his ownership is ideal for learning the lessons of private capitalism vs. collective socialism. If you avail yourself properly of all these opportunities to teach him, you will have little or no reason to worry that the child will succumb to the wiles of socialism as he goes along through school. He may, in fact, be able to help teach the teacher a little, if he has also properly mastered the arts of tact and propriety.

Education Begins at Home

This is only one way that private capitalism—its methods and its merits—can be taught effectively in the home to the coming generation. Do you have others to suggest? We had better learn how pretty soon. If we continue to go socialist, it will be because we have not taught our own children properly in the home, so that the forces of collective resignation engulf them as in a tide. The current educational mode is part of this tide. Primary resistance, therefore, will for a time at least have to come from parents and a few exceptional teachers who can teach the meaning and purpose of private ownership and self-responsibility.

We need not, in my opinion, harbor any shame about teaching our youth that it is both moral and good to acquire honestly some capital as private property. Each of us must reason out its virtue

for himself, so that he fully understands it and truly feels it. But in thinking the matter through, I have found helpful some ideas for which I can thank especially David Hume, Professor Elton Trueblood, and Albert Schweitzer.³ I shall paraphrase their ideas and express them in my own way:

Inborn in the nature of man, it seems, is the drive for attainment. It can be commonly observed, as Schweitzer points out, that those who have little personal property that they can call their own frequently express this urge in the form of pure ego. Others, if denied the opportunity of accumulating private property, will struggle instead for personal status in forms such as political power over their fellow men. The right to acquire and keep what one has produced or justly acquired, therefore, is a harmless vent for a terrific human urge, of a sort that forces no other person to sacrifice in order that he shall attain private ownership of things of worth.

That is doubtlessly why private ownership of property was the basis for the modern concept of moral justice. From an early day, this concept found support in rules of conduct such as the admonitions against theft and covetousness expressed in the Decalogue.

NOTES

1. Source: Department of Economics, McGraw-Hill Publishing Company.

2. Clason, George S. *The Richest Man in Babylon*. Englewood Cliffs, New Jersey: Prentice-Hall, Inc. Special Publications Department.

3. Aiken, Henry D. *Hume's Moral and Political Philosophy*, Book III. New York: Hafner Publishing Co., 1948.

Trueblood, Elton. *Foundations for Reconstruction*. New York: Harper & Brothers, 1946, p. 87.

Schweitzer, Albert. *Civilization and Ethics*. New York: The Macmillan Co., 1929, p. 266.

Sacred Cows and Bruised Shins

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

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

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

The club will first have its feast, then transact some business and indulge in some levities, and finally listen to his speech. He will be allowed fifteen minutes for his formal statement, including several minutes for the chairman's eloquent introduction. At the end there will be five minutes for questions and answers.

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

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

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

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

No Time for Explanation

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

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

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

Judgment after the Facts

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

Imagine, for example, being accused of a crime while at the same time you are allowed only a specified number of minutes during which to present the case for your own defense. Imagine being subjected to a trial where your guilt or innocence will

depend on how much evidence you can present in the few minutes before the judge has to leave in order to make his golf appointment at 1:10. About all you would have time to do at such a trial would be to reassert your innocence—an approach hardly convincing to anyone already presuming your guilt.

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

The wise libertarian is one who uses his time to the best advantage, who employs whatever honest strategy will best defend the concepts he holds dear. To do that is not cowardice. Why suffer bruised shins battling the keepers of the sacred cows in an arena of injustice and disadvantage while so many fertile fields for libertarian talent remain untilled?

We Do Not Have Final Answers

One of the leading social issues of our time is what, and how much, the schools should teach about social issues. From an economic standpoint, the answer is fairly simple. One needs only to determine who has the proper authority to decide, and let him decide; he would be well advised to take account of the wishes of buyers and sellers in his market. As an economist, it is no more my function to prescribe the curriculum than it is to specify the design of a Ford motor car.

But, as a social scientist, I would draw attention to the immature status of the social sciences today.

“Social issues” are properly and unavoidably involved in formal education. These include our concerns in all human relationships, assuming we do not live as hermits. Were these concerns to be removed, what would remain? History would surely have to go; even physics, since we may not remove the humane implications of the uses of atomic fission. All these concerns are within the province of a possible curriculum, which reduces it to a question of degree, form, and content. This is why so much heat is generated every time one discusses the school’s responsibilities in social issues.

In my opinion, we should be cautious in teaching about current social issues. This reluctance is not due to doubts as to importance or interest, but is due rather to the sad state of our present knowledge of the underlying principles of the humane sciences.

Were we able to see our present knowledge from the vantage of the year 2500, my guess is that social science would appear no further advanced now than chemistry was in the year 1500.

Let us assume, to illustrate my point, that it were possible to send you back to the year 1500 to advise educators on the extent and form of teaching chemistry then. We would advise great caution, on the basis of what we now know about chemistry. We

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would note the presence of superstition. We would rebel against grading pupil answers “right” or “wrong,” or of using their answers to rate intelligence. We would argue that we need a few more centuries of careful research and discovery before we could be certain that our judgments were accurate. And we would urge that curiosity and creativity be encouraged on this subject, to the end that research would help us teach more effectively later.

Trying to teach about current social issues with our present limited knowledge in this field brings to mind an incident in an eastern school a few years ago. First-grade pupils were assigned the task of appraising the merits and demerits of the United Nations. The youngsters might feel qualified, but able, mature, and experienced minds would be less presumptuous.

I would plead that the teaching of social issues, at least beyond the identification of problems of growth and survival, be based on the lessons of history. Muddy sediment—which settles in time—often beclouds our knowledge of the present. Frustration, doubt, even desperation, are the sediments of our present social milieu. I recommend the reading of B. H. Liddell Hart’s *Why Don’t We Learn from History?*

We need not fear the distance of time in our search for the principles on which to build social science. Time will add purity. Scholars of Greek and Roman civilizations, such as Jacob Burckhardt, have told us much about the forces we see at work today.

Moral Philosophy

Philosophy through the Bars

Three years ago, I received a unique inquiry for some reading materials. It came from the librarian of the Iowa State Penitentiary, a man serving sentence for a serious crime.

“Perhaps these men are attracted by our claim, to be working for the cause of liberty,” someone punned. “Surely they have little interest in the philosophical subjects with which we deal.”

That judgment proved to be wrong, as later evidence revealed.

After receiving the large supply of FEE materials, the librarian read them all, including the books, within a period of five weeks. Then he wrote, “As for me, the most interesting release is *The America We Lost*.” That is one by Mario Pei, Professor of Romance Languages at Columbia University.

The librarian continued, “We could use all the releases you would care to send us, and I’m sure they will have a big circulation here.”

Thereafter, he sent me his annual library reports regularly. They reflected pride of accomplishment that would challenge the devotion to responsibilities of most any librarian, anywhere. This man obviously served his fellow prisoners well, helping to further their education. They must miss him, now that he has been released on parole.

Together with another prisoner, this man—in addition to his regular library duties—helped to develop and had patented a new type of electric stylus for library work.

As a bit of background with which to compare prisoner reading, a recent survey revealed that five out of every six college graduates had done no outside reading at all of a serious nature during the preceding few months. Those who can read have a

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theoretical advantage over those who can't, but they will surely narrow that advantage with passing time if the ability is not used. Hardly an adequate substitute for good reading, someone has reminded us, are many of the programs on radio and TV.

Prisoners Who Read

As a sample of the educational work done by this library, note these figures for the year ending in May 1953:

Number of books circulated	50,776
Number of magazine issues circulated	86,630
Number of persons (approximate average)	1,200
Circulation of books, average for the year:	
	<i>Books per person</i>
Fiction	31.0
Nonfiction:	
Sociology	1.6
Biography	1.4
History	1.4
Philosophy	1.4
Travel	1.2
Literature	1.0
Useful Arts	0.9
Religion	0.7
Fine Arts	0.6
Natural Science	0.5
General Works	0.3
Philology	0.3
Total nonfiction	11.3
Total	42.3

A book “circulated” is not necessarily read, of course. But even so, how many people do you know who can equal that record for apparent reading, other than perhaps a few college students with their assigned readings? Note especially the average per person of one book a month of serious reading—sociology, biography, history, and the like.

Prisoners Who Write

“But,” someone will suggest, “why shouldn’t these men do lots of reading? They have plenty of time. The rest of us are too busy to read. For them it is important to have their minds as well as their muscles exercised, as an important form of therapy.”

In a sense this is true. Their confinement surely offers a certain opportunity, if used to advantage. Many of these men are proving that much can be learned from books without going to college, and that they are learning far more, year for year, than a large proportion of college students do. And a year in college costs \$1,750, more or less.

Many of these men, I have discovered, are accomplished writers with highly talented minds. After all, we know that it takes no more than a moment’s violation of the code of societal discipline, and a brilliant mind may be put behind bars for years or the rest of his life. There he will be found, along with the less talented “habitual criminal.”

We know, for instance, that many great works of literature have been written by men who used wisely their time of confinement in prison. Among such works, in whole or in part, are:

Socrates, *Apology*
St. Paul, *Epistles*
John Huss, letters
Jeanne D’Arc, testimony at her trial
Tommaso Campanella, *The City of the Sun*
Walter Raleigh, *History of the World*
Richard Lovelace, *To Althea from Prison*
John Bunyan, *The Pilgrim’s Progress*
William Penn, testimony at his trial
Daniel Defoe, *A Hymn to the Pillory*
Thomas Paine, *To James Monroe*
William Lloyd Garrison, *Freedom of the Mind*
Dostoevsky, letters
Oscar Wilde, *De Profundis*
O. Henry, short stories
Mohandas K. Gandhi, *His Own Story*

Perhaps even more important than a list of works actually written while in prison would be those inspired by contemplation while so confined, but written after release.

A Journalistic Endeavor

The librarian of the Iowa State Penitentiary sent me a copy of *The Presidio*, the prison magazine prepared and published monthly by the men there. They do an excellent journalistic job, editorially and otherwise.

Take the November 1956 issue, for instance. In it you will find a quote from Franklin about truth and sincerity, an article by the prison author, Tom Runyon, a reprint of an item by the Reverend Norman Vincent Peale, and the Warden's regular page that is always worth reading. There is an article on capital punishment, followed by a touching illustrated story, "The Presidio Presents the Last Mile" (to the gallows) which ends with this classic:

I expect to pass through this world but once; any good thing therefore that I can do, or any kindness that I can show to any fellow-creature, let me do it now; let me not defer or neglect it, for I shall not pass this way again.

Stephen Grellet

Then there is a thoughtful article by Bob Russell, "Freedom's Not the Answer." His theme is to the effect that if you were to give him his freedom tomorrow without first orienting him to play his part in a free society better than when he went in, you are "doing me a wrong and society an injustice." And then he would be brought back one day. In pleading for occupational training and therapy in social conduct, Russell makes the telling point that "men who leave here after training in our small radio shop do not return. This is not just a coincidence. They do not return because they have found an acceptable way to earn a living, and a new self-respect in that ability. . . . Insecurity cannot survive in a being who knows he is equipped to do a job and do it well. . . . Freedom is not the answer if we are to leave here no better than the day we arrived."

A Lesson for Our Time

Further on in the magazine is to be found an article which richly repays the limited price of admission to the penwork of these men—"Always" by Pete Tenner. This article seems worth quoting at length. It is a notable piece of thinking about a philosophical disease of our time which widely afflicts those of us outside prison bars:

Always

I heard a man make a statement recently that left me so shaken that I had to force myself to stay away from this typewriter long enough to be sure I had brought my emotions under control. . . .

Who the man is, the one who made the statement, is of no real importance. But what is important is the fact that he is a graduate of a fine Midwestern college, and holder of a degree in sociology. Even that might not have too great a significance except that during a lecture to a small group, he announced he had recently accepted the post of institutional sociologist in what is regarded as a progressively operated Midwestern prison, in order to make a study of, and to classify, each inmate, so as to be able to help both the inmate and society, in any way he and his profession could. Always keeping in mind, of course, three things:

No. 1. Society is always right!

As for the other two things he is always going to keep in mind, I'm afraid I'll never know, because when I heard what appeared to be an intelligent man, a college graduate with a degree in sociology . . . make the flat, unqualified statement that society is *always* right—and realized that this was the man to whom the job of assisting in the rehabilitation of fallen men was being entrusted—I'm afraid I blew sky high. . . .

I questioned him at length about his reasons for making such a remarkable statement. But, no matter how I tried, I was unable to elicit any departure from his original statement. *Society is always right.*

I even tried suggesting that perhaps he meant society always had the right to set up specific rules, and punishments for the violation thereof, which, although injuring the individual, might serve to benefit society as a whole. "No," said the sociological expert, "Society is right at all times."

Time ran out and I relinquished the floor, amazed and literally stunned with the realization that in spite of historical fact to the contrary, this man was sincere in his belief that society is always right and

therefore, if he were to be consistent in his logic, entirely immune to error! . . .

In A.D. 29, or 33 (depending on which Bible you read) Roman society, through its representative Pontius Pilate, turned Jesus Christ over to his soldiers for them to do with Him as they would, because the chief priests and elders of Israel who were the spokesmen for the Jews (Jerusalem Society) demanded that he do so (Matthew 27: 17-28). Was society so right then?

Through the centuries, even up until comparatively recent times, all Chinese society agreed that the killing of the surplus of girl babies was right. Did that make it *so*?

In or about 1914, Prussian society, which at that time ruled all Germany, said, through their chief spokesman, Kaiser Wilhelm II, "Might is Right." Was that society right?

In 1923 there was conceived one of the most vicious systems of government in history and through complacency of society Nazism was spawned. In 1933 then, when German society welcomed Aryan Hitler not only as their spokesman but as their lawmaker as well, he decreed that it was a patriotic duty to slaughter the Jews right and left. Who was it then but society, good, fine, irreproachable society, not local outlaws, that went out and committed offenses against God and humanity that are still being talked of in whispers? Just how can any decent thinking human claim that society was right?

Shall we leave foreign lands for a bit and skim but lightly over our own local society? Fine. We'll start with the "backbone" of American society, Massachusetts in the seventeenth century.

Is there anyone reading this who would care to try to justify society and its being right in its witch-hunts at Salem? Or the burnings which followed? You won't without also justifying stupidity, superstition, and maliciousness. . . .

If you'll look back through history . . . you might agree with me that society is nothing more nor less than any large group of people, sometimes good, sometimes bad, sometimes right, sometimes wrong, who follow, and ordinarily live by, laws which are written into the books by those persons who were the most eloquent, those persons who were most persuasive, and who, by that eloquence and persuasiveness, succeeded in getting society to elect or appoint or otherwise install them into office whether it be King, President, Governor, Mayor, Congressman, Legislator, County Supervisor, Judge, or whatnot.

These are the men then, not society, who create the laws governing society, and society, being responsible for the actions of these persons, must at all times be willing to accept the blame for their evil as well as praise for their good. Society is therefore just as right, or wrong, no

more, nor less than those persons who represent them!

No degree from any college has ever carried the guarantee that the holder thereof would not have a distorted view of the subject he was taught—so—I would like to know how any sociologist is going to hope to arrive at a decent, honest appraisal of a man's character and to make an honest prognosis of the man's case with the preconceived idea that society is always right. . . .

Don't forget, the only perfect Lawmaker, the one Man in the history of the world Who was never wrong, the one Man Who gave us ALL good laws and Who was always right in His interpretation and judgment of those laws, was crucified by that same society you now say is always right.

There you have it. A man behind prison bars is making valuable use of his time while confined. I believe he is serving all of us outside in suggesting that we stop deriding the idea that there are any eternal principles. Otherwise we shall find ourselves pursuing, at a frantic pace, a futile attempt to form a world while denying the existence of any forms within which to fit it.

Perhaps those of us not behind prison bars, of all ages and walks of life, should try to rediscover the virtue of solitude put to good use in study and contemplation. Outstanding minds throughout all of history seem to have indulged. If they did not seek the solitude of a mountaintop or the silence of a desert, leastwise they learned how to synthesize those conditions in whatever their environs. Unless some of these fruits of solitude can be garnered and mixed with the rush of affairs of material living, persons and the societies they comprise will surely become lost in the illusion that "society is always right." Must we learn this from prisoners like Pete Tenner, who are availing themselves of the opportunity forced upon them? If so, let's learn it and be grateful.

Even though outside prison walls, one of ten feels barred in by a society he knows may *not* always be right, as judged by the perspective of Eternal Truth. At such times, he has something in common with a prisoner. He may find a welcome freedom from the strains of life in reading a good book, and in the use of a pen to supplement and assist his thinking. Whether or not the product is ever published is not, on one sense, too important. It is

what the process seems to do for the writer that is important, adding to his peace of mind and development.

The Greatest Economic Charity

A certain Talmudical philosopher once offered us this apothegm:

The noblest charity is to prevent a man from accepting charity, and the best alms are to show and enable a man to dispense with alms.¹

A profound observation! It deserves to be kept in mind constantly as we fumble along in attempts to do good to others.

The greatest charity of all, in the light of this apothegm, would be to assist a person toward becoming wholly self-reliant within nature's limitations, and therefore totally free. The non-material, non-economic things of the mind and spirit are supreme to this end and therefore comprise the greatest charity. Bread and raiment and abode are trivial indeed as compared with these, in the furtherance of human progress.

The greatest aids to self-reliance are educational, broadly speaking—the tools for pursuing the eternal embryo of truth. The root of progress is a sincere love of truth *per se*. Devotion to truth in the abstract must surpass love for any specific belief one holds at the moment, if the pursuit is to continue rather than to bog down in stagnant dogma. Exploratory shoots can then sprout from these roots in the form of specific "truths"—more accurately, mere beliefs—however dimly and even erroneously they may be seen at any moment. Among these sprouting shoots will be some sound ones capable of bearing the economic fruits and other passing joys of our daily living.

With things of the mind and spirit duly recognized as the greatest charity of all, this essay will explore one aspect of *economic* charity. When the word "charity" is used hereinafter, I shall be referring to charity in its economic form according to one definition given in the Oxford Dictionary—material benevolence, sometimes called alms or munificence or philanthropy.²

"The Greatest Economic Charity" appeared in *On Freedom and Free Enterprise*, ed. Mary Sennholtz (Princeton: D. Van Nostrand Company, Inc., 1956). Copyright © 1956 Mary Sennholtz. Copyright © 1965 F. A. Harper.

The social fashion of our age is the attempt to do good to others in a confused profusion of economic transfusions. Other times have been less afflicted in this respect for the simple reason that they could not afford as much waste as we can. For them, sheer survival of self and family absorbed nearly all their effort.

The charitable endeavors characteristic of our time are, in my opinion, often futile for their intended purpose. In fact, they may even be harmful to the recipient by making him less self-reliant than before. According to the Talmudical definition of the noblest charity, whatever reduces self-reliance is negative charity.

I believe there is another use for this vast amount of time and energy that would support a positive charity, fruitful beyond the fondest dreams of most persons. The prevailing notion is that such a use is wholly selfish. But its charitable aspect can be seen by testing it step by step against certain requisites of true charity.

The Nature of Charity

True economic charity has three characteristics:

1. Charity requires the transfer of ownership from one person to another of something having economic worth. The receiver must get a clear title to it, or it cannot be charity. The giver must have had clear title to it, or the giving is like a gift of stolen property—which is not an act of charity. Private ownership at both ends of the transfer, never public ownership, is therefore required.
2. The transfer must be voluntary with both parties. If forced upon the receiver against his will, it is not charity. If taken from the source against the prior owner's will, it is theft rather than an act of charity.
3. True charity requires anonymity. This is difficult to attain, to be sure. But if the conditions of the transfer result in a personal obligation in any form or degree, it is a grant of credit and not an act of charity. Devices other than anonymity usually fail to prevent the creation of a personal obligation.

It is a temptation to list as a fourth requirement that the gift shall, in the long run, be beneficial to the recipient. This aspect is important, but it tests the wisdom of the giving and not its charity.

The third requirement of charity— anonymity— is in harmony with the Biblical admonition that one who gives alms should not sound his trumpet before him as do the hypocrites.³ If the act is motivated by vainglory, it is not charity; it is then merely salve for the ego of the giver. If the giver expects repayment in any form or degree, other than in unselfish personal satisfaction, it is something other than charity.

These are strict requirements for the true charity and most “charitable” activities would fail to qualify.

Enslavement through “Charity”

Unfortunately a common purpose of acts of “charity” is to entice somebody to become obligated to the giver. The way it works is this: Under guise of a gift or personal favor, an unspecified *quid pro quo* is assumed. “Some day you can do something for me.” Perhaps it is some business favor in that wide arena where an unfree market allows special privileges to be traded. Such acts obligate the receiver for an amount not agreed upon in advance. There is no specific *quid pro quo* as with a loan or an outright trade. So the act of “charity” really becomes a debt that can never be repaid with precision because the amount of repayment is not known by both parties by prior agreement.

An attempt to repay such an obligation almost never satisfies both parties. A residual obligation, one way or the other, becomes suspended in uncertainty forever. That is why anonymity is required if this pernicious feature is to be avoided. Credit should be correctly labeled as credit and trade should be called trade.

The process just described is really a means by which one person permanently obligates himself to another. It is really a moderated form of enslavement.

Plutarch must have had this in mind when he said: “The real destroyer of the Liberties of any people is he who spreads among

them bounties, donations, and largesses.” Plutarch’s other comments make it amply clear that he was not opposed to real charity. But he was opposed to the sham of charity that feeds the vainglory of the giver and enslaves the recipient.

Aesop’s Fables—presumably written by a wise slave who had astutely observed these processes—repeatedly pointed out the dangers of enslavement under guise of charity.

False charity destroys security. Having once allowed one’s self to become permanently obligated to another by debts that can never be repaid, the recipient loses his self-reliance and becomes insecure. As St. Thomas Aquinas expressed it: “There is no security for us so long as we depend on the will of another man.”⁴

Just as one person can allow himself to become enslaved to another by a debt that cannot be repaid, so can persons within a group allow themselves to become enslaved to the group. National socialism is a common form, where the state becomes the dispenser of loot collected by force. The recipients lose their self-reliance in the process and come to feel indebted forever to the collective for their very lives. They have by then become enslaved.

There is not space here to trace in full the ideological ancestry of mass enslavement in this way, but the influence of Rousseau and Marx should be mentioned in passing.⁵ Rousseau, though he pleaded for “back to nature” in the education of *Emile*, was untrusting of natural self-reliance in economic and social affairs. So in his *Social Contract* he revived Plato’s cult of reliance upon the state and became, according to Janet, the uncontested founder of modern communism.⁶ Then Marx later built further upon the same concept when he said that man is merely a complex of social relations, and that he is responsible to society for his real existence. For if one really owes his existence to society because his life depends upon society, he then owes servitude to the state or to some other collectivity of society. That is how men like Rousseau and Marx, with their mass programs of social dependency and socialized “charity,” have helped socialize masses of humanity into dependency, insecurity, and slavery.

Enslavement on either a personal or mass basis could not

happen if charity were to be kept in pure form, supplementing free exchange and voluntary credit arrangements between persons.

Common Forms of Charitable Activity

Of the various forms of economic charity in which we commonly indulge, the simplest would seem to be something such as buying a vagrant a cup of coffee or giving him a dime for the purpose.

Most of the colossal amount of activity which today goes by the name of charity is of this type, where the intent of the giver is to provide something for direct consumption or relief of a destitute recipient. But little giving is direct from the giver to the object of need—often the sufferer from some physical ailment or the victim of devastation from “acts of God.” Most is given to some organization which acts as an intermediary.

If one will tabulate requests of all types during a year, it will become evident how numerous are the forms of request for charitable assistance. A few solicitors still stand on street corners with their tin cups. But most solicitation stems from intricately organized endeavors to wrest funds from would-be givers, frequently with the aid of the fund-raising profession. Often goodly neighbors are enlisted as unpaid solicitors to knock at one’s door, and the giving in many instances is really little more than the cost of peacefully evicting a well-intentioned trespasser.

In doubting that much of this sort of thing is charity at all—at least not the wisest form of charity—I am not questioning the right of anybody to support anything voluntarily with his own means. I am merely questioning his wisdom and suggesting a better alternative. His glow of self-satisfaction over having given in the usual way is no more assurance of its wisdom than any other misguided but well-intentioned act. One can grow in wisdom only as he is willing to review acts he previously judged to be wise.

Tools As a Form of Charity

Both fact and logic seem to me to support the view that savings invested in privately owned economic tools of production amount to an act of charity. And further, I believe it to be—as a type—the greatest economic charity of all.

By economic tools of production I mean, of course, things with exchange value—trucks, factories, railroads, stores—which assist human effort in the production of other items of economic worth.

Does saving and investment in these tools qualify as charity? Does it meet the three tests of an act of charity?

The first test is whether there has been a transfer of privately owned things having economic worth. It is true that when one saves and invests in a tool which he uses in production, although he retains title to the tool, most of the extra production which the tool makes possible passes on to others, as we shall see. For that reason the first requisite of an act of charity seems to be met as a certain consequence of saving and investment in tools. It is this feature of the creation of privately owned capital which is its charitable aspect.

The second test of charity is that the transfer of economic benefits shall be voluntary. Did anybody steal anything? Was anybody coerced? So long as the tools are privately owned and their use functions in a free market, the process has to be voluntary for everybody involved. But state ownership or control of tools, as is common in Russia, violates this requirement.

The third test of charity is anonymity. The charitable feature of savings and tools arises from the extra production that flows from it as a consequence and which goes in large degree to others than the one who saved and invested in the tool—to others than the owner of the tool. It is anonymous because the beneficiaries do not know its source. Most of them do not even know how they are benefiting from it at all. They do not know this because they have been victimized by a thorough saturation with the surplus value theory. They even think of themselves as being victimized by these capitalists who own the tools they are using.

One can easily test from his own experience the anonymity of

the charity that flows from savings and investment in tools. If one will list all the economic items he consumes or enjoys in a day, the test is to try in each instance to name specifically all the persons whose savings and investment made the item possible. Most of us, I dare say, could not name even one person responsible for an item we use and enjoy. This illustrates the anonymity of the millions of unknown persons responsible for the things we enjoy.

So savings and the tools of production meet all three tests of charity, and thus qualify as charity. How many of the things we commonly call “charities” can equally qualify by these three tests?

The Productive Power of Tools

A large part of the high level of economic living we now enjoy in the United States arises from the use of tools.

The average person in the United States has available for consumption upwards of ten times that of persons in the less prosperous half of the world. The reason for their poverty is a lack of savings invested in tools of production. In all their history over the ages they have accumulated little beyond the most primitive and simple tools, such as crude plows and hoes.

Harder work by us is not the reason why we can enjoy ten times as much economic welfare as they do. Persons in the United States work no harder, if as hard, as do the poorer half of the world’s population. Even including mental work along with sheer muscular effort, both of which contribute to output, I doubt if we work any harder—over-all.

Nor does innate intelligence seem to explain the difference. We probably have no more geniuses per thousand population than they do.

Lacking any of our accumulation of tools, our output per worker probably would be even lower than that of the poorer half of the world at the present time; even their production is aided considerably by their simple tools. Comparison of their output with ours suggests that without any tools whatsoever our output would be reduced to perhaps one-twentieth of what it

now is. To say it another way, perhaps 95 per cent of our present output in the United States is made possible by the presence of our tools. These tools are available because in the past some wise people saved and invested in tools.

Who Gets the Output Due to Tools?

The next question is: Who gets this great increase in production? Evidence shows that a large part of it goes to others than those who did the saving and who hold the titles of ownership to the tools. It goes mostly to those who use the tools.

It has been estimated that only about 15 per cent of the national income in the United States goes to the owners of capital as current income.⁷ This is the amount of dividends, interest, rents, and royalties together with their equivalents in owner-operated businesses. The other 85 per cent of the national income is paid currently for work, as distinguished from pay to owners for savings they have invested in tools. This figure for current work includes both wages paid to employees and its equivalent to those self-employed.

The question at once arises as to why so small a proportion of the product goes for capital, when capital is so highly productive? If we were to assume that those who save and invest in tools are entitled to the full increase in output that comes from the use of these tools as an aid to manual labor, it would appear from the evidence already given that justice would decree a division about like this: 95 per cent for the owners and 5 per cent for the users.

And so we may summarize:

	<i>To the Tool Owners</i>	<i>To the Tool Users</i>	<i>Total</i>
If full production increase were to go to the owners	95	5	100
Actual division in the United States at present	15	85	100
Division according to Marx's surplus value theory	0	100	100

Presuming these figures to be accurate, one must conclude that the saver-investor is receiving less than one-sixth of the

return which his saving and investing has made possible—15 received from the 95 produced. The other five-sixths of the increase goes to the users of the tools, enhancing their pay seventeen times—85 received and 5 produced.

A person is lucky if by chance he happens to have been born in the United States where he can share directly in the bounty tools create. By having been born here he is enabled to work with tools that are now available because others have saved in the past. His income from current effort will, by these figures, be enhanced seventeen times (85 versus 5) because of these tools. Had he been born where no tools had been accumulated whatsoever but would have to work as hard or even harder than in the United States, he would be getting only one-seventeenth as much for his labors.

This bounty to the users of tools is what I call the greatest economic charity.

Surplus Value Theory Reviewed

These facts are significant in appraising Marx's surplus value theory. Marx said, in effect, that the 15 per cent which goes to the owners of the tools is surplus value because the user of the tool—according to Marx—deserves the full 100 per cent.

It is from the productive power of tools as aids to the manual efforts of man that something which might be called a surplus value arises. This surplus, as has been indicated, has raised United States production from a level of 5 to a level of 100. So a counter claim to that of Marx would be that the full increase of 95 (100 minus 5)—the amount of surplus value created by the tools—should go to the one whose savings created the tools. But who really gets this surplus value of 95? The owner gets 15 and the user gets 80. Not a bad deal for the user!

Surplus value of a different sort arises in every instance of voluntary exchange in a free market. If one farmer trades a bushel of wheat to a merchant for a shirt, it is because the farmer prefers the shirt to the wheat and the merchant prefers the wheat to the shirt. The trade creates a surplus value for each of the participants, but the amounts of surplus value thus created

are not subject to measurement by any device we now know or can contemplate. They are compensating in direction but not necessarily in amount, because the amount is entirely a matter of subjective appraisal. Being unknown in amount by both parties and probably not even thought of in these terms at all, no sense of residual obligation is created. This makes the process closely akin to anonymity. The center of interest of this discussion, however, is surplus value of the type created by tools as an act of economic charity. Therefore the phenomenon of surplus value created by exchange will not be dealt with further here.

In a free economy the process of deciding the division of the surplus value created by the use of tools occurs in the free market. We must accept the decree of private ownership and free exchange as having fairly decided the division, whatever the answer. Yet the answer given in the free market reveals that private capitalists—the “selfish owners,” as those who save and invest are so often called—are really the greatest charity-givers of all.

It is also interesting to note the magnitude of charity arising from private capital in relation to “religious and welfare activities” contributions. About two billion dollars are given to religious and welfare activities in the United States each year. This is less than 1 per cent of the amount of charity which the users of tools receive in their pay envelopes, according to this concept, in the same length of time.

Bread vs. Seed Grain

I would certainly not scorn the giving of bread to a starving person in need. Nor would I scorn any other endeavors of a charitable nature by agencies which conduct recurrent campaigns for funds and materials for needy persons, so long as the offering is voluntary with one’s own means. But I would emphasize strongly that the urgency of the plight of the needy can blind one to the possibilities of this greatest charity of all.

Those who benefit from the charity that flows from the creation of tools are the persons engaged in productive labor. This makes an excellent claim to worthiness, for as Samuel Johnson

once said: "You are much surer that you are doing good when you *pay* money to those who work, as the recompense of their labor, than when you *give* money merely in charity."⁸

If we will but pause long enough to view with wider perspective the consequences of some of our customary acts of presumed charity, we can see their short-sightedness. Perhaps we should view with some question even the giving of grain to a starving person, if the same grain could better serve as seed for a harvest that would keep twenty persons from starving later. Savings, when used wisely by private enterprise to produce capital tools of venture, serve as economic seed in a like manner. The use of it as seed becomes an act of charity with a high leverage. But its creation requires enough patience and restraint from demands for immediate consumption so that the tools will be created. One must have foresight and economic insight enough to see beyond the exceedingly conspicuous and tempting need for present consumption.

When a neighbor knocks at one's door for a contribution to some charity, it may seem selfish to wonder if perhaps greater good could not be done by buying a share of new investment stock instead. But such an alternative is worth pondering, even with the perspective of charity in mind.

Many foundations have been established to engage in charity with the accumulated profits from the use of tools created in an earlier day. It may be a novel idea to suggest that greater charity might have been the consequence if these funds had been reinvested in new tools rather than to be used for direct-consumption charity, wherever that has been the policy. Use of foundation funds for the purpose of research and discovery is, of course, another matter because it is the creation of a form of tool and therefore highly charitable in its effects.

The one point I wish to make above all others is that, whereas a crust of bread may save a man from starving for a short while, the creation and use of tools are the only effective means by which people can be pulled completely out of the mire of poverty and placed on the solid base of sustained plenty. One cannot heal all the sick, relieve all the poor, comfort all in distress, nor father

all the fatherless. And so it is important that in one's efforts to do good he lend his limited support where it will bear the most fruit on a long-time basis—after he is gone and after his own direct efforts have ceased.

The Incentive Factor

There must be some incentive if there is to be saving and investment in tools. This is best done by private ownership. The nature of man being what it is, the prospect of some rewards under private ownership surpasses all other incentives. A carrot will entice the donkey better than a whip will drive him.

The label of charity on anything having as a motive any personal gain at all will probably be questioned by many. They will say that, unless 100 per cent of it is relinquished, none is truly charity. But I would pose some questions in reply. Does the fact that a person gives only 10 per cent of his yearly income, not 100 per cent, deny any of his gifts being charity? Does the fact that a charitable agency uses part of its income for organizational expenses deny any of it as being charity?

He who would serve his fellow men by charity can best do so by saving and investing in tools. Even though he may benefit himself a little, in the process, he unavoidably and anonymously benefits others by many times as much.

One who would be wholly self-sacrificing in the matter is free to refrain from any personal benefits in consumption at all, if he wishes. He can do this by reinvesting his profits in more tools. He can use that small part of the product of the tools which the free market allocates to him in the form of owner-reward to extend this greatest charity, foregoing all personal gain beyond the title to tools which are wholly benefiting others.

Beating Communism at Its Own Purpose

Has socialism-communism anything to offer to compare with this? Can their proposals benefit mankind in any such way, even though the capitalist may get a little out of it for himself? Do they have any such benefits to offer the commonweal in a parade of

progress, benefiting his children and his children's children on a continuing basis?

No. A socialist-communist regime, instead of being truly charitable, kills off this greatest charity of all. Taxes for "public welfare" kill the goose that lays this golden egg of charity. As taxes increase more and more and the chance for reward disappears, savings and venture are discouraged more and more. As rewards become thinner, the players turn away from the game. Original hopes of a charitable plenty turn into a poverty enforced by orders and police measures.

There is always the danger that when one has grasped the idea of the productive power of tools he will propose confiscating funds from private citizens in order to build more tools. But this denies the very process of charity. One person cannot be truly charitable with funds which he steals from another, any more than church collections can be increased by having the members of the congregation pick each other's pockets every Sunday. If tried, the source will dry up because those attending will learn to keep their pockets empty or else stay away from church.

True charity must remain purely private rather than public and socialized. It must be voluntary. That is the nature of the greatest economic charity of all—savings invested in privately owned tools of production.

Conclusion

The intent of this essay has been to bring into focus the conflict between two views toward economic charity, and to give a basis for choice between them.

An analogy may illustrate the difference. According to one view, sharing a crust of bread is advocated as the method of charity. The other advocates savings and tools for the production of additional loaves of bread, which is the greatest economic charity.

The two views are in conflict because the two methods are mutually exclusive in absorbing one's time and means in all the choices he makes day by day. These cannot be twice used.

The reason for the difference in view really stems from differ-

ent concepts about the nature of the economic world. The former view stems from the belief that the total of economic goods is a constant. The latter view is built on the belief that expansion in production is possible without any necessary limit.

The difference between the two views is like the difference between a two- and three-dimensional perspective of production. The two-dimensional size is fixed at any instant of time, but the third dimension and therefore the size of the total is expandable without limit by savings and tools.

If the total of economic goods were fixed, it might seem humane to spend all one's time dividing it into pieces and carrying them here and there. If man is assumed to be selfish, voluntary methods would seem inadequate and centralized control of supplies and their distribution would seem to be necessary—if only there could be any assurance of finding unselfish men to rule.

All the history of mankind denies that there is a fixed total of economic goods. History further reveals that savings and expansion of tools constitute the only way to any appreciable increase. Christ seemed to be telling us this in the story of the talents, two thousand years ago.⁹ Were we to grasp fully the meaning of this story, concepts about what is the best form of economic charity would undergo a revolutionary change.

The greatest economic charity is that which enables persons to become independent of alms and therefore most self-reliant and secure under freedom. Only when that happens—when persons advance from the brink of starvation—is time released for devotion to things of the mind and spirit, which comprise the supremely great charity.

NOTES

1. Paraphrased by Mary Baker Eddy from Moses Maimonides in his *Code of Jewish Law*, Chapter X, paragraph 7.

2. Some will resist my use of the word "charity" in connection with the object of my acclaim. They will point to the earlier meaning of the

word, which refers to a mental attitude of brotherly love and compassion. Yet standard works on the meanings of words reveal no substitute that seems lacking in the same sort of difficulty. All have multiple meanings, and are generally given as synonyms for one another. In fact, the word "charity" has come to refer increasingly to some form of alms-giving rather than to its earlier meaning. So I decided to hazard its use for want of anything better, in the hope that most of those who will be reading this essay will be charitable enough to try to glean my meaning and intent.

3. Matthew 6:2.

4. Acton, *Essays on Freedom and Power*, p. 64.

5. Thomas Davidson, *Rousseau and Education According to Nature* (1898); also, Leopold Schwarzschild, *The Red Prussian, the Life and Legend of Karl Marx* (1947).

6. P. Janet, *Les Origines du Socialisme Contemporain*, (1883), p. 119.

7. F. A. Harper, *The Crisis of the Free Market*, 1945, p. 66; reprinted in volume one of *The Writings of F. A. Harper*.

8. James Boswell, *The Life of Samuel Johnson*, Charles E. Lauriat Company, Boston, 1925—Vol. II, p. 636.

9. Matthew 25.

Morals and Liberty

To many persons, the Welfare State has become a symbol of morality and righteousness. This makes those who favor the Welfare State appear to be the true architects of a better world; those who oppose it, immoral rascals who might be expected to rob banks or to do almost anything in defiance of ethical conduct. But is this so? Is the banner of morality, when applied to the concept of the Welfare State, one that is true or false?

I should like to pose five fundamental ethical concepts as postulates, by which to test the morality or immorality of the Welfare State. They are the ethical precepts found in the true Christian religion—true to its original foundations—and they are likewise found in other religious faiths, wherever and under whatever name these other religious concepts assist persons to perceive and practice the moral truths of human conduct.

Moral Postulate No. 1

Economics and morals are both parts of one inseparable body of truth. They must, therefore, be in harmony with one another. What is right morally must also be right economically, and vice versa. Since morals are a guide to betterment and to self-protection, economic policies which conflict with moral conduct must with certainty cause degeneration and self-destruction.

This postulate may seem simple and self-evident. Yet many economists and others of my acquaintance, including one who was a most capable and admired teacher, draw some kind of an impassable line of distinction between morals and economics. Such persons fail to test their economic concepts against their moral precepts. Some even scorn the moral base for testing economic concepts, as though it would somehow pollute their economic purity.

A highly capable theological scholar once said that only a short time before, for the first time, he had come to realize the close

connection and inter-harmony that exist between morals and economics. He had always reserved one compartment for his religious thought and another separate one for his economic thought. "Fortunately," he said, in essence, "my economic thinking happened to be in harmony with my religious beliefs but it frightens me now to realize the risk I was taking in ignoring the harmony that must exist between the two."

This viewpoint—that there is no necessary connection between morals and economics—is all too prevalent. It explains, I believe, why immoral economic acts are tolerated, if not actively promoted, by persons of high repute who otherwise may be considered to be persons of high moral standards.

Moral Postulate No. 2

There is a force in the universe which no mortal can alter. Neither you nor I nor any earthly potentate with all his laws and edicts can alter this universal force, no matter how great one's popularity in his position of power. Some call this force God. Others call it Natural Law. Still others call it the Supernatural. But no matter how one may wish to name it, there is a force which rules and never surrenders to any mortal man or group of men—a force that is oblivious to anyone who presumes to elevate himself and his wishes above its rule.

This concept of universal forces is the basis for all relationships of cause and consequence. It is the foundation for all science, including things not yet resolved as well as past discoveries. It encompasses the older sciences such as astronomy, physics, and chemistry; it encompasses, in like manner, all human affairs.

Scientific discovery means the unveiling to human perception of something that has always existed. If it had not existed prior to the discovery—even though we were ignorant of it—it could not have been there to be discovered. That is the meaning of the concept of Natural Law. The so-called Law of Gravity is one expression of it.

This view—that there exists a Natural Law which rules over the affairs of human conduct—will be challenged by some who

point out that man possesses the capacity for choice, that man's activity reflects a quality lacking in the chemistry of a stone and in the physical principle of the lever. But this trait of man—this capacity for choice—does not release him from the rule of cause and effect, which he can neither veto nor alter. What the capacity for choice means, instead, is that he is thereby enabled, by his own choice, to act either wisely or unwisely—that is, in either accord or discord with the truths of Natural Law. But once he has made his choice, the inviolate rule of cause and consequence takes over with an iron hand of justice, and delivers unto the doer either a reward or a penalty, as the consequence of his choice.

It is important, at this point, to note that morality presumes the existence of choice. One cannot be truly moral except as there exists the option of being immoral, and except as he selects the moral rather than the immoral option. In the admirable words of Thomas Davidson: "That which is not free is not responsible, and that which is not responsible is not moral." This means that free choice is a prerequisite of morality.

If I surrender my freedom of choice to a ruler—by vote or otherwise—I am still subject to the superior rule of Natural Law. Although I am subservient to the ruler who orders me to violate Truth, I must still pay the penalty for the evil or foolish acts in which I engage at his command.

Under this postulate—that there is a force in the universe which no mortal can alter—ignorance is no excuse to those who violate it, because Natural Law rules over the consequences of wisdom. This is true whether the ignorance is accompanied by good intentions or not; whether it is carried out under the name of some religion or the Welfare State or whatnot.

What, then, is the content of a basic moral code? What are the rules which, if followed, will better the condition of men?

Moral Postulate No. 3

The Golden Rule and the Decalogue, and their near equivalents in other great religions, provide the basic moral codes for man's conduct. The Golden Rule and the Decalogue are basic moral guides having priority over all other considerations. It is these which

have guided the conduct of man in all progressive civilizations. With their violation has come the downfall of individuals and civilizations.

Some may prefer as a moral code something like: "Do as God would have us do," or "Do as Jesus would have done." But such as these, alone, are not adequate guides to conduct unless they are explained further, or unless they serve as symbolic of a deeper specific meaning. What *would* God have us do? What *would* Jesus have done? Only by adding some guides such as the Golden Rule and the Ten Commandments can we know the answers to these questions.

The Golden Rule—the rule of refraining from imposing on others what I would not have them impose on me—means that moral conduct for one is moral conduct for another; that there is not one set of moral guides for Jones and another for Smith; that the concept of equality under Moral Law is a part of morality itself. This alone is held by many to be an adequate moral code. But in spite of its importance as part of the moral code of conduct in this respect, the Golden Rule is not, it seems to me, sufficient unto itself. It is no more sufficient than the mere admonition, "Do good," which leaves undefined what is good and what is evil. The murderer, who at the time of the crime felt justified in committing it, can quote the Golden Rule in self-defense: "If I had done what that so-and-so did, and had acted as he acted, I would consider it fair and proper for someone to murder me." And likewise the thief may argue that if he were like the one he has robbed, or if he were a bank harboring all those "ill-gotten gains," he would consider himself the proper object of robbery. Some claim that justification for the Welfare State, too, is to be found in the Golden Rule. So, in addition to the Golden Rule, further rules are needed as guides for moral conduct.

The Decalogue embodies the needed guides on which the Golden Rule can function. But within the Ten Commandments, the two with which we are especially concerned herein are "Thou shalt not steal" and "Thou shalt not covet."

The Decalogue serves as a guide to moral conduct which, if

violated, brings upon the violator a commensurate penalty. There may be other guides to moral conduct which one might wish to add to the Golden Rule and the Decalogue, as supplements or substitutes. But they serve as the basis on which others are built. Their essence, in one form or another, seems to run through all great religions. That, I believe, is not a happenstance, because if we embrace them as a guide to our conduct, our conduct will be both morally and economically sound.

This third postulate embodies what are judged to be the *principles* which should guide individual conduct as infallibly as the compass should guide the mariner. "Being practical" is a common popular guide to conduct; principles are scorned, if not forgotten. Those who scorn principles assert that it is foolish to concern ourselves with them because it is hopeless to expect their complete adoption by everyone. But does this fact make a principle worthless? Are we to conclude that the moral code against murder is worthless because of its occasional violation? Or that the compass is worthless because not everyone pursues to the ultimate the direction which it indicates? Or that the Law of Gravity is made impractical or inoperative by someone walking off a cliff and meeting death because of his ignorance of this principle? No. A principle remains a principle in spite of its being ignored or violated—or even unknown. A principle, like a compass, gives one a better sense of direction, if he is wise enough to know and to follow its guidance.

Moral Postulate No. 4

Moral principles are not subject to compromise. The Golden Rule and the Decalogue, as representing moral principles, are precise and strict. They are not a code of convenience. A principle can be broken, but it cannot be bent.

If the Golden Rule and the Decalogue were to be accepted as a code of convenience, to be laid aside or modified whenever "necessity seems to justify it" (whenever, that is, one desires to act in violation of them), they would not then be serving as moral guides. A moral guide which is to be followed only when one

would so conduct himself anyhow, in its absence, has no effect on his conduct, and is not a guide to him at all.

The unbending rule of a moral principle can be illustrated by some simple applications. According to one Commandment, it is wholly wrong to steal all your neighbor's cow; it is also wholly wrong to steal half your neighbor's cow, not half wrong to steal half your neighbor's cow. Robbing a bank is wrong in principle, whether the thief makes off with a million dollars or a hundred dollars or one cent. A person can rob a bank of half its money, but in the sense of moral principle there is no way to half rob a bank; you either rob it or you do not rob it.

In like manner, the Law of Gravity is precise and indivisible. One either acts in harmony with this law or he does not. There is no sense in saying that one has only half observed the Law of Gravity if he falls off a cliff only half as high as another cliff off which he might have fallen.

Moral laws are strict. They rule without flexibility. They know not the language of man; they are not conversant with him in the sense of compassion. They employ no man-made devices like the suspended sentence; "Guilty" or "Not guilty" is the verdict of judgment by a moral principle.

As moral guides, the Golden Rule and the Decalogue are not evil and dangerous things, like a pain-killing drug, to be taken in cautious moderation, if at all. Presuming them to be the basic guides of what is right and good for civilized man, one cannot overindulge in them. Good need not be practiced in moderation.

Moral Postulate No. 5

Good ends cannot be attained by evil means. As stated in the second postulate, there is a force controlling cause and consequence which no mortal can alter, in spite of any position of influence or power which he may hold. Cause and consequence are linked inseparably.

An evil begets an evil consequence; a good, a good consequence. Good intentions cannot alter this relationship. Nor can ignorance of the consequence change its form. Nor can words. For one to say, after committing an evil act, "I'm sorry, I made a

mistake,” changes not one iota the consequence of the act; repentance, at best, can serve only to prevent repetition of the evil act, and perhaps assure the repentant a more preferred place in a Hereafter. But repentance *alone* does not bring back to life a murdered person, nor return the loot to the one who was robbed. Nor does it, I believe, fully obliterate the scars of evil on the doer himself.

Nor does saying, “He told me to do it,” change the consequence of an evil act into a good one. For an evildoer to assert, “But it was the law of my government, the decree of my ruler,” fails to dethrone God or to frustrate the rule of Natural Law.

The belief that good ends are attainable through evil means is one of the most vicious concepts of the ages. The political blueprint, *The Prince*, written around the year 1500 by Machiavelli, outlined this notorious doctrine. And for the past century it has been part and parcel of the kit of tools used by the Marxian communist-socialists to mislead people. Its use probably is as old as the conflict between temptation and conscience, because it affords a seemingly rational and pleasant detour around the inconveniences of one’s conscience.

We know how power-hungry persons have gained political control over others by claiming that they somehow possess a special dispensation from God to do good through the exercise of means which our moral code identifies as evil. Thus arises a multiple standard of morals. It is the device by which immoral persons attempt to discredit the Golden Rule and the Decalogue, and make them inoperative.

Yet if one will stop to ponder the question just a little, he must surely see the unimpeachable logic of this postulate: Good ends cannot be attained by evil means. This is because the end pre-exists in the means, just as in the biological field we know that the seed of continued likeness pre-exists in the parent. Likewise in the moral realm, there is a similar moral reproduction wherein like begets like. This precludes the possibility of evil means leading to good ends. Good begets good; evil, evil. Immoral means cannot beget a good end, any more than snakes can beget roses.

The concept of the Welfare State can now be tested against the background of these five postulates: (1) Harmony exists between moral principles and wise economic practices. (2) There is a Universal Law of Cause and Effect, even in the areas of morals and economics. (3) A basic moral code exists in the form of the Golden Rule and the Decalogue. (4) These moral guides are of an uncompromising nature. (5) Good ends are attainable only through good means.

Moral Right to Private Property

Not all the Decalogue, as has been said, is directly relevant to the issue of the Welfare State. Its program is an economic one, and the only parts of the moral code which are directly and specifically relevant are these: (1) Thou shalt not steal. (2) Thou shalt not covet.

Steal what? Covet what? Private property, of course. What else could I steal from you, or covet of what is yours? I cannot steal from you or covet what you do not own as private property. Thus we find that the individual's right to private property is an unstated assumption which underlies the Decalogue. Otherwise these two admonitions would be empty of either purpose or meaning.

The right to have and to hold private property is not to be confused with the recovery of stolen property. If someone steals your car, it is still—by this moral right—your car rather than his; and for you to repossess it is merely to bring its presence back into harmony with its ownership. The same reasoning applies to the recovery of equivalent value if the stolen item itself is no longer returnable; and it applies to the recompense for damage done to one's own property by trespass or other willful destruction of private property. These means of protecting the possession of private property, and its use, are part of the mechanisms used to protect the moral right to private property.

Another point of possible confusion has to do with coveting the private property of another. There is nothing morally wrong in the admiration of something that is the property of another. Such admiration may be a stimulus to work for the means with

which to buy it, or one like it. The moral consideration embodied in this Commandment has to do with thoughts and acts leading to the violation of the other Commandment, though still short of actual theft.

The moral right to private property, therefore, is consistent with the moral codes of all the great religious beliefs. It is likely that a concept of this type was in the mind of David Hume, the moral philosopher, who believed that the right to own private property is the basis for the modern concept of justice in morals.

Nor is it surprising to discover that two of history's leading exponents of the Welfare State concept found it necessary to denounce this moral code completely. Marx said: "Religion is the opium of the people." And Lenin said: "Any religious idea, any idea of a 'good God' . . . is an abominably nasty thing." Of course they would have to say these things about religious beliefs. This is because the moral code of these great religions, as we have seen, strikes at the very heart of their immoral economic scheme. Not only does their Welfare State scheme deny the moral right to private property, but it also denies other underlying bases of the moral code, as we shall see.

Moral Right To Work and To Have

Stealing and coveting are condemned in the Decalogue as violations of the basic moral code. It follows, then, that the concepts of stealing and coveting presume the right to private property, which then automatically becomes an implied part of the basic moral code. But where does private property come from?

Private property comes from what one has saved out of what he has produced, or has earned as a productive employee of another person. One may also, of course, obtain private property through gifts and inheritances; but in the absence of theft, precluded by this moral code, gifts come from those who have produced or earned what is given. So the right of private property, and also the right to have whatever one has produced or earned, underlies the admonitions in the Decalogue about stealing and coveting. Nobody has the moral right to take by force

from the producer anything he has produced or earned, for any purpose whatsoever—even for a good purpose, as he thinks of it.

If one is free to have what he has produced and earned, it then follows that he also has the moral right to be free to choose his work. He should be free to choose his work, that is, so long as he does not violate the moral code by using in his productive efforts the property of another person through theft or trespass. Otherwise he is free to work as he will, at what he will, and to change his work when he will. Nobody has the moral right to force him to work when he does not choose to do so, or to force him to remain idle when he wishes to work, or to force him to work at a certain job when he wishes to work at some other available job. The belief of the master that his judgment is superior to that of the slave or vassal, and that control is “for his own good,” is not a moral justification for the idea of the Welfare State.

We are told that some misdoings occurred in a Garden of Eden, which signify the evil in man. And I would concede that no mortal man is totally wise and good. But it is my belief that people generally, up and down the road, are intuitively and predominantly moral. By this I mean that if persons are confronted with a clear and simple decision involving basic morals, most of us will conduct ourselves morally. Almost everyone, without being a learned scholar of moral philosophy, seems to have a sort of innate sense of what is right, and tends to do what is moral *unless and until he becomes confused by circumstances which obscure the moral issue that is involved.*

Immorality Is News

The content of many magazines and newspapers with wide-spread circulations would seem to contradict my belief that most people are moral most of the time. They headline impressive and unusual events on the seamy side of life, which might lead one to believe that these events are characteristic of everyday human affairs. It is to be noted, however, that their content is in sharp contrast to the local, home-town daily or weekly with its emphasis on the folksy reports of the comings and goings of friends. Why the difference? Those with large circulations find

that the common denominator of news interest in their audience is events on the rare, seamy side of life; widely scattered millions are not interested in knowing that in Centerville, Sally attended Susie's birthday party last Tuesday.

It is the rarity of evil conduct that makes it impressive news for millions. Papers report the event of yesterday's murder, theft, or assault, together with the name, address, age, marital status, religious affiliation, and other descriptive features of the guilty party because these are the events of the day that are unusual enough to be newsworthy. What would be the demand for a newspaper which published all the names and identifications of all the persons who yesterday failed to murder, steal, or assault? If it were as rare for persons to act morally as it is now rare for them to act immorally, the then rare instances of moral conduct would presumably become the news of the day. So we may conclude that evil is news because it is so rare, that being moral is not news because it is so prevalent.

But does not this still prove the dominance of evil in persons? Or, since magazines and newspapers print what finds a ready readership in the market, does not that prove the evilness of those who read of evil? I believe not. It is more like the millions who attend zoos, and view with fascination the monkeys and the snakes, these spectators are not themselves monkeys or snakes, nor do they want to be; they are merely expressing an interest in the unusual, without envy. Do not most of us read of a bank robbery or a fire without wishing to be robbers or arsonists?

What else dominates the newspaper space, and gives us our dominant impressions about the quality of persons outside our circle of immediate personal acquaintance? It is mostly about the problems of political power, about those who have power or are grasping for power, diluted with a little about those who are fighting against power. Lord Acton said: "Power tends to corrupt, and absolute power corrupts absolutely." This dictum seems to be true, as history has proved and is proving over and over again. So we can then translate it into a description of much of the news of the day: News is heavily loaded with items about persons who, as Lord Acton said, are either corrupt or are in the process of becoming more corrupt.

If one is not careful in exposing himself to the daily news—if he fails to keep his balance and forgets how it contrasts with all those persons who comprise his family, his neighbors, his business associates, and his friends—he is likely to conclude falsely that people are predominantly immoral. This poses a serious problem for historians and historical novelists to the extent that their source of information is the news of a former day—especially if they do not interpret it with caution.

To Steal or Not To Steal

As a means of specifically verifying my impression about the basic, intuitive morality of persons, I would pose this test of three questions:

1. Would you steal your neighbor's cow to provide for your present needs? Would you steal it for any need reasonably within your expectation or comprehension? It should be remembered that, instead of stealing his cow, you may explore with your neighbor the possible solution to your case of need; you might arrange to do some sort of work for him, or to borrow from him for later repayment, or perhaps even plead with him for an outright gift.

2. Would you steal your neighbor's cow to provide for a known case of another neighbor's need?

3. Would you try to induce a third party to do the stealing of the cow, to be given to this needy neighbor? And do you believe that you would likely succeed in inducing him to engage in the theft?

I believe that the almost universal answer to all these questions would be: "No." Yet the facts of the case are that all of us are participating in theft every day. How? By supporting the actions of the collective agent which does the stealing as part of the Welfare State program already far advanced in the United States. By this device, Peter is robbed to "benefit" Paul, with the acquiescence if not the active support of all of us as taxpayers and citizens. We not only participate in the stealing—and share in the division of the loot—but as its victims we also meekly submit to the thievery.

Isn't it a strange thing that if you select any three fundamentally moral persons and combine them into a collective for the doing of good, they are liable at once to become three immoral persons in their collective activities? The moral principles with which they seem to be intuitively endowed are somehow lost in the confusing processes of the collective. None of the three would steal the cow from one of his fellow members as an individual, but collectively they all steal cows from each other. The reason is, I believe, that the Welfare State—a confusing collective device which is believed by many to be moral and righteous—has been falsely labeled. This false label has caused the belief that the Welfare State can do no wrong, that it cannot commit immoral acts, especially if those acts are approved or tolerated by more than half of the people, “democratically.”

This sidetracking of moral conduct is like the belief of an earlier day: The king can do no wrong. In its place we have now substituted this belief: The majority can do no wrong. It is as though one were to assert that a sheep which has been killed by a pack of wolves is not really dead, provided that more than half of the wolves have participated in the killing. All these excuses for immoral conduct are, of course, nonsense. They are nonsense when tested against the basic moral code of the five postulates. Thievery is thievery, whether done by one person alone or by many in a pack, or by one who has been selected by the members of the pack as their agent.

“Thou Shalt Not Steal, Except . . .”

It seems that wherever the Welfare State is involved, the moral precept, “Thou shalt not steal,” becomes altered to say: “Thou shalt not steal, except for what thou deemest to be a worthy cause, where thou thinkest that thou canst use the loot for a better purpose than wouldst the victim of the theft.”

And the precept about covetousness, under the administration of the Welfare State, seems to become: “Thou shalt not covet, except what thou wouldst have from thy neighbor who owns it.”

Both of these alterations of the Decalogue result in complete

abrogation of the two moral admonitions—theft and covetousness—which deal directly with economic matters. Not even the motto, “In God we trust,” stamped by the government on money taken by force in violation of the Decalogue to pay for the various programs of the Welfare State, can transform this immoral act into a moral one.

Herein lies the principal moral and economic danger facing us in these critical times: Many of us, albeit with good intentions but in a hurry to do good because of the urgency of the occasion, have become victims of moral schizophrenia. While we are good and righteous persons in our individual conduct in our home community and in our basic moral code, we have become thieves and coveters in the collective activities of the Welfare State in which we participate and which many of us extol.

Typical of our times is what usually happens when there is a major catastrophe, destroying private property or injuring many persons. The news circulates, and generates widespread sympathy for the victims. So what is done about it? Through the mechanisms of the collective, the good intentions take the form of reaching into the other fellow’s pocket for the money with which to make a gift. The Decalogue says, in effect: “Reach into your *own* pocket—not into your neighbor’s pocket—to finance your acts of compassion; good cannot be done with the loot that comes from theft.” The pickpocket, in other words, is a thief even though he puts the proceeds in the collection box on Sunday, or uses it to buy bread for the poor. Being an involuntary Good Samaritan is a contradiction in terms.

When thievery is resorted to for the means with which to do good, compassion is killed. Those who would do good with the loot then lose their capacity for self-reliance, the same as a thief’s self-reliance atrophies rapidly when he subsists on food that is stolen. And those who are repeatedly robbed of their property simultaneously lose their capacity for compassion. The chronic victims of robbery are under great temptation to join the gang and share in the loot. They come to feel that the voluntary way of life will no longer suffice for needs; that to subsist, they must rob and be robbed. They abhor violence, of course, but approve of

robbing by “peaceful means.” It is this peculiar immoral distinction which many try to draw between the Welfare State of Russia and that of Britain: The Russian brand of violence, they believe, is bad; that of Britain, good. This version of an altered Commandment would be: “Thou shalt not steal, except from non-resisting victims.”

Under the Welfare State, this process of theft has spread from its use in alleviating catastrophe, to anticipating catastrophe, to conjuring up catastrophe, to the “need” for luxuries for those who have them not. The acceptance of the practice of thus violating the Decalogue has become so widespread that if the Sermon on the Mount were to appear in our day in the form of an address or publication, it would most likely be scorned as “reactionary, and not objective on the realistic problems of the day.” Forgotten, it seems, by many who so much admire Christ, is the fact that he did not resort to theft in acquiring the means of his material benefactions. Nor did he advocate theft for any purpose—even for those uses most dear to his beliefs.

Progress of Moral Decay

Violation of the two economic Commandments—thief and covetousness—under the program of the Welfare State, will spread to the other Commandments; it will destroy faith in, and observance of, our entire basic moral code. We have seen this happen in many countries. It seems to have been happening here. We note how immorality, as tested by the two economic Commandments, has spread in high places to such an extent that violations of all other parts of the Decalogue and of the Golden Rule have become accepted as commonplace—even proper and worthy of emulation.

And what about the effectiveness of a crime investigation conducted under a Welfare State government? We may question the presumed capability of such a government—as distinct from certain investigators who are admittedly moral individuals—to judge these moral issues. We may also question the wisdom of bothering to investigate the picayune amounts of private gam-

bling, willingly engaged in by the participants with their own money, when untold billions are being taken from the people repeatedly by the investigating agent to finance its own immoral program. This is a certain loss, not even a gamble.

Once a right to collective looting has been substituted for the right of each person to have whatever he has produced, it is not at all surprising to find the official dispensers deciding that it is right for them to loot the loot—for a “worthy” purpose, of course. Then we have the loot used by the insiders to buy votes so that they may stay in power; we have political pork barrels and lobbying for the contents; we have political patronage for political loyalty—even for loyalty to immoral conduct; we have all sorts of gifts and personal favors given to political friends and bribes for the opportunity to do privileged business with those who hold and dispense the loot. Why not? If it is right to loot, it is also right to loot the loot. If the latter is wrong, so also is the former.

If we are to accept Lord Acton’s axiom about the corrupting effect of power—and also the reasoning of Professor Hayek in his book, *The Road to Serfdom*, about why the worst get to the top in a Welfare State—then corruption and low moral standards in high political places should not be surprising. But when the citizens come more and more to laugh and joke about it, rather than to remove the crown of power and dismantle the throne, a nation is well on its way to moral rot, reminiscent of the fall of the Roman Empire and others.

Nor should we be surprised that there is some juvenile delinquency where adult delinquency is so rampant, and where the absence of any basic moral code among adults precludes even the possibility of their effectively teaching a moral code that will prevent delinquency in the young. If, as adults, we practice collective thievery through the Welfare State, and advocate it as right and good, how can we question the logic of the youths who likewise form gangs and rob the candy store? If demonstration is the best teacher, we adults must start with the practice of morality ourselves, rather than hiring some presumed specialist to study the causes of similar conduct among the youngsters; their

conduct is the symptom, not the disease.

Thievery and covetousness will persist and grow, and the basic morals of ourselves, our children, and our children's children will continue to deteriorate unless we destroy the virus of immorality that is embedded in the concept of the Welfare State; unless we come to understand how the moral code of individual conduct must apply also to collective conduct, because the collective is composed solely of individuals. Moral individual conduct cannot persist in the face of collective immorality under the Welfare State program. One side or the other of the double standard of morals will have to be surrendered.

Appendix: The Welfare State Idea

The concept of the Welfare State appears in our everyday life in the form of a long list of labels and programs such as: Social Security; parity or fair prices; reasonable profits; the living wage; the TVA, MVA, CVA; Federal aid to states, to education, to bankrupt corporations; and so on.

But all these names and details of the Welfare State program tend only to obscure its essential nature. They are well-sounding labels for a laudable objective—the relief of distressing need, prevention of starvation, and the like. But how best are starvation and distress to be prevented? It is good, too, that prices, profits, and wages be fair and equitable. But what is to be the test of fairness and equity? Laudable objectives alone do not assure the success of any program; a fair appraisal of the program must include an analysis of the means of its attainment.

The Welfare State is a name that has been substituted as a more acceptable one for communism-socialism wherever, as in the United States, these names are in general disrepute.

The Welfare State plan, viewed in full bloom of completeness, is one where the state prohibits the individual from having any right of choice in the conditions and place of his work; it takes ownership of the product of his labor; it prohibits private property. All these are done ostensibly to help those whose rights have been taken over by the Welfare State.

But these characteristics of controlled employment and confiscation of income are not those used in promotion of the idea of the Welfare State. What are usually advertised, instead, are the “benefits” of the Welfare State—the grants of food and housing and whatnot—which the state “gives” to the people. But all these “benefits” are merely the other side of the forfeited rights to choose one’s own occupation and to keep whatever one is able to produce. In the same sense that the Welfare State grants benefits, the slavemaster grants to his slaves certain allotments of food and other economic goods. In fact, slavery might be described as just another form of Welfare State, because of its likeness in restrictions and “benefits.”

Yet the state, as such, produces nothing with which to supply these “benefits.” Persons produce everything which the Welfare State takes, before it gives some back as “benefits”; but in the process, the bureaucracy takes its cut. Only by thus confiscating what persons have produced can the Welfare State “satisfy the needs of the people.” So, the necessary and essential idea of the Welfare State is to control the economic actions of the vassals of the state, to take from producers what they produce, and to prevent their ever being able to attain economic independence from the state and from their fellow men through ownership of property.

To whatever extent an individual is still allowed freedom in any of these respects while living under a government like the present one in the United States, then to that extent the development of the program of the Welfare State is as yet not fully completed. Or perhaps it is an instance of a temporary grant of freedom by the Welfare State such as when a master allows his slave a day off from work to spend as he likes; but the person who is permitted some freedom by the Welfare State is still a vassal of that state just as a slave is still a slave on his day off from work.

Your Brother's Keeper: From Genesis to Galbraith

The theme of the week's program is, in a word, *charity*. We shall be scanning the span of human affairs from Genesis to Galbraith, hoping to find in the recorded history of man some help on that eternal question of the extent and form of one's obligations to his fellow men.

Helping one's fellow men in matters outside those we usually consider economic ones—such as things of the mind and spirit—is doubtless most important of all. But I shall restrict this discussion to economic matters, as implicit in our topic.

At the outset, I should confess to being a sinner of sorts. I have never found that light by which the words in the Bible all shine forth with complete certainty as to what went on and what was meant, devoid of seeming contradictions.

Let me illustrate. We are told in the book of Genesis that Cain was unhappy with the unfavorable balance of trade between the meat farmers (Abel) and the crop farmers (himself). He proceeded to solve the problem by doing away with all meat farmers (Abel). When questioned about it he responded, "Am I my brother's keeper?" Subsequently, we are told, the Lord renounced the death penalty for Cain. What are we to conclude from that about one's charitable responsibilities?

Then, later, we are told that Ephron offered to give Abraham a plot of land for the burial of his deceased wife, Sarah. Abraham refused, insisting on paying for it with—of all things—silver. Does this event help answer our question?

Still later there is an interesting story which goes like this, idiomatically. It seems that there was a lad named Joe who was subject to nightmares. Joe was the favorite son of his father who, one day, gave him a psychedelic coat. His older brothers, who had always been jealous of Joe, were given no such coats. And besides, they probably thought Joe was going "hippie." So they

broke off diplomatic relations with him completely and decreed the death penalty. But due to a faulty switch, or something, Joe survived and soon fell into slavery. Now it so happened that Pharaoh also had nightmares about which Joe became the official interpreter. On one occasion Joe interpreted Pharaoh's dream as forecasting a weather cycle whereby seven years of plenty would be followed by seven of scarcity. Joe, the leading political expert of his time, saw a chance to set up a social security scheme which, though disguised as protection of the people, would eventually enslave them. The scheme appealed to Pharaoh and he appointed Joe as a Cabinet member to carry it out. During the seven good years a twenty percent tax in wheat was collected and put in government warehouses. When the seven years of drought came, Joe sold—*sold*—the wheat back to the starving taxpayers year by year until finally the only property they had left was their land. Joe then said to them, in effect, "Give me the titles to your land, or I'll let you starve." When they signed the deeds to their land over to the government, Joe observed, "Behold, I have bought you this day . . ." Pharaoh was so delighted at now owning not only all the wealth but also the people as slaves that he gave Joe many gifts—gorgeous robes, a chain of solid gold, a priest's daughter, and other loot.

We could go on and on, such as to consider why the lilies of the field get along so well, how the Good Samaritan event worked out, what it means to love thy neighbor as thyself, and other biblical events.

I shall now go on with an analysis of the problem in a manner somewhat in harmony with the view that God helps those who help themselves, as Ben Franklin expressed it. As a preview, I offer my favorite quote on this theme, from Maimonides, the Talmudical philosopher:

The noblest charity is to prevent a man from accepting charity, and the best alms are to show and enable a man to dispense with alms.

Production: The Source of Giving

We might start with the simple fact that giving can come only

from what has first been produced. I cannot give bread to the needy from wheat that has not yet been produced. We are speaking, of course, about economic matters because things that are plentiful and free pose no problem.

This brings us face to face with the primacy of production as being unavoidably back of each and every form of helping one's brother.

The producer, then, is the basic benefactor of mankind. The conspicuous dispenser of alms which others have produced is merely a vehicle and not the real source of benevolence. In fact, the dispenser may even be a parasitic factor if his work ignores the discipline of necessity and competitive efficiency. H. L. Wells, as Vice President of Northwestern University, once gave illustrative figures for doing a dollar's worth of charitable work:

	Cost
Give it direct	\$1.00
Through a charitable society	1.08
Through local government	1.25
By local bond issue	1.75
Through state government	2.00
Through federal government	3.00

What Is Charity?

It seems necessary at the outset to dislodge our thinking from the customary rut about what is charity and what is not. On the surface it seems simple enough; it is giving a crust of bread to a starving child, for instance. But that is a myopic view of a matter which extends far into time, form, and space, becoming more and more complex as it goes.

Horace Gray, the distinguished Massachusetts Justice who later became a Supreme Court Justice, once had this to say:

A charity, in the legal sense, may be more fully defined as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, whether by bringing their minds and hearts under the influence of education or religion, by relieving their

bodies of disease, suffering, or constraint, by assisting them to establish themselves in life, or by erecting or maintaining public buildings or works, or by otherwise lessening the burdens of government.

If there were time, we might dwell at length on this interesting concept of charity as being anything which lessens the burden of government; but with this being the first Tuesday after the first Monday of November and the air so full of dust about such possibilities, we should postpone that until some other time. Suffice to say, the concept probably stands higher in logic than in what passes as “law” in our time.

I would plead that we consider the meaning of “helping our brother” in terms above and beyond any political plan or mechanism. The government, at most, is only one of innumerable organizations that may be presuming to be an agency involved in the process.

If it is an act of charity to give a crust of bread to a starving child, how about giving him a second crust? A third? At some point of rising affluence from added giving does it suddenly become non-charity? If so, precisely where?

Or is some other criterion the one to use? If so, what?

We shall discuss this question after considering other aspects of the problem, and now return to the point that anything to be given as charity must first have been produced.

Alternative Uses of What Is Produced

Not only must the loaf of bread for charity first be produced, but it can serve a charitable use only once—it can’t be eaten twice, in other words. This being true, alternative uses must be considered in terms of the same charitable objective. Let me illustrate.

Assume that you deem it proper to give blood to the Red Cross. You may not, however, decide to give all your blood to that cause at any one time. As an alternative, at least, you might well consider keeping some of it for yourself, even in the face of being accused of selfishness.

Or let us say that some wheat is under consideration. You

might give all of it to persons who are at the point of starvation; or you might use it for seed with the view of having more later to give to more who are starving; or you might sell it and use the proceeds to pay the costs of trying to develop a higher yielding strain of wheat which, even later, will prevent even more persons from starving.

Viewed in terms of real and practical alternatives, in other words, the objective of charitable uses of what has been produced becomes complicated and calls for great wisdom and foresight if benevolence is to be maximized over time.

But in any event, everything produced will help somebody. Once produced, who is to decide among all these alternative possible uses?

Who Shall Decide?

The one who shall decide the usage of any item produced is, *ipso facto*, the person who owns it.

We do not have time to probe this issue of ownership to the depths it warrants, so I shall merely state my position boldly and clearly.

It seems to me reasonably self-evident that ownership of anything produced belongs to the one who produced it—to the one who bore the costs of necessary inputs of his time and other ingredients. If we were to hold otherwise, we would be denying him the ownership of his own time and body—i.e., we would be prescribing slavery as the proper status of a man. A slave of whom, and by what right on his part?

Having thus identified the placement of ownership of anything produced, we have thus renounced the right of anyone else to it. To deny anyone else to it is, *ipso facto*, to deny to any aggregate of other persons—be it political, private organizations, gangs, or whatnot—the right to take that thing from the producer, against his will, and assume the rights as owner which have just been denied to him who has produced it. St. Matthew wrapped up this concept neatly when he said, “Is it not lawful for me to do what I will with mine own?”

The just province of the producer as owner—or subsequent

owners through valid transfer of ownership—is, then, to decide on matters of usage of what has been produced. It is his right, and his alone, to decide whether to “eat” it, sell it, invest it, give it away, . . . On what basis might he make the choice?

Choices among Uses of Production

Among possible uses of anything produced, the top priority would seem to be to “eat” it. To illustrate, let us assume, for the sake of clearness and simplicity, that you produce wheat and nothing else; that you have no other property. It would seem foolish for you either to plant all of this year’s crop or to give it all away, and then starve. So assuming you eat some of the crop and survive, for that part left over you have the choice of either using it as seed or giving it away. (This ignores other possibilities which are only diversionary forms.) Which shall it be?

In terms of Austrian economic theory, what you do with your wheat is strictly your problem, not mine. Fortunately, I do not have to decide for you and have enough of a problem deciding for my own. Yet we may all use some general guides for a decision.

Since the initial reaction of most persons is that the charitable thing to do is to give it to the needy, some sticky problems immediately raise their ugly heads: “How do we define ‘needy’? Precisely which persons are needy and which are not? Are the ‘needy’ only persons, or should we include cattle, dogs, and field mice?”

Who Are the Needy?

The more one thinks about it the more elusive becomes the word “need.”

The son of a friend in New Hampshire, then in second grade, was pressed by his teacher as to what he meant by “necessity.” To appreciate his response, it is relevant to note that he was one of a family whose gross income for the two decades from 1927 to 1947 had averaged about \$200 a year, with taxes taking about \$50 of that. The lad replied, “A necessity is something you have

to have, or you die.” That definition is probably not the one being used by H.E.W., but let us follow through with it a little.

I recall how a famous national philanthropic foundation poured great sums of money, over a long period early in this century, into prevention of yellow fever in India. That seemed clearly to be a “necessity,” because without it they would die. The effort was notably successful. Untold millions of Indians were saved from dying of yellow fever—lived to propagate offspring in great numbers who, in turn, lived to face death by starvation. Contemplating this in retrospect, one wonders why those foundation officials at the outset had not asked, “Is it more humane, more charitable, to use our resources to prevent one person from dying of yellow fever or to do something to prevent a larger number of persons—two, three, four, . . . —from dying of starvation?”

What I wish to suggest by this illustration is the profound wisdom reflected in the quotation from Maimonides, given at the outset. If human resources are used in such a way as to cure one need but thereby creating another equal need, is it being charitable? Or if in so doing, another and greater need is created, is that being charitable—no matter how well intentioned may be the motives behind it?

What I am suggesting is that perhaps “need,” with respect to Maimonides’ concept, is to be measured in terms of the effects on *production* of needed things, rather than in terms of the persons who lack these things, *per se*.

“Ye Have the Poor Always”

A sobering observation is that of St. Matthew, “For ye have the poor always with you. . . .” That is a pretty gloomy outlook. Should we just shed a tear, adjourn, and go home to our dry crust of bread? I think not, and I’ll tell you why.

Another possible meaning of the St. Matthew observation is one in harmony with everything else in the Bible including certain key points such as the Golden Rule, the Decalogue, and the Sermon on the Mount. It is also affirmed by the interesting interpretations of the Bible by a Mexican scholar, Alberto

Salceda, who has said, “. . . only one system can be derived, the one which goes hand in hand with a rational and free human nature, mainly capitalism.” In this sense, we might paraphrase St. Matthew as follows, “Mind ye, there will always be some among you who are poorer than others.” Let us now explore this alternative meaning and test it with some seemingly valid evidence.

Income Differences

Wide differences in income are of common knowledge.

In an age saturated with concepts of egalitarianism, justice tends to be equated with the degree of likeness in incomes and wealth. To this is added the human weakness of envy as a powerful catalyst for the egalitarian view.

Many years ago while a graduate student, I began to ponder and study this problem. The fact of wide differences was beyond doubt. But why do they exist?

It seemed clear that if you have more wealth than I do, there are three possible explanations: (1) you earned more, (2) you inherited it, or (3) you stole it. I ruled out “3” as a major cause of these differences because most thieves seem to be poor rather than wealthy. I ruled out “2” because if your rich uncle earned it honestly, it then becomes a “1” problem one generation back. That leaves only “1” as the explanation to be investigated.

In pursuing that line of inquiry, I came across the work of Pareto. He was a man of great genius, curiosity, and persistent devotion to collecting evidence on income differences for every time and clime he could find. When all his evidence was distilled, he found a persistent pattern of variation known to statisticians as a harmonic series. This pattern, incidentally, appears elsewhere in seemingly foreign phenomena such as the distribution of energy among molecules; the populations of cities and towns in a (mature) nation; and others.

The issue now shifts to the question of whether these income differences are basically just or unjust. Can it be that everyone produces about equal amounts in terms of market worth, meaning that inequality of incomes is to be equated with injustice? I

found this far from an adequate explanation for reasons we cannot treat fully here. But as a clue, it seemed to me that if all persons produced equally but were paid widely different amounts, employers who paid the bottom figures would lose their employees to those paying more. In short, the search must go further.

The Law of Variation

A good place to start is a bit of biographical reference to the work of Francis Galton, a nineteenth-century scientific genius. Skipping the earlier part of his remarkable life—for instance, learning to read at the age of two and a half years—we find his attention shifting to anthropometry and note his obsession with counting and measuring almost anything observable. “. . . he measured heads, noses, arms, legs, color of eyes and hair, breathing power, . . . reaction time . . . the number of ‘fidgets’ per minute among persons attending lectures . . . test the dog population with a high-pitched whistle” (James R. Newman, Francis Galton,” *Scientific American*, January 1954).

Our present interest centers on his arranging each type of data he had collected so as to reveal the persistence pattern, throughout nature, of what has come to be known as the “normal curve.” This is the bell shaped curve of frequency, perhaps best recognized as that used by teachers as a pattern for distributing grades among pupils in a class; for instance, in a class of twenty, there would be one A, four B’s, ten C’s, four D’s, and one F.

When Galton discovered this pattern, his exultation is reflected in what he said about it in *Natural Inheritance* (1889):

I know of scarcely anything so apt to impress the imagination as the wonderful form of cosmic order expressed by the “Law of Frequency of Error.” The law would have been personified by the Greeks and deified, if they had known of it. It reigns with serenity and in complete self-effacement amidst the wildest confusion. The huger the mob, and the greater the apparent anarchy, the more perfect is its sway. . . . Whenever a large sample of chaotic elements are taken in hand and

marshalled in the order of their magnitudes, an unsuspected and most beautiful form of regularity proves to have been latent all along.

Perhaps we can excuse Galton for the excesses of his description. But without going overboard completely for his view, one can at least agree that there appears to be something about the occurrences of variations among different units of things in nature that reminds us of the universality of certain laws of physics and chemistry. In other words, it seems to be true that variation can be predicted with surprising accuracy as to both the fact and the form.

The person who has probably done the finest scientific work on the forms of human variations is Professor Roger Williams, the famous biochemist at the University of Texas. In *You Are Extraordinary* (Random House, 1967), he notes with dismay that almost every textbook of physiology portrays the human parts as though all persons were alike. Yet, for instance, there is quite a variation in the size and shape of human stomachs.

Compounded Variation

The human organism is not a simple, single variant such as height. Mankind is apparently the most complex form of life. Each human is a package of innumerable separate characteristics, each of which may be assumed to vary from person to person by something like the normal curve, with all these characteristics varying independently of one another. Professor J. P. Guilford has, I believe, identified over sixty independent aspects of the mind alone (and suspects there are at least a hundred), each of which varies independently of the others from person to person.

Note the effect this complexity has on the degree to which any person, as a functional unit, varies from other persons. To indicate the magnitude of variation, let us take a simple illustration by considering variations within each characteristic according to the normal curve. Let us say that I am seeking to employ someone who is capable of "A" performance (among seven gra-

dations) for one relevant characteristic only. You tell me, quite correctly, that I might expect to find one such person from among 26 persons picked at random off the street, so to speak.

Let us say that I come to you again for help in finding a person who is not only “A” grade in the first characteristic but also “A” grade in a second one wherein our first selectee fails to measure up. You now inform me that I might expect to find one such person from among 676 picked at random. We go on in the same way until finally I tell you that I need someone who is “A” grade in each of seven different characteristics, at which point you report to me, “I wish you luck, because it would require more than double the population of the earth to expect to find one such person among them.

Seen in this light, one can understand why, despite the plethora of self-esteemed and freely-advising baseball enthusiasts in the stands, there is only one Willie Mays who can deliver such performance out there on the field. Many other persons can run as fast, perhaps, but they can’t also do all the other things as well as Willie. That is why all those people—many with low incomes—pay high prices to see Willie play ball, yet will not come to watch me play, even for free; why Willie Mays, Marilyn Monroe, and many others in different walks of life earn higher incomes than most of the rest of us. It is because consumers vote that way in the market place for what each of us produces. To put it another way, if your mother buys a loaf of bread because she prefers it to the 25 cents which it costs, she doesn’t care whether the one who produced it earns \$5,000 a year or \$50,000 a year. As far as she is concerned, this is the best bread available for her 25 cents. For if the market is free, we know that the relative incomes of the two producers reflect worth of their services to your mother and others like her.

We can also see why high incomes are fewer than low incomes and why “ye have the poor always with you.” It is because, when complex units with variable independent component parts perform, individual weak points nullify strong points like links in a chain so that the chains that will hold the heaviest weight are few. This seems to be in the nature of things and is something we

should work with rather than against, as one would with the tides or the winds.

The Best Way To Help the Poor

My basic theme, then, is that the best way to help the poor is to do everything possible to produce more rather than to waste time, energy, and costs trying forcefully to take from the rich the fruits of their labor and place it where they, as producers, consider to be not its best use. Judging best usage takes foresight and courage, in the face of one's inclinations to help the poor who are close at hand and in view of the climate of opinion of most onlookers. To take an extreme case, it is not easy to refrain from giving a starving person wheat today rather than to use it for seed and grow much more wheat which might be enough to prevent forty persons from starving later. The same principle applies at all levels above starvation.

Karl Marx's objective of helping the needy working man has, in fact, been accomplished in the United States to an amazing degree by a method quite the opposite of his "surplus value" approach.

Greater production, in brief, is almost entirely a matter of permitting producers and savers to accumulate wealth for use in developing tools which, with the aid of harnessed energy, provide powerful leverage to human efforts devoted to production.

Summary

How best to be "charitable," in an economic sense, has been a perplexing issue from the time of Genesis to the time of Galbraith. I have suggested places in the Bible where the answer seems a bit confusing so I'll let you read and judge that for yourself. The same goes for Galbraith. What I have attempted to do is to outline an analysis by which to judge both.

We have noted how giving can come only from production, which puts a ceiling on giving irrespective of our hopes and intentions otherwise.

We have noted how production can serve either immediate

needs or be saved and used to greatly enhance the serving of needs later.

We have noted that the best route—the just one—along this road of choices and decisions is through private ownership of what is produced and saved.

We have noted that there will always be some who are poorer than others, and that their numbers will be great. This appears to be in the nature of things, because humans are highly complex and variable. As a consequence, production rates are highly variable in amounts and forms so that, under justice, incomes will be highly variable.

The conclusion, then, in a few words is this: Attempts to improve the welfare of the poor by forcing redistribution of incomes is likely to reduce the welfare of all. For instance, assume an isolated population of three producers whose production levels are as 1, 2, and 3. If we try to help the first of these by forcing incomes to be equal in spite of production—to divide the total production of 6, in other words, into incomes of 2, 2, and 2—the likely outcome will be reduction of total production to perhaps 3 and incomes of $\frac{1}{2}$, 1, and $1\frac{1}{2}$. If, instead, they accept differences as in the nature of things and allow each to work through the processes of freedom and private property, the total production is likely to rise to perhaps 12 and incomes of 2, 4, and 6; in this event, the poor are still present but at twice the level of welfare as before. This, as I interpret, is what both St. Matthew and Maimonides were trying to tell us.

About the Author

F. A. Harper's career included teaching, writing, and lecturing throughout North America and Europe. He was born in Middleville, Michigan, in 1905, graduated from Michigan State University in 1926, and in 1932 received a Ph.D. in Agricultural Economics from Cornell University where he taught for nineteen years. From 1946 to 1958, he served as an economist on the senior staff of the Foundation for Economic Education in Irvington, New York.

For three years after moving to California in 1958, Dr. Harper was Senior Research Economist for the William Volker Fund. During the early 1960s, he was visiting professor of moral philosophy at Wabash College, and he began to devote more time to the Institute for Humane Studies, which was founded in 1961. He became Secretary-Treasurer of the Institute in 1962 and President in 1966, a position that he held until his death in 1973.

About the Institute

The Institute for Humane Studies was founded in 1961 as an independent center to promote basic research and advanced study across a broad spectrum of the humane sciences. Through fellowships, seminars and symposiums, and a variety of publishing activities, the Institute serves a worldwide community of scholars who seek to expand the historical and theoretical knowledge, as well as the practical applications, of libertarian principles.

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