

RAMPART JOURNAL

OF INDIVIDUALIST THOUGHT

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Unionism and Economic Stagnation

by Butler D. Shaffer

An attorney, labor relations counselor, and newspaper columnist, Butler Shaffer joined the staff of Rampart College as teaching assistant this spring. He served previously as Lincoln manager for the Midwest Employers Council in Nebraska, and earned his doctor of law degree at the University of Chicago.

From its inception during the Industrial Revolution, and continuing down to the present day, the modern labor-union movement can be characterized, in the main, as an institution dedicated to the maintenance of the economic status quo. It has, in the strictest sense of the word, been one of the most "conservative" and anti-progressive forces present within society, dedicated to the insulation of employees from the non-static nature of the market place. If a "dynamic economy" can be considered as one requiring changes in technology and skills, and a willingness and ability to adapt to changes in market conditions, then the labor-union movement can only be considered as a brake on economic growth; as a force of resistance to change.

In the area of technology, the union movement has taken a fairly consistent view that "machines" are the enemies of the workers, not realizing that the development of such tools rescued men from the depressing conditions of the feudal system; created employment and an increasing standard of living for men who had, prior thereto, maintained only a hand-to-mouth existence if starvation didn't overtake them first. The view by workers that tools of production were an "evil" led, in 1811, to the machine-breaking riots in England under the leadership of Samuel Ludd. Over a period of years, machines and the factories housing them became the targets for Luddite violence. In the words of one historian: "Men fearing unemployment tried to defend themselves by destruction."¹

¹Steven Watson, *The Reign of George III* (New York: Oxford University Press, Inc., 1960), p. 570.

While it is certainly true that the introduction of machinery was detrimental to those persons who had been accustomed to earning their livelihoods through hand-production methods (such as weaving, iron-work, etc.), it is equally true that these same machines made it possible to supply goods at lower costs, thus opening up consumer markets to an extent unthought of prior to this time. And with this increase in demand for products, came a need for more and more men to be employed in the factories producing such goods. In addition to the increase in employment experienced during the Industrial Revolution, one must also note the accompanying increase in real wages throughout this period. Men were able to obtain more and better goods and services in exchange for their labors than had been the case in prior years. On the whole, then, the introduction of machinery can only be considered as a direct benefit to employers and employees alike, even though it was met with resistance by those persons who felt they had a vested interest in keeping the economy in a static condition.

This anti-machinery attitude prevails even today, under the aegis of "anti-automation." It seems that each generation has considered the *existing* machinery and *existing* conditions as "desirable," but that "new" machinery is to be condemned for "destroying" jobs. (None of the labor unions are, today, advocating the return to production techniques antedating the power-loom and flying shuttle, as did the Luddites, but like their precursors they, too, want to keep conditions unchanging.) This only confirms my original thesis, namely, that the concern of labor unions is over any substantial *change* in existing production methods, organization, and the like. Even as automation opens up more and more jobs for more and more people,² labor unions seek to create the false impression that automation is detrimental to the economy as a whole, thus covering up their *real* concern, namely, that it may be injurious to those persons who refuse to adapt themselves to changing conditions, who seek a position of guaranteed security, and who demand that the entire economy stand still for *their* benefit.

Labor unions have maintained, usually explicitly, that an employee has an "ownership" interest in his job; that his employment with a company is an "investment" on his part which he is entitled to maintain regardless of market-place considerations. The idea

²One need only look at the tremendous increase in employment within firms which have been among the most highly automated. The example of the telephone companies comes immediately to mind.

that a man "owns" a perpetual "right" to have another continue to employ him, is but a new form of slavery in which the worker is deemed to "own" the employer. This belief has been expressed lately by numerous union leaders in the form of the proposition that once a man has been employed by a company, and has passed his probationary period, he ought never fear the loss of "his" job.³ "Once hired, never fired" has become a slogan for many union spokesmen, and will be heard more and more as unions continue to resist automation.

As an adjunct of this "job-ownership" philosophy, unions have always insisted upon the recognition of "seniority" as the basis for determining promotions, lay-offs, re-hiring, etc. There has been a traditional conflict in this area between employers who choose to have such considerations based on *merit*, on *ability*, and the union view which is founded upon the premise that a hierarchy ought to be established solely on the basis of who has been with the company the longest. Such a conflict of thought can be seen as a confrontation between the concept of growth and productivity on the one hand, and the retention of the status quo on the other.

One sees further evidence of this attitude of "job ownership" by workers whenever a strike takes place. If the company simply closes down its operations during a strike, violence rarely occurs. But let the company try to maintain production by hiring new employees to replace those who have gone on strike, and violence and intimidation are quite likely to follow. The union lashes out at the "scabs" who, in the union's view, are seeking to "steal" the jobs which "rightfully belong" to the men who are refusing to work. The union considers the employer duty-bound to keep open the jobs of the strikers until such time as the strikers determine they are prepared to return to work—if ever.

This labor-union philosophy might have very little influence were it not for their success in securing the cooperation of government to enforce their desires upon the market place. (It is interesting to note that, prior to the Wagner Act, labor unions had eschewed political activity, primarily because of the influence of anarchist thinking within the union movement. Then the politicians came to the startling realization that there were more employees than employers, and enlisted the support of labor unions. The unions—

³Some Latin American nations have—as a matter of law—the requirement that once an employee has been hired, he may not be discharged except under unusual circumstances.

heretofore anti-governmental in their thinking—likewise saw the opportunities for facilitating their objectives through political action.)

In order to insure themselves against employers going out into the market and hiring persons who would be willing to work for less money than union-workers demanded, the labor unions have fostered federal, state, and city minimum-wage legislation. Such legislation has made it *illegal* for another would-be employee to agree to work for a wage beneath the set “minimum,” and has required the payment of time-and-a-half for all “overtime” work.⁴ This has created an artificial scarcity of employees, and thus eliminated from the market a fairly sizeable amount of competition for the unions. (The effect is the same as that obtained through the establishment of so-called “fair-pricing” legislation, which puts a floor under prices, thus limiting competition in favor of the man who insists upon a higher price, and to the detriment of the man willing to charge a lower price.)

The effect of all minimum-wage legislation has been to *increase* unemployment,⁵ and this, we have seen, is the union objective (i.e., to have government force many persons into the status of “legally-unemployable”). The unions and the government—who combined to increase unemployment—then turn around, in an empty gesture of “humanitarianism,” and seek ever higher unemployment compensation benefits for the “unemployed.” This, again, helps to limit the competition for jobs by would-be employees, for it makes idleness and unemployment more attractive.⁶ The cycle keeps repeating itself, with the unions demanding both higher minimum wage laws and higher unemployment benefits, to the end that the unions—through government coercion—are able to *force* the market to deal with employees on the *union’s* terms.

⁴It now appears that the minimum wage will be raised by Congress to \$1.60 per hour, even though the AFL-CIO has been arguing for a \$2.00 minimum.

⁵See, e.g., an article written by H. M. Douty of the Bureau of Labor Statistics in the May, 1960 issue of *Economica*; the testimony of former U.S. Secretary of Labor James P. Mitchell in the *Congressional Digest*, February, 1960, Vol. 39, p. 45; an article by Benewitz and Weintraub in *Industrial and Labor Relations Review*, 1964, Vol. 17, pp. 276-288; an article by Dr. John Peterson in *Journal of Political Economy*, 1957, Vol. 65, pp. 412-430; also, Peterson, *Industrial and Labor Relations Review*, 1959, Vol. 12, pp. 406-422; an article by former dean of School of Commerce at U.S.C. (now with Columbia University), Lawrence C. Lockey, *Nation’s Business*, June, 1959, p. 31.

⁶See, on this point, the outstanding book by Prof. Oscar W. Cooley, *Paying Men NOT to Work* (Idaho: Caxton Printers, Ltd., 1964).

One of the most serious, and yet often overlooked, problems relating to the union's efforts to restrict the market place, is found in the support given the unions by the National Labor Relations Board and the courts. This problem area involves the "duty" imposed upon employers to "bargain" with the union over certain economic matters which might have a "detrimental" effect upon the employees. (This, as a part of the broad obligation imposed by the National Labor Relations Act to bargain over "wages, hours, and other terms and conditions of employment.") The effect of the decisions by the NLRB and the courts has been to support the stagnation philosophy of the labor unions. (Just as the anti-trust laws were enacted at the instance of some businessmen who sought to control their competition and to maintain the "status quo"; and just as the courts have interpreted such legislation, according to at least one observer, in such a manner as to "lessen the vigor of competition. . ." and "to restrain disturbing influences, to stabilize prices, and to assure those in the business the comfortable feeling that their position is secure,"⁷ so too has the interpretation of the National Labor Relations Act been to assure the unions that their position will not be disturbed.)

The criterion used by the board in determining whether "substantial detriment" to the employees does exist is stated in terms of whether or not any "real change in terms and conditions of employment of the employees in the bargaining unit" can be found.⁸ If the answer is in the affirmative (i.e., if an action by the employer would constitute a "substantial detriment" to the employees), then the employer may *not* take unilateral action on the matter, but must first bargain with the union regarding the proposed action.

At this juncture, it is interesting to examine the position of the employees and the union in contrast to other parties in the business cycle. If we are to hold to the idea that an employer must bargain with the representative of his employees—the union—before undertaking action which might be of "substantial detriment" to the employees, it would seem to follow that the employer should likewise negotiate with his suppliers, his distributors, and his customers before making such a change. Perhaps his *competitors* should also be

⁷Harold Fleming, *Ten Thousand Commandments* (New York: Prentice-Hall, Inc., 1951), pp. 41-42. See, also, Lowell Mason, *The Language of Dissent* (Cleveland: The World Publishing Co., 1959; New Canaan, Connecticut: Long House [rights transferred, 1961]). On the genesis of the anti-trust laws, see Gabriel Kolko's well-documented book, *The Triumph of Conservatism* (New York: The Free Press of Glencoe, now a division of The Macmillan Co., 1963).

⁸*American Oil Co. (Neodesha)*, 152 NLRB No. 7.

consulted! Would not all of these parties likely experience “substantial detriment” as the result of such an action? The logical extension of this “detriment” doctrine unveils its utter absurdity!

The major area of concern with which I shall deal regarding the NLRB’s desire to secure to the union the maintenance of the status quo with a plant, involves a line of cases beginning with *Town and Country Mfg. Co., Inc.*⁹ In that case the company, whose drivers were represented by the Teamsters Union, had been warned by an investigator from the Interstate Commerce Commission that the company was guilty of numerous violations of ICC regulations, and that the government would probably bring criminal proceedings against it. The company decided that the best thing to do to avoid prosecution by the government was to discontinue making its own deliveries, and to contract its delivery work out to commercial truck lines. The company notified the Teamsters of its tentative decision and offered to meet with the union on the matter. The union did not ask for a meeting until about two weeks later, and, in the meantime, the company went ahead with its plan to contract delivery work to commercial lines.

The union charged the company with a failure to bargain over this decision, maintaining that the employer had a duty to bargain with it over any subcontracting work. The NLRB upheld the union, and even went so far as to charge that the company’s reason for making the change—to avoid criminal prosecution by the ICC—was merely a pretext covering up its real motive, i.e., to punish the employees for having joined the union. The company was ordered by the board to resume its previous delivery system (even though they faced criminal prosecution by the ICC if they did) and to pay back wages to the men who were involved.

The rationale of the board’s decision was that subcontracting of work involved “terms and conditions of employment” about which Section 8 (d) of the Act required the employer to bargain with the union. However, in an earlier case—*Fibreboard Paper Products Corporation*¹⁰—the board had taken the position that the Act did *not* require the company to bargain with the union over what were considered basic management decisions. But in the *Town and Country* case, the board had taken the position that the employer’s unilateral action in subcontracting of work was based upon anti-union bias

⁹*Town and Country Mfg. Co., Inc.*, 136 NLRB No. 111.

¹⁰*Fibreboard Paper Products Corp.*, 130 NLRB No. 161.

and hence the question—at that time—was still open as to whether the company was required to bargain where subcontracting was for purely economic reasons. Up to this point, the board had held that where there was not anti-union discrimination, and where the decision to subcontract was economically motivated, the employer was *not* required to bargain with the union on the question of subcontracting itself, but only over the *effects* of the subcontracting.

From the union's point of view, this meant that the employer would be free to go ahead and undertake actions which could alter the existing conditions within his operation, perhaps to the detriment of the employees, and that the union could only bargain with the employer over the "effects" of his action. Such a rule militated against the "status quo" philosophy of the unions, for it left the employer free to make "basic management decisions." Thus, the board decided to "reconsider" the original *Fibreboard* decision and concluded that the employer was duty-bound to bargain with the union over subcontracting work, *even if* the decision to contract out work was motivated purely by economic considerations.¹¹ The U.S. Supreme Court upheld the board in this case.¹²

One of the board members—Philip Rodgers (an appointee under the Eisenhower administration)—dissented from the board's decision, arguing as follows, and recognizing the fundamental problem involved with such a decision:

"We are dealing here with a matter of basic import to the economy generally, and one of immediate concern to every person or group of persons engaged in private business in this country—the matter of how far and to what extent, if any, business management is free to make those economic decisions necessary to the improvement, or indeed the survival, of the business concern with which it is identified. . .

"For any decision made solely by management and based solely on economic factors constitutes a violation of this law, which violation must be remedied by the agency's ordering the concern involved to reinstitute an un-economic, outmoded or obsolete operation, and to remit back wages to all former employees 'adversely affected' by such managerial action. This is a drastic penalty."

Rodgers then went on:

"If this rule of the majority stands, it is difficult to foresee any economic action which management will be free to take of its own volition

¹¹138 NLRB No. 67.

¹²*Fibreboard Paper Products Corp. v. NLRB*, 379 U.S. 203.

and in its own vital interest (whether it be the discontinuance of an unprofitable line, the closing of an unnecessary facility, or the abandonment of an outmoded procedure) which would not be the subject of *mandatory* bargaining. . .

"The time involved in extensive negotiations and in protracted litigation before the board, together with the numerous technical vagaries, practical uncertainties, and changing concepts which abound in the area of so-called 'good faith bargaining' make it impossible for management to know when, if, or ever, any action on its part would be clearly permissible. *These factors * * * will serve effectively to retard and stifle sound and necessary management decisions.* Such a result, in my opinion, is compatible neither with the law, nor with sound business practice, nor with a so-called free and competitive economy." (Emphasis added.)

Other cases in which the employer was required to forego a change which was economically beneficial to the company, and to revert back to the prior-existing situation include, for example, *Marathon-Clark Cooperative Dairy Association*.¹³ In that case, the employer deemed it financially necessary to discontinue the processing of its own cheese, and arranged to have such work contracted out to another firm. The board concluded that the employer's action was in bad faith—even though the trial examiner found the company to have been motivated solely by a desire to prevent substantial loss—and ordered the company to go back into the cheese-making business and to pay back wages to the employees involved.

In the case of *Sidele Fashions, Inc.*,¹⁴ the employer—engaged in clothing manufacture in Philadelphia—decided to move its operation to South Carolina rather than sign a contract which had been negotiated by an employers' association—to which he belonged—on behalf of numerous firms. The employer approached the union and told it the company could not afford to sign the contract unless a reduction in wages contained therein could be agreed to. The union insisted that the company sign the contract before it would consider the employer's request, whereupon the company closed its Philadelphia operation and moved to South Carolina.

The board held that while the move was made for economic rather than "refusal to bargain" reasons, the employer made such a move only to pressure the union into accepting its position, and hence was unlawful. The board ordered the company to either re-

¹³*Marathon-Clark Cooperative Dairy Assoc.*, 137 NLRB No. 91.

¹⁴*Sidele Fashions, Inc.*, 133 NLRB No. 49.

instate the employees at the old Philadelphia plant, or at the South Carolina plant with the company paying the employees' moving expenses.

These are but a few examples of the degree to which the NLRB will go in forcing a company to sacrifice economic advantages to itself, and to reinstate less efficient and less profitable methods where the company did not go through the "proper" motions and bargain with the union over such changes. Such decisions certainly give aid and comfort to the union's desire to restrict any change which might prove to be "substantially detrimental" to the employees. More recent decisions show the length to which the NLRB is extending this doctrine. In one case, a company was ordered to bargain with the union over the company's desire to raise the price of its coffee in the company cafeteria by one cent per cup; in another, the company was required to "negotiate" with the union over the company's plans to put an addition onto its present structure. The addition, it seemed, would intrude into an area where employees had been parking their cars, and hence the NLRB undoubtedly construed this as being "substantially detrimental" to the employees! Some labor relation consultants have expressed a very serious fear that the board might even go so far as to require a company to bargain with the union over virtually every management decision—from determining which products will be produced, the price at which they will be sold, production processes to be employed, etc.—on the ground that an employer's decision in any of these areas could be "substantially detrimental" to the employees. That such a policy would amount to nothing more than a near condition of syndicalism—where the employees simply "run" the plant, elect the managers, etc.—should be quite obvious.

In the words of one observer:

"Though the NLRB may have little interest in enabling an enterprise to reduce its costs, freedom to add to, take from, or reorganize a business is fundamental to the free enterprise system. Many restrictions have been placed on this freedom, one being the protection of employees in their right to act collectively. The Act does not, however, make employee rights paramount over all others. . ."¹⁵

Section 8 (d) of the Act specifically states that, although the parties are bound to bargain in "good faith" over matters involving

¹⁵Kenneth C. McGuiness, *The New Frontier NLRB* (Washington, D.C.: Labor Policy Association, Inc., 1963), pp. 154-55.

wages, hours, and other terms and conditions of employment, there is *no* requirement that either party agree to a proposal or make a concession or that a contract ever be signed. Hence, to bargain with the union over a matter such as is involved here—the subcontracting of work—does not mean that the employer must obtain the consent and agreement of the union before such contracting out (or other economic decision) can be undertaken. But the employer must “bargain” with the union over the issue, and in “good faith.” It is well accepted, in theory at any rate, that if the employer and the union cannot reach an agreement and they come to what is called an “impasse” in negotiations—i.e., the point at which neither party is willing to make further concessions and additional negotiations would be considered futile—then the employer is “free” to take unilateral action. On the surface this doesn’t sound too bad, but the problem arises in attempting to determine just when, in fact, an “impasse” *has* been reached, or whether the employer *has* bargained in “good faith.”

The NLRB has—like the Federal Trade Commission and Justice Department in prosecuting anti-trust cases—consistently taken the view that it will decide each case on a “case by case” method, without laying down any clear, specific guidelines which the employer may rely on with certainty. In a 1961 case, *American Cyanamid Company*,¹⁶ the board stated in its decision: “While many factors may be common to most situations, in an evolving industrial complex the effect of any one factor, and therefore the weight to be given it in making the unit determination, will vary from industry to industry and from plant to plant.” In the *Fibreboard* case, the board continued this policy of vagueness by declaring: “The principles of (this case) are not meant to be hard and fast rules to be mechanically applied irrespective of the circumstances of the case. In applying these principles, we are mindful that the permissibility of unilateral subcontracting will be determined by a consideration of the setting of each case.”¹⁷

What this means to a given employer who seeks to make a change in the operation of his business—a change which may result in a “significant detriment” to the employees involved in the unit—is simply this: the employer acts at his own peril! If he takes the view that the change does *not* constitute a “significant detriment” and

¹⁶*American Cyanamid Co.*, 130 NLRB No. 1.

¹⁷*Fibreboard* case, *supra*.

takes unilateral action, he risks having the union bring a charge against him, being found guilty by the NLRB, and being required to reinstitute the old methods of operation and to reimburse all employees for loss of pay. If he *does* notify the union, and bargains with the union over the matter, he may involve himself in a year or more of negotiations before either (1) reaching a satisfactory agreement with the union, or (2) if the union simply refuses to have anything to do with agreeing to such a change, being in a position to consider the company and the union at an "impasse." In either event, much time and money have been lost in the process. If the employer concludes that an "impasse" has occurred, and undertakes the contemplated change, he risks having the union file another charge and having the NLRB—which offers no clear guidelines for him to follow in advance—find that an "impasse" had *not*, in fact, been reached, or that he was guilty of "bad faith" bargaining. In either event, he would be required to re-introduce the previous undesirable methods of operation and pay back wages to the employees involved. In short: the employer operates totally in the dark and at his own peril. For he has no way of knowing, ahead of time, whether the actions which he takes will or will not be considered "legal" by a board which always examines cases *after* the fact, which has the 20/20 vision of hindsight, and which renders each decision "by a consideration of the setting of each case," a setting which "will vary from industry to industry and from plant to plant."

A situation such as this has, as I view it, but one purpose, namely, to put the businessman totally at the mercy of government bureaus, to make the legality or illegality of given acts strictly an *ex post facto* matter. All regulatory bureaus created by Congress have been vested with extremely broad and discretionary powers, and exist as nearly autonomous bodies capable of making their own rules and regulations and enforcing them. Their actions are, for all practical purposes, not subject to court review. They have become "law-making" bodies in the strictest sense of the word. Louis Jaffe of Harvard University, commenting on the Federal Communications Commission, once stated: "Seven men in Washington are giving away broadcasting channels worth millions of dollars— apparently with no clear guide except their personal whims and political pressure."¹⁸

In the case of the NLRB, an employer has everything stacked

¹⁸*Harper's*, September, 1957.

against him once a complaint has been filed against him by the board. To begin with, I seriously doubt that there is one impartial and objective observer who would not agree with the conclusion that the NLRB has a totally pro-union outlook. Unlike courts of law and certain other regulatory agencies which are, in theory at any rate, *impartial* regarding the parties coming before them, anyone who has had any experience with the NLRB will attest to the fact that it represents the cause of unionism. This does not mean, of course, that the board "automatically" decides each case in favor of the union, but rather indicates its obvious biases.¹⁹

The procedure an employer goes through when he has been charged, by the union, with an unfair labor practice is as follows: a board agent comes out and makes a preliminary investigation and, as is usually the case, "uncovered" enough evidence against the employer so that a complaint is filed against him. A hearing is then held in which one agent of the NLRB has already served as *investigator*; another agent of the NLRB serves as *prosecutor*; the hearing is held before yet another agent of the NLRB—the trial examiner—who serves as *judge and jury*, and who hands down a decision which is subject to *review* by the NLRB itself! A more "closed system" could hardly be imagined.²⁰

Having gone through this procedure, the employer must be prepared for a decision which has been rendered according to the "particular circumstances" of his case, one which he might or might not have been able to anticipate because of the refusal of the board to set down clearly-defined guidelines for behavior. The NLRB would, I feel certain, echo the sentiments of Congressman Emanuel Celler who, commenting on the vagueness of the anti-trust laws, declared:

¹⁹Even the Republican Party went so far as to note the obvious biases of the NLRB by including in their 1964 national platform *two* sections aimed at the board. One pledged to "completely reorganize the National Labor Relations Board to assure *impartial* protection of the rights of the public, employees and employers, *ending the defiance of Congress by the present board.*" The other section of the platform promised: "restoration of collective bargaining responsibility to labor and management, minimizing third-party intervention, and *preventing any agency of government from becoming an advocate for any private economic interest*" (emphasis added).

²⁰There is a rather interesting sentence in Sec. 102.45 of the *Rules and Regulations* of the NLRB which points up, well, the type of "closed system" regulatory agencies are. In discussing the trial examiner's handing down of a decision, the section states: "Upon the filing of the decision, the board shall enter an order transferring the case to the board. . ."

Thus, after one official of the NLRB—the trial examiner—hands down his decision, the board transfers the case to *itself!*

"I want to make it clear that I would vigorously oppose any anti-trust laws that attempted to particularize violations, giving bills of particulars to replace general principles. The law must remain *fluid*, allowing for a dynamic society."²¹

Such vagueness in the area of labor law, then, gives the labor unions the benefit which they seek: the maintenance of a static situation within the companies whose employees they represent. The market place, however, is not and cannot remain "static." No firm can ever permit itself the luxury of pretending it has a "guaranteed" position, as the dissolution and bankruptcy of businesses—both large and small—attest. Success in the market place is dependent upon an ability and willingness to "embrace each new opportunity as it opens," to be *dynamic* in the sense of being *growth* rather than *security-oriented*.²² Companies must be able to adapt themselves to new conditions, to take advantage of more efficient methods of operation if they are even to survive, much less grow. But, as we have seen, the labor unions are not, and never have been—at least in modern times—concerned with "growth" where change is involved which might result in a disruption of "things as they are." The emphasis on job security, guaranteed work-weeks, guaranteed pay increases, closed-shop agreements, job "ownership" and the "once hired, never fired" doctrine, dovetail in with the decisions of the NLRB placing severe restrictions on the freedom of companies to make fundamental changes in the operations of their businesses which might be a "significant detriment" to the already existing conditions enjoyed by the employees.

The union philosophy of stagnation, which has been given support and enforcement by the government, can have but one effect: to limit the efficient and profitable operation of firms which recognize the need for making changes in order to remain in business. And as such a philosophy gains in acceptance, it must carry with it a decline in the overall strength of our economy and a deterioration in the innovative spirit of entrepreneurship, upon which the labor unions have depended for their existence since their inception.

²¹*Proceedings of Symposium, Section on Antitrust Law*, New York State Bar Association (Commerce Clearing House, Inc.), January 25, 1950, p. 37.

²²I have appreciated, on this point, the observation of J. Lewis Powell: "You can't have growth without change and you can't have security without growth. The *real* security is to be a growing man in a growing organization." (From a film, *The Real Security*, produced by Reid H. Ray Film Industries, Inc., St. Paul, Minnesota.)

Panarchy

by P. E. de Puydt

The article "Panarchy" was published in French in the *Revue Trimestrielle* in Brussels, July, 1860. It has been submitted to the RAMPART JOURNAL by Joern Manfred Zube of Australia, after translation into English in 1965 by Adrian Falk of Canberra (Australia) at Zube's request.

Mr. Zube secured a copy of the article from the Bibliotheque Royal de Belgique—one of the last things he did in Europe before migrating to Australia in 1959. Mr. Zube has been informed that De Puydt was once famous as a botanist, and had a high position in the Belgian public service. However, he has searched in vain for biographical data in libraries in Berlin, Paris, and Sydney. He suggests: "You might provoke your readers to do a little bit of research for themselves, asking, e.g., why such a good writer and such a novel and radical theory could be as completely forgotten in such a short time."

I.

Preface

One contemporary said: "If the truth were in my hands, I should be careful not to open them."

This is, perhaps, the saying of a savant; certainly that of an egotist.

Someone else wrote: "The truths which one least likes to hear are those which most need to be pointed out."

Here, then, are two thinkers whose views differ widely. I would rather agree with the second, although, in practice, his outlook presents difficulties.

Wise men of all nations teach me: It is not always best to tell the full truth.

However that may be, the problem is how to discern the truth. Moreover, the scriptures say: "Hide not your light under a bushel."

Now I am confronted with a dilemma. I have a new theory, at least so I believe, and I feel it my duty to expound it. Although, on the point of "opening my hands," I hesitate, for what innovator has not been persecuted a little?

The theory itself, once printed, will make its way on its own merits; I consider it advanced. My concern is rather for the author; will he be forgiven for his idea?

There was once a man who saved Athens and Greece, who, in an argument following a discussion, said to some barbarian who was lifting a stick against him; "Strike, but listen!"

Antiquity abounds with such good examples. In the manner of Themistocles, I set out my idea saying to the public: Read it to the end; you may stone me then if you please.

However, I don't expect to be stoned. The barbarian I spoke of died in Sparta twenty-four centuries ago, and we can all see how far humanity has come in 2,400 years. In our times, ideas may be freely expressed; and if occasionally an innovator is attacked, it is not done physically as in former times but by calling him an agitator or utopian.

Reassured by these thoughts, I proceed resolutely to the thesis.

II.

"Sirs, I am a friend of all the world."
Molière

I have a high esteem for political economy and would that the world shared my opinion. This science, of recent origin, yet already the most significant of all, is far from reaching fulfillment. Sooner or later—I hope it is sooner—it will govern all things. I am justified in this opinion, for it is from the works of economists that I have derived the principle whereof I propose a new application, still further reaching and no less logical than all others.

Let us first quote a few aphorisms, whose connection will prepare the reader for what follows:

"Freedom and property are directly connected: one favours the distribution of wealth, the other makes production possible."

"The value of wealth depends on the use to which it is put."

"The price of services varies directly with demand and inversely with supply."

"Division of labour multiplies wealth."

"Freedom brings about competition, which in turn generates progress." (Ch. de Brouckere, *Principles Généraux d'Economie Politique*.)

Thus there is a need for free competition, first of all between individuals, later internationally. Freedom to invent, work, exchange,

sell, and buy. Freedom to price one's products. And simply no intervention by the state outside of its special sphere. In other words: "Laissez faire, laissez passer."

There, in a few lines, is the basis of political economy, a summary of the science without which there can be nothing but faulty administration and deplorable governments.

One can go still further and, in most cases, reduce this great science to one final formula: *Laissez faire, laissez passer*.

I recognize this and go on to say:

In science there are no half-truths. There are no truths which are true on the one side and cease to be true under another aspect. The system of the universe exhibits a wonderful simplicity—as wonderful as its infallible logic. A law is true in general; only the instances are different. Beings from the most noble to the lowest, from the animated plant, even down to the mineral, show intimate similarities in structure, development, and composition; and striking analogies link the moral and material worlds. Life is an entity, matter is an entity, only their physical manifestations vary. The combinations are innumerable, the particulars infinite; yet the general plan embraces all things. The feebleness of our understanding and our fundamentally wrong education alone are responsible for the confusion of systems and inconsistency of ideas. Of two conflicting opinions, there is one true and one false, unless both be false; they cannot both be true. A scientifically demonstrated truth cannot be true here and false elsewhere; true, e.g., for social economy and false for politics. This is what I want to prove.

Is the great law of political economy, the law of free competition, "*laissez faire, laissez passer*," applicable only to regulate industrial and commercial affairs, or more scientifically, only to the production and exchange of wealth? Think of the economic confusion which this law has dispelled; the permanent troubled condition, the antagonism of conflicting interests which it has resolved. Are not these conditions equally present in the domain of politics? Does not the analogy indicate a similar remedy for both cases? "*Laissez faire, laissez passer!*"

We should realize, though, that there do exist, here and there, governments as liberal as human weakness actually permits, wrong only in assuming that all is for the best in the better republics. Some say: "This is precisely because there is too much freedom"; the others: "It is because there is still not enough."

The truth is that there is not enough of the right kind of liberty; the fundamental liberty to choose to be free or not to be free, according to one's choice. Every man is a self-appointed judge and settles this question according to his particular tastes or needs. Since there abound as many opinions as individuals, "tot homines, tot sensus," one can see what confusion is graced with the good name of politics. The freedom of some denies the rights of others, and vice-versa. The wisest and best of governments never functions with the full and free consent of all its subjects. There are parties, either victorious or defeated; there are majorities and minorities in perpetual struggle, and the more confused their notions are, the more passionately they hold to their ideals. Some oppress in the name of right, the others revolt for the sake of liberty, to become oppressors in turn, as the case may be.

"I see!" the reader might say. "You are one of those utopians who would construct out of many pieces a system wherein society would be enclosed, by force or consent. Nothing will do the way it is, and your panacea alone will save mankind. I cannot accept that!"

"But you are wrong! My problem is quite a general one. I differ from no one except on one point, namely, that I am open to any persuasion whatever—in other words, I allow any of the forms of government. At least, all those that have some adherents."

"I do not follow you."

"Well, allow me to go on.

"There is a general tendency to push theories too far. But does it follow that all the elements of such a theory must be wrong? It has been said that there are perversities or foolishness in the exercise of human intelligence. But, to declare one does not like speculative ideas and detests theories, would that not mean a renunciation of our reasoning powers?"

These considerations are not my own; they were held by one of the greatest thinkers of our time, Jérémie Bentham.

Royer-Collard expressed the same thought with great succinctness:

"To hold that theory is good for nothing, and that experience is the sole authority, means the impertinence to act without knowing what one does and to speak unaware of what one is talking about."

Although nothing is perfect in human endeavour, at least things move towards an ultimate perfection: that is the law of progress. The laws of nature alone are immutable. All legislation must be

based on them, for they alone have strength to support the structure of society; but the structure itself is the work of mankind.

Each generation is like a new tenant who, before moving in, changes things around, cleans up the facade, and adds or pulls down an annex according to his own needs. From time to time some generation, more vigorous or shortsighted than its predecessors, pulls down the whole building, sleeping out in the open until it is rebuilt. When, after a thousand privations and with enormous efforts they have managed to rebuild it to a new plan, they are crestfallen to find it not much more comfortable than the old one. It is true that those who drew up the plans are set up in good apartments, well situated, warm in winter and cool in summer; but the others who had no choice are relegated to the garrets, the basements, or the lofts. So there are always enough dissenters, trouble makers of whom the ones miss the old building whilst some of the more enterprising already dream of another demolition. For the few who are satisfied, there is an innumerable mass of objectors.

We must remember, however, that a few are satisfied. The new edifice is, indeed, not faultless but it has some advantages. Why pull it down tomorrow, later, indeed ever, as long as it shelters enough tenants to keep it going?

I myself detest the wreckers as much as the tyrants. "If you feel your apartment is inadequate or too small or unhealthy, then change it; that is all I ask. Choose another place, move out quietly; but for heaven's sake, don't blow up the whole house as you go. What you found unsuitable might delight your neighbour. Do you understand my comparison?"

"Almost; but what are the consequences of this? To have no more revolutions would be fine. I feel that nine times out of ten their expenses outweigh their achievements. We prefer to keep the old building, but where can you accommodate those who move out?"

"Where ever they like; this is none of my business. I feel that this way liberty is best conserved. This is the basis of my system: *laissez faire, laissez passer.*"

"I think I understand: anyone not content with the government as it is must look elsewhere for another. There has been a choice, actually, from the time of the Moroccan empire right up to the republic of San Marino, without mentioning all the other empires, from the city of London to the American Pampas. Is that all your theory amounts to? It is nothing new, I can tell you."

"It is not a matter of emigration. 'A man does not carry his native land on the soles of his shoes.' As for the rest, such colossal expatriation is and always will be impracticable. The expense involved could not be met by all the wealth in the world. I have no intention of resettling the population according to its convictions; relegating Catholics to the Flemish provinces, for example, or marking the liberalist frontier from Mons to Liege. I hope we can all go on living together wherever we are; apart from this, however one likes, but without discord, like brothers, each freely holding his opinions and submitting only to a power chosen and accepted by himself."

"I do not understand this at all."

"I am not at all surprised. My plan, my utopia, is apparently not the old story you first thought it to be; yet nothing in the world could be simpler or more natural. However, it is common knowledge that in government, as in mechanics, the simplest ideas always come last.

"We are coming to the point: one can find nothing lasting except on liberty. Nothing that already exists can maintain itself or operate with full efficiency without the free interplay of all its active parts. Otherwise, energy is wasted, parts wear out rapidly, and there are, in fact, breakdowns and serious accidents. Thus I demand, for each and every member of human society, freedom of association according to inclination and of activity according to aptitude; in other words, the absolute right to choose the political surroundings in which to live, and to ask for nothing else. For instance, suppose you were a republican. . . .

"Me? May heaven beware me!"

"Just suppose. Monarchy does not suit you; the air is too stifling for your lungs and your body does not have the free play and action your constitution demands. According to the present frame of mind, you are inclined to tear down this edifice, you and your friends, and to build your own in its place. But to do that, you would come up against all the monarchists, who cling to their monument, and in general all those who do not share your convictions. Do better: assemble, declare your program, draw up your budget, open membership lists, take stock of yourself and if numerous enough to bear the costs, found your republic."

"Whereabouts? In the Pampas?"

"No, truly not; here, where you are, without moving. I agree

that it is necessary, up to the present, to have the monarchists' consent. For the sake of my argument, I suppose the matter of principle to be settled. Otherwise, I am well aware of the difficulty of changing the state of affairs to the way it should be and must become. I simply express my idea, not wishing to impose it on anyone; but I see nothing but the routine which might suppress it.

"Don't we know how bad a household establishment the governed and the governments make together, everywhere? On the civil level we provide against unworkable households by legal separation or divorce. I suggest an analogous solution for politics, without having to circumscribe it with formalities and protective restrictions; for in politics previous associations leave no children or physical marks. My method differs from unjust and tyrannical procedures followed in the past, in that I have no intention to do anyone violence.

"Those wishing to form their own political schism may be its founders, but on one condition, that is, to do so among themselves, within a group, affecting neither the rights nor the creed of others. To achieve this it is absolutely not necessary to subdivide the territory of the state in so many parts as there are known and approved forms of government. As before, I leave everyone and everything in its place. I only demand that people make room for the dissenters so that they may build their churches and serve the Almighty in their fashion."

"And tell me, please; how are you going to put this into practice?"

"This is just my strength. Are you aware of the methods of a civil registry bureau? It is just a matter of a new application of them. In each community is opened a new office, a 'Bureau of Political Membership.' This office would send every responsible citizen a declaration form to fill in, just as for the income tax or dog registration."

"Question: What form of government would you desire?"

"Quite freely, you would answer: monarchy, or democracy, or any other."

"Question: If monarchy, would you have it absolute or moderate . . . if moderated, how?"

"You would reply: constitutional, I suppose. Anyway, whatever your reply, your answer would be entered in a register arranged for this purpose; and once registered, unless you withdrew your declaration, respecting the legal forms and delays, you would thereby be-

come either a royal subject or a citizen of the republic. Thereafter, you are in no way involved with anyone else's government—no more than a Prussian subject is with Belgian authorities. You would obey your own leaders, own laws, and own regulations; would be judged by your equals, taxed by your representatives. You would pay neither more nor less, but morally it would be a completely different situation.

"Ultimately, everyone would live in his own individual political community quite as if there were not another one near . . . nay, ten other political communities, coexisting with his, each having its own contributors, too.

"If a disagreement came about between subjects of different governments, or between one government and a subject of another, it would simply be a matter of observing the principles heretofore observed between neighbouring, peaceful states; and if a gap were found, it could be filled without difficulties by the human rights and all other possible rights. Anything else would be the business of common courts of justice."

"This is a new gold mine for legal arguments which would bring all lawyers on your side."

"I counted on this. These legal disputes could and should interest all inhabitants of a certain district likewise, no matter what their political allegiance is. Each government, in this case, would stand politically related to the whole nation almost as each of the Swiss cantons, or, better, the states of the American Union stand to their federal government.

"Thus, all these fundamental and seemingly frightening questions are met with ready-made solutions; jurisdiction is established over most issues, and would present no difficulties whatever.

"Certainly, it will happen that some malicious spirits, incorrigible dreamers, and unsociable natures will not accommodate themselves to any known form of government. Also, there will be minorities too weak to cover the costs of their ideal states. So much the worse for both. These odd few are free to propagate their ideas and to recruit up to their full complement, or rather, up to the needs of their budget, after which all would resolve into a matter of finance. Until then, they will have to opt for one of the established patterns. You must admit that as insolvent minorities they will not cause any trouble.

"This is not all; the problem rarely arises over extreme opinions.

One fights more often, one struggles much harder for shades of colour than for the national flag. I have no doubt that in Belgium the overwhelming majority would opt for the flourishing institutions, a few accepted shortcomings notwithstanding. But would one be more content with their functioning? Do we not have two or three million Catholics who follow only Mr. de Theux, and two or three million liberals who owe allegiance only to themselves? How can they be reconciled? By not trying to reconcile them at all; by letting each party govern itself—in its own way and at its own expense. Theocracy, if you want it. Freedom should even extend to the right not to be free and should include it.

“Due, however, to the fact that only shades of opinion are required to multiply the government machinery infinitely, one will exert oneself, in the general interest, to simplify this machinery. One will apply the same cog to achieve a double or threefold effect. I shall explain myself: a wise and openly constitutional king could suit both Catholics and liberals—only the ministry would have to be doubled; Mr. de Theux for some, Mr. Frère-Orban for the others, the king for all.

“Who would hinder certain gentlemen, whom I shall not name, if they convened to introduce absolutism, letting the same prince use his superior wisdom and rich experience to manage those gentlemen’s business, freeing them of the regrettable necessity of having to express their opinions about government affairs? Truly, when I think of it, I do not see why this one prince should not make a quite acceptable president of an honest, moderate republic, if one accepts the contrary settlement. Such a plurality of offices should not be prohibited.”

III.

“Though freedom has its inconveniences and pitfalls, in the long run it always leads to deliverance.”

M. A. Deschamps

One of the many incomparable advantages of my system is to render unimportant, natural, and completely legal those differences of opinion, which in our time have brought some upright citizens into disrepute, and which one has cruelly condemned under the name of political apostasies. Such impatience for change, which has been considered criminal of honest people, which has caused old and new nations to be accused of wantonness and ingratitude; what

is it but the will to progress? Furthermore, is it not strange that in most cases, those accused of capriciousness and instability are precisely those who are most loyal to themselves? The faith one would like to have in one's party, flag, and prince is possible if party and prince are constant; but what if they do change or give way to others who are not their equals? Suppose I had selected, as guide and master, the best prince of the times; I had acquiesced to his powerful and creative will, and foregone my personal initiative to serve his genius. On his death he might be followed, by succession, by some narrow-minded individual full of wrong ideas, who little by little squanders his father's achievement. Would you expect me to remain his subject? Why? Simply because he were the direct, legitimate heir? Direct, I allow, but not legitimate in the least, as far as I am concerned.

I would not rebel over this matter—I have said I detest revolutions—but I would feel injured and entitled to change at the end of the contract.

Mme. de Staël once said to the czar: "Sir, your character is your subjects' constitution and your conscience their guaranty."

"If that were so," answered Alexander, "I should have been merely a happy accident."

These words, so lucid and true, completely convey my meaning.

My panacea, if you will allow this term, is simply free competition in the business of government. Everyone has the right to look after his own welfare as he sees it, and to obtain security under his own conditions. On the other hand, this means progress through contest between governments forced to compete for followers. True, worldwide liberty is that which is not forced on anyone, being to each just what he wants of it; it neither suppresses nor deceives, and is always subject to a right of appeal. To bring about such a liberty, there would be no need to give up either national traditions or family ties, no need to learn to think in a new language, no need at all to cross rivers or seas, carrying the bones of one's ancestors. It is simply a matter of declaration before one's local political commission, for one to move from republic to monarchy, from representative government to autocracy, from oligarchy to democracy, or even to Mr. Proudhon's anarchy, without so much as removing one's dressing gown and slippers.

Are you tired of the agitation in the forum, the hairsplitting of the parliamentary tribune, or the rude kisses of the goddess of free-

dom? Are you so fed up with liberalism and clericalism as to sometimes confuse Mr. Dumortier with Mr. de Fré, to forget the exact difference between Mr. Rogier and Mr. de Decker? Would you like the stability, the soft comfort of an honest despotism? Do you feel the need for a government which thinks for you, acts for you, sees everything and has a hand everywhere, and plays the role of deputy-providence as all governments like to do? You do not have to migrate South like swallows in autumn or geese in November. All you desire is here, there, everywhere. Enter your name and take your place!

What is most admirable about this innovation is that it does away forever with revolutions, mutinies and street fighting, down to the least tensions in the political atmosphere.

Are you unsatisfied with your government?

Change over to another!

Four words, always associated with horror and bloodshed, words which all courts, high and low, martial and special, without exception unanimously find guilty of inciting to rebellion; these four words become innocent, as if in the mouths of seminarists, and as harmless as the medicine so wrongly mistrusted by Mr. de Pourceaugnac.

"Change over to another" means: Go to the Bureau for Political Membership, cap in hand, and ask politely for your name to be transferred to any list you please. The commissioner will put on his glasses, open the register, enter your decision, and give you a receipt. You take your leave, and the revolution is accomplished without spilling more than a drop of ink. As it affects you alone, I cannot disagree with it. Your change affects no one—that is its merit. It does not involve a victorious majority or a defeated minority. But nothing will prevent 4,600,000 Belgians from following your example if they wish. The Bureau for Political Membership will ask the remaining individuals to declare their choice.

What, basically, all preconceptions apart, is the function of any government? As I have indicated above, it is to supply its citizens with security, in the widest sense of the word, under optimum conditions. I am well aware that on this point our ideas are still rather confused. For some people, not even an army is protection enough against outside enemies; for some, not even a police force, a security force, a royal prosecutor, and all the honourable judges suffice to assure internal order and protect rights and property. Some people

want a government with its hands full of well paid positions, impressive titles, striking decorations; with customs at the frontiers to protect industry against the consumers; with legions of public servants to maintain the fine arts, theatres, and actresses. I know, too, of the empty slogans propagated by governments playing at providence, such as we have mentioned before. Until experimental freedom has done justice to them I see no harm in letting them continue to the satisfaction of their adherents. I ask one thing only: freedom of choice.

In a nutshell: freedom of choice, competition. *Laissez faire, laissez passer!*

This marvelous device, inscribed on the banner of economic science, will one day be the principle of the political world, too. The expression "political economy" gives some pretaste of it, and, interestingly, some people have already tried to change this name, for instance into "social" economy. The intuitive good sense of the people has disallowed this concession. The science of economics is and always will be the political science par excellence. Was it not the former which created the modern principle of non-intervention and its slogan: *Laissez faire, laissez passer?*

Let us try free competition in the business of government, as in all others. Imagine, after the first surprise, the picture of a country exposed to governmental competition, that is to say, simultaneously possessing as many regularly competing governments as have ever been conceived and will ever be invented.

"Yes, indeed, that will be a fine mess. Do you suppose we could extricate ourselves from such a confusion?"

"Surely, nothing is simpler to understand, if only one applies oneself to it a little."

Do you remember the times when people shouted religious opinions more loudly than anyone ever shouted political arguments? When the divine creator became the Lord of Hosts, the avenging and pitiless God in whose name blood flowed in rivers? Men have always tried to take the divine cause into their own hands, to make Him an accomplice of their own bloodthirsty passions.

"Kill them all! God will recognize His own!"

What has become of such implacable hatred? The progress of the human spirit has swept it away like the autumn winds the dead leaves. The religions in whose names were set up stakes and instruments of torture survive and live together peacefully, under the same

laws, eating from the same budget. If each sect preaches only its own excellence, it achieves more than were it to persist in condemning its rivals.

Indeed, has it not become possible in this obscure, unfathomable region of the conscience, what with the proselytism of some, the intolerance of others, the fanaticism and ignorance of the masses; is it not possible to the extent that it is practiced in half the world without resulting in unrest or violence? Moreover, particularly where there are divergent creeds, and numerous sects exist on a footing of complete legal equality, people, in fact, are more circumspect and careful of their moral purity and dignity than anywhere else. And what has become possible under such difficult conditions must be all the more possible in the purely secular domain of politics, where all is so clear, where the final aim is implicit in one phrase, where the whole science can be expressed in four words.

Under the present conditions, a government exists only by the exclusion of some, and one party can rule only after splitting its opponents; a majority is always harassed by a minority which is impatient to govern. Under such conditions it is quite inevitable that the parties hate each other and live, if not at war, at least in a state of armed peace. Who would be surprised to see the minorities intrigue and agitate and that governments put down by force aspiring political forms which would be exclusive, too? So, society ends up composed of ambitious, resentful men, waiting for vengeance, and ambitious, satisfied men, complacent on the edge of a precipice. Erroneous principles never bring about just consequences, and force never leads to right or truth.

All compulsion should cease. Every adult citizen should be and remain free to select from among the possible, offered governments, that which conforms to his will and satisfies his personal needs. Free not only on the day following some bloody revolution, but always, everywhere. Free to select, but not to force his choice on others. Then all disorder will cease, all fruitless struggle be avoided.

This is only one side of the question; there remains another. From the moment when forms of government are subject to experimentation, free competition, they are bound to progress and perfect themselves; that is natural law. No more hypocrisy, no more apparent profundities which contain merely a void. No more machinations passing for diplomatic subtlety. No more cowardly moves or impropriety camouflaged as state policy. No more court or military

intrigues deceitfully described as being honourable or in the national interest. In short, no more lies regarding state machinery. Everything is open to scrutiny. The subjects making and comparing observations, the governors will finally see this truth of economics and politics: that in this world there is only one condition of a solid, lasting success, and that is, to govern better and more efficiently than others. From this moment on, forces formerly wasted on useless labour, on friction and resistance, will unite to bring about an unprecedented, almost incomprehensible impulse to the progress and happiness of humanity.

"Amen! Allow me one small objection: When all possible types of government have been tried everywhere, publicly and under free competition, what will be the result? One form is sure to be recognized as the best, and thus finally everyone will choose it. This would lead us back to having one government for all, which is just where we began."

"Not so fast, please, dear reader. Do you freely admit that all would then be in harmony, and that this would be just as when we began? Your objection gives support to my fundamental principle, insofar as it expects this universal agreement to be established by the simple expedient of 'laissez faire, laissez passer.' I could seize this opportunity to declare you convinced, converted to my system. But I am not interested in half-convictions, and am not looking for converts.

"No, we would not revert to having a single form of government, unless perhaps in the far-distant future, when governmental activities will be reduced by common consent to the simplest form. We are not there yet, not anywhere near it."

It is obvious that men are neither of the same opinion or moral attitude, nor as easily reconciled as you suppose. The rule of free competition is therefore the only possible. One man needs excitement and struggle; quiet would be deadly to him. Another, dreamer and philosopher, is aware of the movements of society only in the corner of his eye; his thoughts are formed only in the most profound peace. One, poor, thoughtful, an unknown artist, needs encouragement and support to create his immortal work; a laboratory for his experiments, a block of marble to sculpt angels. Another, a powerful and spontaneous thinker, endures no fetters and breaks the arm that would guide him. For one, a republic is satisfactory, with its dedication and self-denial; for another, an absolute mon-

archy with its pomp and splendour. One, an orator, would like a parliament; another, incapable of speaking ten connected words, would have nothing to do with such chatterers. There are strong spirits and weak minds; some with insatiable ambitions and some who are humble, happy with the small share which falls to them. Finally, there are as many needs as different personalities. How could all these be reconciled in a single form of government? Clearly, people would accept it only in varying degrees. Some would be content, some indifferent; some would find faults, some be openly dissatisfied, some would conspire against it. Whatever happens, count on human nature that the number satisfied would be smaller than the number of dissenters. However perfect a government might be—be it absolutely perfect—there will always be one opposition: the people whose natures are imperfect, to whom the whole structure is incomprehensible, even disagreeable. In my system the most extreme dissatisfaction would be similar to the marital dispute, with divorce as its final solution.

However, under the reign of competition, which government would allow itself to be overtaken by the others in the race for progress? What perfection, available to one's happy neighbour, would one refuse in one's own house? Such constant competition would work wonders. In fact, the subjects would become models of perfection, too. Since they will be free to come and go, to speak or be silent, to act or to leave things alone, they would have only themselves to blame if they were not completely happy. From now on, instead of forcing attention on the opposition, they will satisfy their vanity by assuring themselves and persuading others that their own authority is the most perfect imaginable. Thus, between governments and governed a friendly understanding will grow up. A mutual trust and ease of relationship, clearly understood."

"What, you who are wide awake, seriously dream of complete harmony between them to live side by side, in the same territory, without tensions? Without the stronger seeking to subdue and annex the weaker? You imagine that such thorough confusion would produce a universal language?"

"I believe in the universal language, to the same extent as I believe in the supreme power of freedom to bring about world peace. I can predict neither the hour nor the day of this universal agreement. My idea is merely a seed in the wind—will it fall on fertile ground, or on the cobbled road? I can have no say in this—

I propose nothing. Everything is just a matter of time. Who, a century ago, believed in freedom of worship? And who these days would dare question it? Is it so very long since people scoffed at the idea of the press being a power within the state? Yet now, upright statesmen bow before it. Did you foresee this new force of public opinion, whose birth we have all of us witnessed, which, though still in its infancy, imposes its verdict even on empires? It is of utmost importance even in the decisions of despots. Would you not have laughed in the face of anyone daring to predict its rise?"

"Now that you are not making concrete proposals, we can talk about it. Tell me, for instance, how anyone is to recognize his own among this confusion of authorities? And if one may at any time join this government and resign from that, on whom or what could you rely to settle the state budget and to maintain the lists of members?"

"In the first case, I do not suggest one should be free to change one's government capriciously, causing it to go bankrupt. For this sort of contract, one must prescribe a minimum term, say one year. Judging from the example of France, and elsewhere, I think it might very well be possible to support for a whole year the government to which one has subscribed. Regularly approved and balanced state budgets need oblige everyone only to the extent found necessary as a result of free competition. In any disputes regular courts would make decisions.

"Regarding recognition of its subjects, constituents, or taxpayers; would this really present more difficulties than for each church to account for its believers, each company its shareholders?"

"But you would have ten or twenty governments instead of one, thus as many budgets and membership lists—and general expenses would multiply with the number of government departments."

"I do not deny the validity of this objection. Notice, though, that due to the law of competition, each government would necessarily endeavor to become as simple and economic as possible. The government departments which cost us, God knows!, our very eyes, would reduce themselves to bare necessities, and superfluous office-holders would have to give up their positions and take on productive work.

"This way the question would be only half answered, and I dislike incomplete solutions. Too many governments would constitute an

evil, and cause excessive expenses, if not confusion. However, once one notices this evil, the remedy is at hand. The common sense of the people would do any irregularities justice, and soon only workable governments would be able to carry on. The others would die of exhaustion. You see, freedom is the answer to everything."

"Perhaps. Do you believe that the existing dynasties, the prevailing majorities, the present corporations and accredited theories would retreat and quietly arrange themselves behind the banner of 'laissez faire, laissez passer'? You have put it very well that you are not making concrete proposals, but that does not get you out of the debate."

"Tell me, first of all, if you really think they would be so confident of themselves as always to be able to afford to decline such large concessions? I myself would not overthrow anybody. All governments exist through some kind of innate power which they more or less skillfully use to survive. From now on they have an assured place in my system. I do not deny that at first they may lose a considerable number of their involuntary followers, but without considering the chances of its coming about, what wonderful compensations do result from the security and stability of power! Less subjects, in other words less taxpayers, but for compensation they will have complete submission; voluntary, moreover, for the whole term of the contract. No more compulsion, less security officers, hardly any police; soldiers, but only for the sake of parades, therefore only the especially goodlooking ones. Expenses will decrease fast enough not to decrease incomes; no more loans and no more financial difficulties. What has so far been seen only in the 'New World' will become reality; economic systems which at least would make men happy. One could be blessed, incensed—and I am not speaking of those stupefying vapours one presents to the noses of the faint, but rather of genuine Arabic perfumes, made for the senses of the elite. What majority would not agree to losing the whole of the minority?"

At least you see how a system based on the great economic principle of "laissez faire" can deal with all the difficulties. Truth is not only a half-truth but the whole truth, neither more nor less.

Today, we have ruling dynasties as well as forsaken ones, princes wearing a crown and others who certainly would not mind a chance of wearing one. Each has his party and each party is primarily interested in throwing sticks in the wheels of the coach of state

until they have tipped it up, thus gaining the chance of taking it over themselves, risking the same fate. It is like the charming game of seesaw, which the people never seem tired of paying for, as Paul-Louis Courier said.

In our system there will be neither any more expensive balancing acts nor catastrophic downfalls, no more conspiracies or usurpations. The whole world is legitimate and everybody can be himself. One remains legitimate as long as one can keep it up and for one's adherents alone. Apart from this, there will be neither divine nor secular right, no right except that to change, to perfect one's program and to make fresh appeals to one's followers.

No exiles, banishments, confiscations, persecutions of any kind. A governor unable to meet the demands of his creditors may leave his palace with raised head if he has been honest, his book-keeping is in order and his statutes, constitutional and others, have faithfully been kept. He may go out into the country to justify himself in his memoirs. Under other circumstances, when ideas have changed, a deficiency is felt in society, something in particular is lacking, idle capital and discontented shareholders look elsewhere for investments . . . ; then one launches one's program quickly, recruits members, and if one thinks he has got enough—instead of going into the streets as one would call it in a rebellion—one goes to the Bureau for Political Membership. One hands in one's declaration, supported by the statutes and a register for members to enter their names. Then one has a new government. The rest are internal problems, management affairs about which only the members need worry.

I propose a minimum fee for entrances and changes, raised for the benefit of the Bureau for Political Membership: some hundred dollars for the entrance to establish a government, a few cents to change as an individual from one to another. The employees would receive no other remuneration but I imagine that they would be well paid as I expect these offices to do plenty of business.

Are you not surprised by the simplicity of this apparatus, this powerful machinery which even a child could handle and which nevertheless would satisfy all needs?

Search, scrutinize, test and analyze it. I defy you to find fault with it in any particular.

Furthermore, I am convinced that no one will desire any more. Such is human nature. It is this conviction in fact, which induced me to publish my idea. Indeed, if I do not find followers, this is

nothing but a game with words and no existing power, no majority, no organization, nobody, whatever he stands for, has any right to denounce me.

“And so, you have converted me just by chance?”

“Shhh. . . . You might compromise me!”

Freedom and the Gold Standard

by Oscar W. Cooley

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Under the gold coin standard, which prevailed in the United State from 1900 to 1933, the price of gold was fixed by the government at \$20.67 an ounce. The mint would always buy gold at this price, and the Treasury would, upon request, redeem paper money with gold at this ratio.

Thus, the gold standard was not a free-market system, for in a free market ALL prices are free to rise and fall at will.

Although redemption of American-held dollars in gold was discontinued a third of a century ago, we still cling to a vestige of the gold standard. Dollars held by foreign central banks may be exchanged with the U.S. Treasury for gold bullion, again at a fixed ratio (though a different one—\$35 per ounce). It is no secret that the foreign banks have exercised this privilege to the tune of about \$10,000,000,000 worth of gold in the last eight years.

Thus, the dollar in the possession of foreigners is worth a fixed amount of gold, one thirty-fifth of an ounce. The theory is that the value of the dollar is “stabilized” by retaining this slender tie to gold.

Although no other government sells gold on demand at a fixed price as the United States does, most of the nations of the free world follow a policy of keeping their monetary units at a constant exchange value with the dollar. They do this by speculation in foreign exchange, an operation which they call “stabilization.” If 0.36, or thereabouts, of a pound sterling can always be exchanged for \$1.00 and the dollar for one thirty-fifth of an ounce of gold, the British evidently feel that the value of their monetary unit, being tied to ours, which in turn is tethered to gold, is somehow held firm.

Let us examine some of the effects on economic freedom of the

efforts of the U.S. government to preserve this international monetary system.

At the heart of the system, it will be noted, are fixed exchange rates, hinging upon a fixed price of gold. The International Monetary Fund, set up in 1945, was dedicated to fixed exchange rates. And the outpouring of gold from Fort Knox over the last decade has been for one purpose: to demonstrate that the dollar IS worth one thirty-fifth of an ounce of gold, and hence that it is a worthy monetary unit for the other nations to keep their units tied to, at a fixed ratio.

From time to time, at the request of foreign central banks, owned by governments, we sell gold, reducing the deficit in our balance of international payments. This deficit is incurred because our imports and import-like transactions exceed our exports and export-like transactions. And why do they? Basically because the market is rigged to the advantage of importers and all who pay money out of the country, as opposed to exporters and those who bring money in. In short, the dollar is over-valued; a small amount of dollars exchanges for a large amount of pounds, francs, marks, etc.

If the exchange rates, like all prices in a free market, were allowed to fluctuate freely, they would move to those levels where the in-payments would, naturally and automatically, equal the out-payments and no deficit or surplus would accumulate.

This is best understood when we look upon foreign exchange—that is, claims on foreign moneys—as a commodity, subject to supply and demand like corn and pig-iron. The supply of foreign exchange is “produced” by the exporters and all who are receiving payments from abroad; the demand for foreign exchange is exerted by the importers and all who are paying out to foreigners.

When the demand for any particular foreign exchange—sterling, for example—is great relative to the supply, the price (exchange rate) rises. This checks the demanders, encourages the suppliers, until the supply-demand relationship is balanced, the quality demanded equals the quantity supplied, and the market clears. When the supply is great relative to the demand, the price falls, until, again, equilibrium is reached.

Thus, the solution to the “problem” of the deficit in the balance of payments is free exchange rates.

Economists have known this for a long time, and the best of them have stated the case for free exchange rates with logic and power. For example, the reader is referred to Milton Friedman, “The Case

for Free Exchange Rates" in *Essays on Positive Economics* (University of Chicago Press, 1953).

Whenever this solution is pointed out, however, the policy-makers object vociferously that freedom would cause great "uncertainties" in the world market-place. They are referring to the fact that in the course of international transactions, merchants and banks hold bills of exchange payable thirty, sixty, maybe ninety days hence in foreign money. If exchange rates were free to fluctuate, they might move against the holders, causing them a loss.

The answer, of course, is that a similar situation prevails in the commodity markets and because of trading in "futures," holders of staple commodities are able to protect themselves through "hedging." By a similar process, known as "forward exchange," the international businessman can and does protect himself against the risk of an unfavorable move in exchange rates.

The heads of governments and international bankers know quite well that the "uncertainty" of free exchange rates is not a major problem. They know it can be solved reasonably well by private enterprise, without the necessity of any government action whatsoever. Hence, this is not the real reason why they cling so grimly to the system of fixed exchange rates.

The real reason, I believe, is that fixed exchange rates provide a camouflage behind which the government of each country can carry on inflationary activity, that is, can create and circulate volumes of money at very little cost to itself. This accomplishes at least two aims: it pays for a lot of government expansion, and it acts as a temporary stimulant to the nation's economy. Both are things that modern governments very much want to do.

Through the fixed exchange rate, a government pretends that its monetary unit is retaining its value. Will it not buy the same amount of this foreign money or that at the same price as yesterday? Of especial importance—will it not buy the same number of U.S. dollars or cents as yesterday? And will not the U.S. dollar buy the same amount of gold, namely, one thirty-fifth of an ounce, that it would thirty years ago?

Thus, the value of each money is tied to the dollar, and the dollar is tied to gold, and this is called a "gold exchange standard."

True, the dollar (that is, the dollar held by a foreign central bank) is worth the same amount with which to buy gold as it was on January 31, 1934, the day present value was proclaimed. But be it noted that the dollar is definitely not worth the same amount to buy any

other commodity, or any other form of wealth, that it was thirty-two years ago. Measured by the Consumer Price Index the dollar is worth little more than forty cents of the dollar of thirty-two years ago. While the gold-buying dollar has retained its size, the dollar for buying the myriad of things that people want to buy—for the most part, want to buy far more keenly than they want to buy gold—has shrunk to less than half its 1934 size. It is plainly a fiction to assume that the fixed exchange rate—the international gold exchange standard—has stabilized the value of the dollar over the last third of a century.

All that has been stabilized is the gold-buying dollar, and that because of fortuitous events. First, the Roosevelt Administration in 1934 set the price of gold at such a level that the depression-beset nations were glad to send us gold for goods. Second, the war of the early 1940's impelled them to send us gold for guns. As a result, we came to possess three-fifths of the western world's gold hoard.

Thus, having so much wealth that other nations wanted, we were able, during the early part of the period, to buy an unlimited amount of the yellow metal at our fixed price, and then as the other nations, enjoying post-war prosperity, turned and asked to buy gold back, we have been able to supply it without limit. Buying and selling, we have "made the market."

If the gold tie has not stabilized the dollar, why retain it? Why retain a fake stabilizer? Especially why retain it when far from being a stabilizer, it is being used to conceal instability and to make possible the engineering of more instability in the interest of growing socialism and diminishing freedom?

I suggest that those who stand for a free market must, in all consistency, demand a free market in gold as in all other goods. This would mean that gold would be treated like steel, coal, corn, cotton, or other commodity, that is, would be bought and sold by all comers in an open market, at whatever prices could be agreed upon.

It is manifestly not only uneconomic but silly for the United States to hold \$14,000,000,000 worth of any commodity buried at Fort Knox, and for other nations to have huge amounts buried in various other vaults, all totally unused and unavailable for use because held off the market by monopolizing governments.

But, some will still say, is not our gold being used to "support" the dollar? It is not a "reserve"? The answer is, no. The dollar is worth only what it will buy. If the dollar will not buy gold, gold does not influence or "support" the worth of the dollar. Our domestic dollar

has not bought gold for thirty-two years. The foreign-owned dollar has continued to be exchangeable for gold, and may have influenced the worth of the dollar to some extent—how much, no one knows, but as I have shown, it certainly has not *stabilized* the dollar. Nor has it stabilized other currencies, for in nation after nation inflation has raged, in many to a far greater extent than here.

The notion that we still have a “gold reserve” which is helping to stabilize the dollar is a holdover from pre-1938 thinking. It simply is not in accord with reality.

The immediate effect of a declaration by our government that it would no longer maintain the price of gold would probably be a rise from the \$35 price, as speculators acted on the suspicion that we would soon tire of a free gold market—free exchange rates—and would return to the fixed system at a higher gold price. If, however, we persevered, in due time it would dawn upon the world that the monetary demand for gold had dried up and hence that total demand had greatly decreased. Then the price of gold would fall until it reached a demand-supply equilibrium, with governments no longer furnishing any of the demand (except for medals of honor, gold leaf for the Capitol dome, etc., etc.).

Meanwhile, the United States foreign exchange rates—that is, prices of foreign moneys in dollars and cents—would also probably rise on the expectation that a new, higher exchange rate would be chosen. But this, too, would be temporary. When it became clear that new policy was not a higher fixed exchange rate but permanently free exchange rates, the true value of the dollar as a medium for buying the world's wants would assert itself. I would then look for our exchange rates to fall, perhaps below the present levels. This would depend on the domestic policy followed in every nation, including our own. Those nations which abjured inflation would have valuable currencies and low exchange rates. Those which played high, wide, and handsome with their money would have rotting, depreciating currencies, just as they would deserve to have. Generally speaking, Cassel's “purchasing power parity” theory, namely, that a money's worth abroad tends to parallel its worth at home, would come into its own and would determine the foreign exchange rates.

Another wholesome result would be the disappearance of the “problem” of balance-of-payments deficits. Deficits would become just as non-existent in respect to international payments as they are now with respect to domestic payments. It follows that there would

be no occasion for the United States government to take such freedom-destroying actions as special taxes and discouragement of foreign investment, the reduction from \$500 to \$100 in the value of foreign goods which an American tourist can bring home duty-free, etc., etc. No more would we have to bear the State Department's nonsensical pleas to "see America first" nor would we be forbidden to purchase gold, either inside or outside the United States.

The people of each nation could collect debts from abroad—e.g. for exports—only in the form of goods and services offered by the people of foreign countries. (This is true today except that foreign governments enjoy the unilateral privilege of purchasing gold from us at a fixed price.) Americans would be able to buy goods abroad, or make other transactions obligating themselves to foreigners, only as the latter were satisfied that they could collect these debts in the form of good "buys" in this country, that is, goods, services, securities, etc., that are fairly priced in relation to the goods the foreigner gives up. Our exports, also, would hinge upon our conviction that goods of commensurate worth would be obtainable abroad.

This would make for a maximum of freedom in international economic relations. It would also make for a maximum of transactions.

Knowledge Be Dammed

by Erica Carle

Articles by Erica Carle have been published in the RAMPART JOURNAL (Fall, 1965), *The Freeman*, and *Christian Economics*. She has also written radio and television scripts. Mrs. Carle graduated from a Freedom School Comprehensive Course at Rampart College in 1961.

There are more unanswered questions in today's world than ever before. Scientific investigation, as it uncovers new facts, brings new problems, questions, and possibilities, multiplying our awareness of the undiscovered truths at the same time it subtracts from them. Curiosity, one of our natural gifts, drives us—demanding that we find new answers.

Sometimes, in our eagerness to possess the truth, we are deceived. An explanation which we have devised, or which has been presented to us, appeals so strongly, and seems so surely to supply the answers we seek, that oftentimes we cling to it without sufficient verification; and frequently in the face of evidence to the contrary.

Once we have acquired a strong conviction, the position we have taken is not easy to abandon. We may even reach the point where personal certainty is more important than natural truth. Our eyes and ears will henceforth be closed to all that threatens to deprive us of certainty. New facts, if they are forced upon us, will cause us to despise, rather than salute, the discoverer. Knowing we are mortal and vulnerable, we will not allow a doubting Thomas to probe our wounds. The need for certainty transcends the quest for verifiable truth.

If, in those areas where personal certainty seems essential, we cling individually to our own dogmatic necessity, science would suffer little the loss of a few pairs of eyes and ears. Unfortunately, however, some of the fearful ones have at most times been in a

position to enforce their personal certainty on their contemporaries.

In the historic battle between dogma and science, centuries of dogma have repeatedly eclipsed and overshadowed the few years of brilliance and achievement.

Medicine, for example, was taken from the realm of dogma and superstition at an early age by the great physician Hippocrates. Steady progress could have followed, but did not. The dogma of men like Plato and Socrates, who scorned observation in favor of "right opinion," dominated the later centuries. Intellect, what was called "pure intellect," undefiled by communion with the body or earthly substances, was exalted; and matter was held in such contempt by the "great thinkers" that they could not humble themselves to observe, listen, weigh, measure, compare, or record, as did earlier scientists. The dogmatic ones, not content merely to ignore sensory evidence, compelled others to abandon physical research.

There was a medical reawakening when, in the second century A.D., the Roman physician Galen again practiced the experimental method. This great doctor was also a thinker and theorist, whose logic was nearly faultless. Much of his work, however, was based on false premises. Respect for Galen blinded his followers to the possibility of error. Dazzled by his brilliance, they abandoned observation and experimentation and lived in the shadow of his achievements. For nearly fourteen centuries, Galen's theories were forced to the virtual exclusion of all others. To doubt Galen became medical heresy, and the door to a true science of medicine, opened by Hippocrates in the fifth century B.C., was closed and locked by the dogmatic disciples of Galen. This did not happen in spite of Galen's brilliance, but because of it. He stood close to the light, and the shadow he cast was large enough to encompass many generations.

Scientists, if they are to keep their sight on the source of future knowledge, must have the courage to stand beside or move ahead of a great man, rather than live in the comforting security of his shadow. When all men, or all but the chosen few, are compelled by overpowering force to live in the shadows rather than use their own senses, the flow of scientific knowledge will be dammed.

Frequently, clever schemers seize upon the reputation of genius to gain power and recognition for themselves. These opportunists will praise the advances made by others; help disseminate the light genius has released; speak with respect and admiration for the one or ones who have helped make progress possible; bestow public

honors in order to associate themselves with the honored. When power has been gained, the opportunists appoint themselves keepers of the scientific truth, commissioned to filter all future light.

The most intelligent disciples of an original seeker are often the most eager to perpetuate his influence, and among the first to walk into the opportunists' dogmatic darkness.

When in power, one of the first steps opportunists take (and it must be with the cooperation of a large number of recognized "authorities") is to set up enforceable standards for the training of future entrants to the field of study—shutting out all who will not follow to the letter the prescribed course and, often, those who will not follow the prescribed opinion.

Most people, justifiably, respect study and training as a method of gaining skill in a field of enterprise. In fact, it is the wisdom of the people in voluntarily patronizing the best informed, best trained, and most skilled which indicates to the opportunist those to choose as his original "authorities."

Seeking future assurance that they will be protected by "wise men" against charlatans, the majority are eager to cooperate, having obtained personal certainty that they will henceforth be beneficiaries of systematic organization, and of restriction of scientific inquiry to "qualified" participants. The opportunists, of course, will assume the obligation of enforcing the new scientific rules and punishing infractions through agencies set up to "regulate" science. Seemingly guaranteeing safety to "the people" as medicine and other fields of inquiry progress, these agencies, in fact, assure only that no progress will be made for which the regulators cannot claim credit. All new discoveries must be filtered through the "all-wise" regulatory agencies having the power of restriction and suppression.¹ As new discoveries are made, but forbidden to individual exploitation, the all-wise agency can claim at least some of the credit for every step of progress. Most new discoveries will be announced through the agency, even though the regulators had no part in the work, bring-

¹"The Food and Drug Administration, acting under a 1962 law, has imposed extensive new requirements on drug producers to prove the effectiveness of new medicines; in the past producers have had only to prove their safety. Dr. Austin Smith, director of the Pharmaceutical Manufacturers Association, a trade organization representing most drug makers, told the Federal Bar Association recently that public service drugs are in danger. He noted that at least ten U.S. drug companies lowered their research spending this year, and that one company dropped 50 of 67 drugs it had in clinical trials." *Wall Street Journal*, October 3, 1963, p. 1.

ing to that agency even greater power and respect. Errors which would be punished if committed by individuals, are, if committed by the "all-wise," cast aside as inevitable by-products of scientific progress.^{2,3,4}

Historical truth has been a constant frustration to opportunists and dogmatists. They have been forced to observe how often the "unqualified" (by dogmatic standards) gain the palm of victory. For example, Lady Mary Wortley Montagu, who, according to present-day regulation of medical science, would deserve fine or imprisonment, or perhaps both, was an "unqualified investigator." She gave medical advice without a license. She introduced practices of illiterate and uncultured Turkist peasants into a refined and culti-

²"Last week Dr. Goddard [FDA commissioner James L. Goddard] said that no agency as large as the FDA could operate without mistakes. Congressional subcommittee investigators, he said, can always find mistakes if they look hard enough, 'but we intend to make it harder for Goldberg, Gray and company.'" *Milwaukee Journal*, March 27, 1966, p. 31.

³"The Food and Drug Administration acknowledged Wednesday that its handling of the experimental drug DMSO had been sloppy . . . The FDA indicated that criminal prosecutions might face at least three of the thirteen firms authorized to test DMSO. . .

"The FDA suspended clinical testing—by an estimated 1,341 authorized investigators—last November 10. It has now received twenty-four reports of eye damage in humans, and says there may be more. A death in Ireland has been linked to DMSO. Other deaths of DMSO users have occurred.

"Dr. Goddard and Dr. Sadusk frankly and repeatedly admitted that the FDA had made mistakes. It felt testing should be limited to applications to the skin—but failed to enforce a veto of other types of treatment.

"The FDA also failed to enforce its own recommendation on numbers of patients and duration of testing. The result was, as Fountain put it, that the companies had 'carte blanche.'

"Dr. Kelsey acknowledged that she was uncertain whether all thirteen firms had been notified not to try the drug in women of child-bearing age—although her investigational drug branch had reports of birth deformities in animals treated with DMSO.

"Dr. Sadusk emphasized that Dr. Kelsey's branch was overloaded with work and even now had only half its authorized complement of physicians.

"It was Dr. Kelsey's research which resulted in the barring of the tranquilizer thalidomide in the United States. The drug was linked to birth deformities." *Milwaukee Journal*, March 10, 1966, p. 13.

⁴The Food and Drug Administration is investigating a common headache remedy ingredient after getting a report that its excessive use may damage the kidneys. . . Dr. Lionel Jacobs of Sidney, Australia, had told the FDA that fifty-four deaths in his country over a three-year period possibly were connected with excessive use of the drug phenacetin. . .

"(Commissioner George P.) Larrick said there was a touch of irony in the investigation. The drug was put in the headache remedies, he said, largely because the FDA thought it safer than acetanilid, which was used before." *Milwaukee Journal*, September 2, 1962.

vated society. She advocated the use of, and distributed, dangerous substances. Excerpts from her own letter written in 1717 from Adrianople (Turkey) to her friend Miss Sarah Chiswell bear testimony that these "crimes" were not committed without due consideration:

"Apropos of distempers, I am going to tell you of a thing that I am sure will make you wish yourself here. The smallpox, so general and so fatal among us, is entirely harmless here by the invention of ingrafting, which is the term they give it here. There is a set of old women who make it their business to perform the operation in the month of September, when the great heat is abated. People send to one another to know if any of their family has a mind to have the smallpox. They make parties for the purpose and when they are met—commonly fifteen or sixteen together—the old woman comes with a nutshell full of the matter of the best sort of smallpox, and asks what vein you will please to have opened. She immediately rips open the one that you offer to her with a large needle, which gives you no more pain than a common scratch, and puts into the vein as much venom as can lie upon the head of her needle, and after, binds up the little wound with a hollow bit of shell, and in this manner opens four or five veins. . . The children or patients play together all the rest of the day, and are in perfect health till the eighth; then the fever begins to seize them, and they keep their beds two days, very seldom three. They have very rarely above twenty or thirty in their faces, which never mark; and in eight days' time are as well as before their illness. Where they are wounded there remain running sores during their distemper, which I doubt not is a great relief of it. Every year, thousands undergo this operation, and the French ambassador says that they take to smallpox here by way of diversion, as they take the waters in other countries. There is no example of anyone has died in it, and you may well believe I am very well satisfied of the safety of the experiment since I intend to try it on my dear little son."⁵

Upon returning to England, Lady Mary and Dr. Maitland, the embassy physician who, along with a skillful old woman, participated in the boy's inoculation, established the practice in London. Lady Mary's enthusiastic support convinced many to submit to the procedure. Others, as is always the case when individuals are free to make their own personal decisions, declined.

Among those who rejected Lady Mary's enthusiastic promotion

⁵Mrs. H. M. Plunkett, "Lady Mary Wortley Montagu and Modern Bacteriology," *Popular Science Monthly*, July, 1894.

was the very friend to whom she wrote the minute description of the ingrafting process. The young lady, Sarah Chiswell, died of smallpox. Lady Mar, Lady Mary's sister, had an only son whom Lady Mary offered to inoculate, promising to take him into her own house and care for him personally. The offer was refused, and the boy died in childhood of the disease.

A well-known physician, Dr. Wagstaffe of St. Bartholomew's Hospital, remarked that "posterity would marvel that a practice employed by a few ignorant women among an illiterate and unthinking people should have so suddenly been adopted by one of the politest nations in the world."⁶

Some cried out that inoculation was the outcome of atheism, quackery, and avarice. But Lady Mary was neither a female charlatan, a quack nor an atheist, but an intelligent, observant, open-minded woman who saw truth in a practice thousands of years old.⁷ By popularizing inoculation in England, she helped lay the groundwork for Jenner's safer and much-improved vaccination, and for future discoveries of Pasteur, Lister, and Koch.

Some deaths resulted from inoculation, particularly when more "sophisticated" Englishmen refused the precautions always observed by the "simple-minded" Turks. If, because of the deaths, Lady Mary had lost her battle, or been legally regulated out of the picture, the toll due to suppression could never have been known to her contemporaries.^{8,9,10} They would, for the most part, have thanked the

⁶*Ibid.*, p. 363.

⁷J. N. Larned, *History for Ready Reference and Topical Reading* (Springfield, Mass.: C. A. Nichols Co., 1901), Vol. III, p. 2184.

⁸"New regulations that could sharply affect the role of the private clinical investigator in the clinical trials of new drugs are in prospect for early autumn. Along with the possible restrictions on the role of the physician, there may be a concomitant relative increase in the role of the institutionally affiliated investigator under the new rules that Secretary of Health, Education, and Welfare Anthony J. Celebrezze is free to put into force, without any further legislation after October 1." *Medical Tribune*, August 27, 1962, p. 1.

⁹"Ten U.S. pharmaceutical firms, several of them among the nation's major producers, so far report curtailment of research and development. One company claims that of sixty-seven agents 'out' for clinical trial as of July, 1962, only seventeen are being continued. Another firm acknowledges that ninety investigations under way in August, 1962, have been discontinued, twenty of which were almost complete. Two midwestern companies are reported to have closed their research departments. . .

"One firm has reported that it has requested the newly required credentials and other paper work from 1,000 practicing physicians whose cooperation, previously, had always been freely given. Of these, half did not reply even to

opportunists for protecting them against quackery. For many more centuries, mothers might have grieved over their lost babies, as one in seven succumbed; and wept, as once-lovely faces bore the ugly signature of the dread smallpox—never knowing that Lady Mary had offered the first steps toward complete deliverance from the deadly scourge.

Had eighteenth-century proponents of inoculation been confronted with the type of dogmatic regulation which is now present in our country, Lady Mary could legally have been prevented entirely from making known her observations.

At the present time, even men rated scientifically “qualified” by the dogmatic and opportunistic keepers of the scientific truth find themselves hampered and blocked by regulation. These regulations ignore entirely the truth which has been overwhelmingly verified: that contributions to knowledge are frequently made by enlightened individuals rather than by organized groups. New advances, according to dogmatic regulations, are awaited from within the carefully regulated “scientific priesthood” occupying the research palaces; or from governmentally supervised teams of researchers who are forced to account to untrained opportunists.

In medicine, individual physicians, who have great opportunity to observe and correlate information, are less and less expected, or even allowed, to be scientists. Their right to think and to attempt to solve problems is subject to the approval of opportunists. Individual

follow-up requests for the necessary information. Forty-nine replied that because of new regulations they have no further interest . . .

“The clinical regulations now forbid a physician to set up a research plan using an approved drug for an unapproved new purpose without filing an investigational drug form. This provision, too, is reported to be discouraging initiative and intellectual curiosity, thus further impeding medical progress and denying possible alleviation of suffering to many patients. Often a drug made available for a given condition is proved in time to be helpful for the patient with an entirely different symptom, a finding brought about by curiosity and keen observation.” Austin Smith, *Wall Street Journal*, July 25, 1963, editorial page.

¹⁰“Cutter Laboratories of Berkeley, California, has quietly stopped supplying certain rare blood components to medical investigators. Cutter is the sole supplier of some of these blood products, which it had been donating to medical researchers treating patients with a variety of diseases, including anemia.

“Under the old drug law Cutter was able to keep these rare blood products on an investigational basis indefinitely at little cost other than production expense. But it figures paper-work alone under the new law would cost it \$50,000 to \$100,000 a year to fulfill requests from 50 to 100 researchers.” *Wall Street Journal*, October 3, 1963, p. 1.

physicians must be content to be practitioners and technicians, awaiting and applying the wisdom from above.

Unity of effort, praised more and more frequently as a necessary preliminary to a great discovery, could easily become unity of error as dissenting voices are gradually stilled. It may be possible by force, regulation, supervision, restriction, social pressure, and dogmatic controls to silence dissenting voices and present the appearance of unity, but truth will not thus be established. If men are forced to be silent when they would speak, to agree when they would deny, to unite when they would walk alone, the flow of knowledge will inevitably be dammed. The dam of ignorance now under construction may block the flow of knowledge for centuries to come.

The Economics of Automation and Unemployment

by Ralph W. Ells

Ralph W. Ells since 1949 has been chief economist for the Allen-Bradley Company of Milwaukee, manufacturer of quality electrical controls and electronic components.

He graduated from Harvard College forty years ago, attended its law school, and received his master of arts degree from Harvard Business School. In his business career he has served as management consultant, director of industrial relations, and director of office personnel. His published studies include: "Salary and Wage Administration," "Basic Abilities System of Job Evaluation," and "Salary Budgeting."

In the United States today, there is a wide divergency of opinion concerning the economics of *automation and unemployment*. For instance, there is considerable disagreement as to who or what is responsible for the ever-continuing unemployment among our unskilled young people. In addition, there is even greater disagreement as to how to eliminate teenage unemployment and how to provide jobs for all who want to work.

In discussions involving these areas of disagreement, the question that invariably demands an answer is the question as to how the cost savings from automation should be divided. How much of the productivity gains from automation should be given to workers in any one year either in wage increases or in more leisure hours? How much should be channeled to customers in the form of better products at lower prices? How much, if any, should go to the stockholders and owners of business enterprises? Also, what effect would different answers to these questions have on employment levels?

The material that follows is admittedly not the final answer to these questions. Instead, it is merely an attempt to reduce to simple understandable language some of the economic truisms of automation and unemployment. In order to make it easier for the reader,

the material has been arranged into a series of questions and answers.

- Q. No. 1. In 1940 wages and other employment costs in the steel industry averaged about \$2,000 a year per worker. In 1962 the average per worker was \$8,000 a year. When wages are increased as much as this, who supplies the money? Do companies today have a bottomless barrel that they dip into periodically as necessary?
- A. No. Companies have no funds with which to pay wages except the sales dollars they receive from their customers. If wages are increased, sales per employee must go up proportionately. If wages are increased 3% this year, sales per employee must also go up about 3%. If wages over the years are increased 400%, sales per employee must also be increased about 400%. Percentage-wise, the increase in sales per employee must always be in almost direct proportion to the increase in wages.

Exhibit 1

Comparison of Annual Wages and Sales Company ABC — 1940 to 1962

Year	Annual Wages	Sales per \$1.00 of Wages	Annual Sales Per Employee	Wages as a % of Sales
1940	\$2,000	\$2.50	\$ 5,000	40%
1953	5,000	2.50	12,500	40%
1962	8,000	2.50	20,000	40%

- Q. No. 2. According to the above as wages are increased, sales per employee must always be increased proportionately. This may be a good economic truism, but just how do companies increase sales per employee after a round of wage increase?
- A. Companies increase sales per employee by two methods: one, by raising prices, and the other, by increasing the average productivity of employees. Where the first method is employed—that of raising prices—the price increase must be in direct proportion to the wage increase. When the second method is employed—that of increasing average productivity—the increase in productivity must also be in direct proportion to the increase in wage rates.

In most companies in recent years the increases in sales per employee have been a combination of price increases and produc-

tivity increases. The increases in sales per employee have also been quite substantial. For instance, sales per employee in most companies were about four times as great in 1962 as they had been in 1940. The tabulation of Exhibit 1 for a mythical steel company ABC illustrates this and shows just how much sales per employee went up during this period.

- Q. No. 3. According to Exhibit 1, the percent of the sales dollar that went for wages and other employment costs was the same at Company ABC in 1953 and 1962 as it had been in 1940. Would this ratio of wages to sales (40%) be maintained in other years?
- A. No. The percentage relationship of wages to sales varies to some extent from year to year in all companies for two reasons. First, it varies with normal changes in prices, in sales, in wage rates, and in other expenses. Second, it changes when the proportion of material purchased from other companies is increased or decreased. Over the years, however, these changes tend to offset each other with the result that the percent of the sales dollar that goes for wages and other employment costs tends to return to some historic percentage in each company. This is why some economists say that the percent of sales dollar that goes for wages and other employment costs tends to be a constant.
- Q. No. 4. Does each company have a different historic relationship of wages to sales?
- A. Yes. The historic percentage relationship of wages to sales varies considerably between companies and industries. For instance, in the automobile industry (where the proportion of material purchased from other companies is greater than in the steel industry) wages usually only take about 30% of the sales dollar. The tabulation in Exhibit 2 for a mythical automobile company DEF illustrates this point and shows the normal relationship of wages to sales in that industry.

Exhibit 2
Comparison of Annual Wages and Sales
Company DEF — 1940 to 1964

Year	Annual Wages	Sales per \$1.00 of Wages	Annual Sales Per Employee	Wages as a % of Sales
1940	\$1,800	\$3.33	\$ 6,000	30%
1964	7,800	3.33	26,000	30%

- Q. No. 5. When annual sales per employee go up as illustrated in Exhibits 1 and 2, is there a corresponding increase in total sales?
- A. Not necessarily. Total sales do not go up simply because annual sales per worker are increased. Total sales only go up when customers buy more of a company's products and customers only buy more when they get more for their money. To increase total sales, therefore, it is necessary periodically to offer customers better products at lower prices.
- Q. No. 6. In recent years there have been many instances when productivity went up and sales per employee were increased, but customers and consumers were not offered better products at lower prices, and total sales, therefore, stayed constant. Under such circumstances, what happens to employment levels?
- A. They decline. Perhaps one of the best illustrations of how much employment levels decline when productivity goes up and total sales remain constant can be found in the statistics of the steel industry from 1953 to 1962. In this industry despite substantial increases in productivity the total amount of dollar sales was about the same in 1962 as it had been in 1953. Wage rates during this period, however, were increased over 50% or more than the equivalent of the productivity gains from automation. But, because total sales failed to rise even though prices were increased and because the steel companies maintained their historic ratios of employment costs to sales, the total amount of dollars available for wages in 1962 was exactly the same amount that had been available in 1953. The inevitable result was a 25% decline in employment with over 200,000 steel workers losing their jobs.

Exhibit 3
Comparison of Sales,
Employment Costs and Employment Levels
Company ABC — 1953 to 1962

	1953	1962
Average Annual Compensation	\$ 5,000	\$ 8,000
Sales	\$1,000,000	\$1,000,000
Employment Costs	400,000	400,000
Number of Employees	80	50
Annual Sales per Employee	\$ 12,500	\$ 20,000

- Q. No. 7. Is it possible to illustrate how the diversion of productivity gains into wage increases in the steel industry from 1953 to 1962 tended to destroy jobs and cause unemployment?
- A. Yes. The tabulation in Exhibit 3 for the mythical steel company ABC of Exhibit 1 shows approximately what happened to employment levels as productivity and wages went up and total sales (and total employment costs) remained constant.
- Q. No. 8. In Company ABC fifty employees were paid \$3,000 more in 1962 than they received in 1953. Thirty employees, however, lost their jobs. What happened to the total purchasing power of those who kept their jobs and those that lost their jobs?
- A. The total purchasing power of the two groups was exactly the same—\$400,000—in 1962 as it had been in 1953. The only difference was that in 1962 there were thirty fewer workers spending the \$400,000. The gain in purchasing power, therefore, by the fifty employees who kept their jobs was offset by the loss of purchasing power by the thirty employees who lost their jobs. The figures of Exhibit 4 prove this conclusively.

Exhibit 4

Tabulation of Changes in Purchasing Power of Employees of Company ABC — 1953 to 1962

Class of Employee	No. of Employees	Gain (or Loss) in Purchasing Power	
		Individual	Total
a) With jobs in 1962	50	\$3,000	\$150,000
b) Without jobs	30	(-5,000)	(-150,000)
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
Total	80		-0-

- Q. No. 9. In Company ABC from 1953 to 1962 productivity and wage rates went up, but total sales failed to increase. Is this why total purchasing power did not change?
- A. Yes. Unless total sales go up, an increase in individual compensation does not increase total purchasing power. Nor does it put more people to work and thus benefit labor. What good is it for half the labor force to have twice as much money when the other half has none? This is the real tragedy of the periods from 1953 to 1962. Part of the gains in real wages by those fortunate enough to have jobs were not wrested—as apparently many

workers believed—from rich powerful corporations, but were taken instead from unemployed teenagers.

Q. No. 10. Why should employment levels drop when wage rates go up as they did in the steel industry from 1953 to 1962? Isn't it possible to raise wages and at the same time increase total sales and expand employment levels?

A. Within reasonable limits all things are possible. Unfortunately, unless prices are increased, the only way to pay for wage increases is to increase the average productivity of workers and thus increase average annual sales per worker. Also, unfortunately, the only way to increase total sales and expand employment levels is to use some of the cost savings from this same increase in average productivity to provide consumers with better products at lower prices. The rub is that despite the all-out efforts of workers, engineers, and businessmen, average productivity has very seldom been increased more than about 3% in any one year. Consequently, if all of the 3% is given to workers in wage increases and none to consumers, total sales tend to remain constant and employment levels tend to decline.

Q. No. 11. What about automation? Isn't it possible with automation to increase average productivity by more than 3% per year?

A. No! There are two reasons for this. First, we are limited to some extent by man's ingenuity to about a 3% breakthrough each year. Second, and perhaps more important, increasing average productivity by automation is very expensive. In addition, it must be financed and paid for out of the savings of people. To date, the annual rate of savings has usually been just about enough to finance a 3% increase in average productivity and no more.

Q. No. 12. How expensive is automation? Or expressed another way, how much capital investment is required to provide one worker a job?

A. It varies considerably between industries. In the steel industry, which is slightly above the national average, the capital investment required in 1962 to provide just one employee with an \$8,000-a-year job was about \$21,000.

- Q. No. 13. In the steel industry from 1953 to 1962, over 200,000 steel workers lost their jobs. Assuming that this was primarily because the steel industry failed to pass on to their customers some of the cost savings from automation, would the steel industry have been able to provide employment for another 200,000 steel workers if in the period from 1953 to 1962 more of the productivity gains from automation had been diverted to consumers and less to workers?
- A. This is one of those debatable questions. It is also a question that should have been considered and discussed before the wages in the steel industry were raised above the wage rates prevalent in the market place.
- Q. No. 14. How much would total sales have had to be increased in 1962 in order to have provided another 200,000 steel workers with \$8,000-a-year jobs?
- A. About four billion dollars. In 1962 it took \$20,000 of sales to provide one job, so 200,000 more jobs would have required four billion more of sales or approximately a 28% increase in total sales.
- Q. No. 15. In the steel industry in 1962 how much more capital would have been required to put another 200,000 steel workers to work?
- A. About 4.2 billion dollars. In 1962 the capital investment required to provide just one employee with an \$8,000-a-year job was \$21,000, so 200,000 more jobs would have required \$4.2 billion more investment.
- Q. No. 16. Why do sales and capital investment have to be increased in order to provide more jobs? Why couldn't some of the increases in wages be paid for out of profits? Aren't some profit margins too high? Why can't companies operate with smaller profit margins?
- A. In a free economy, profit margins are established by the laws of supply and demand, which means that in most companies they are adequate but no more. If this is true, then profit margins can't be changed by labor agreements without offsetting decreases in both investment and in employment. That is why it is dangerous to attempt to pay for wage increases by reducing profit margins. Capital tends to move into areas and countries

where it can obtain and retain the highest ratio of profits to sales. Consequently, a reduction in the ratio of profits to sales below a historic average is invariably followed by a movement of both capital and jobs to other places. The transfers of operations from the North to the South in recent years and the twenty billion increase in foreign investments by Americans in the period from 1953 to 1962 were both partially the result of wage increases reducing profit margins.

Q. No. 17. What might be considered a fair profit margin?

A. This is one of those debatable questions. Most companies today can generally persuade individuals (with money) to invest in their securities provided the risk is not too great and provided there is a reasonable expectation that the investment will earn between 4% and 8% a year—either in dividends or in an increase in the value of the securities or some combination of the two. In the steel industry on a \$21,000 investment required to provide one employee a job, a fair return in today's market would be about \$1,600 a year, of which about \$800 would be for dividends to stockholders. On annual sales per employee of \$20,000 this would mean that 8% of each sales dollar would have to be allocated to profits—or if wages are \$8,000 a year, about one dollar of profits for each five dollars of wages.

Q. No. 18. Is 8% of sales a normal profit margin?

A. Not necessarily. The percent of the sales dollar that goes for profits varies considerably between companies depending on various factors, one of which is the amount of risk involved in investing in a particular industry. In any one company, however, profits tend to be a fairly constant percent of sales over long periods of time. The reason for this is because the owners of business enterprises are what gamblers refer to as percentage players. They expect to increase their total profit dollars by increasing sales. Consequently, all they expect and demand out of each sales dollar is their fair share—3%—5%—7%—9%—or whatever is customary or usual for their industry.

The statistics of industrial profits after taxes tend to support this economic truism. For instance, since 1950, net profits for all industrial concerns in the United States have averaged about 4.6% of sales with little or no deviation from year to year.

- Q. No. 19. If the above is a true statement and if the percent of the sales dollar that goes for employment costs is a constant, on what basis then can higher than market wage rates be justified?
- A. There is none. Actually, workers are undermining their long-range interests when they insist on above market wage rates or when they restrict output and adopt featherbed rules. Neither wages nor employment levels can be permanently increased unless labor cost per unit of output can be reduced to a point where both new and old products can be marketed at competitive prices.
- Q. No. 20. According to the above answer, the productivity gains from automation should not be used to pay for unjustified wage increases. If this is true, then just how much of the annual productivity gains, if any, should go to workers?
- A. There is only one sound economic answer to this question. If employment levels are to be maintained or expanded, the use of productivity gains to increase wages must be limited to whatever can be justified by the economic laws of supply and demand. Or expressed another way, workers normally should receive annual wage increases only to the extent required to bring the wage rates in a particular company up to the wage levels currently being paid by other concerns competing for the same workers.
- Q. No. 21. Are the governmental guidelines for wage increases based on this theory?
- A. No! In fact, the main justification for the general wage increases granted in 1965 was that average productivity has gone up another 3% or so and that all of this gain in productivity belonged to workers either in wage increases or in more leisure hours. This is what some economists call the labor theory of productivity. It is based on the philosophy of Karl Marx, who maintained that the fruits of labor belonged to labor.
- Q. No. 22. Is there any economic basis for this labor theory of productivity?
- A. No. In fact, it is almost absurd from an economic viewpoint to say that workers who individually and collectively have made little or no contribution to the increase in productivity—and who

work no harder—are entitled to all of the savings in cost resulting from automation. Consumers—whose dollars pay for the labor and material—are theoretically at least more entitled than workers to a share in the productivity gains from automation.

Q. No. 23. If the cost savings from automation are not used to increase wages, what assurance is there that such gains will go to consumers?

A. None. In the past, however, the economic laws of supply and demand have always eventually forced companies to give all available productivity gains to consumers. It is, therefore, reasonable to assume that the alternative to using the gains from automation to increase wages is to use them to provide consumers and customers with better products at lower prices.

Q. No. 24. What do economists call the theory that advocates giving part of the productivity gains to customers and consumers, and part of these same gains to workers?

A. It has several names. Some economists call it the free enterprise (or capital) theory of productivity. Other economists call it the consumer (or market) theory.

Under the free enterprise or consumer theory of productivity, the division of the productivity gains from automation between workers and consumers is determined by the laws of supply and demand. Such a theory, of course, assumes a free competitive economy. In such an economy it is unnecessary to have any guideposts for allocating productivity gains between consumers and workers because a free market always makes the correct allocation in the most appropriate and most efficient manner.

Q. No. 25. In a free competitive economy how does giving productivity gains to consumers tend to expand employment levels?

A. The reason that employment levels tend to rise when consumers are offered better products at lower prices is simply because the number employed goes up when sales go up, and sales usually go up whenever consumers are offered more for their money.

Perhaps the most dramatic illustration of how sales and employment levels tend to rise when the cost savings from automation are passed on to consumers can be found in the statistics of the

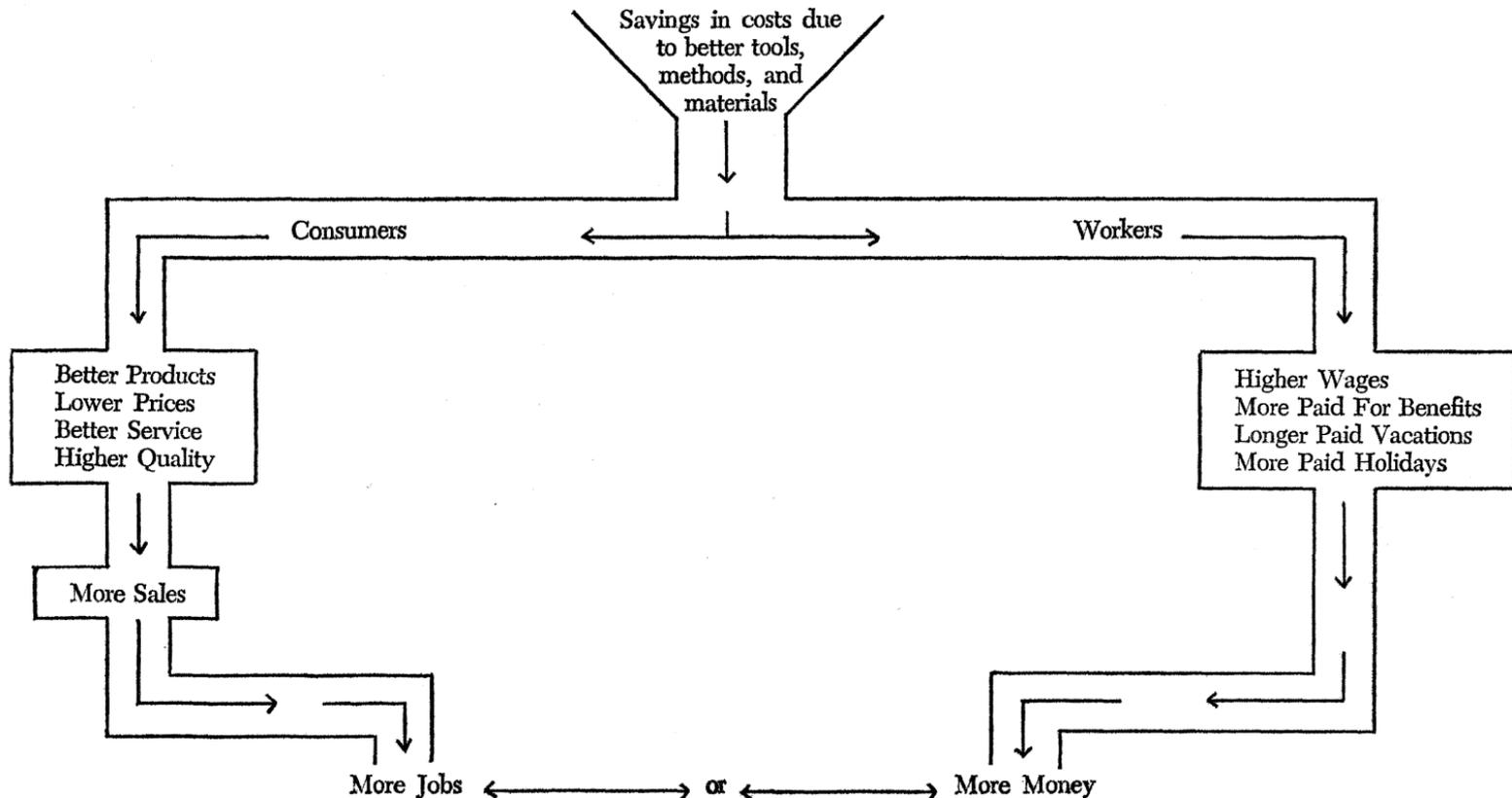
American Telephone and Telegraph Company from 1920 to 1960. It was during this period that the automatic dial telephone system—a prime example of automation—was developed. Thanks to this change, telephone users today enjoy better service at lower prices than they did 45 years ago.

For example, a three-minute crosscountry call that cost \$16.50 in 1920 was available in 1960 for \$2.25 (and now costs only \$1.00). Because the gains from the changing to dial phones were passed on to consumers as well as to workers, the Bell Telephone System during this forty years showed not only a tremendous increase in sales, but also (and perhaps more important) a dramatic increase in the size of its work force—from fewer than 300,000 employees in 1920 to 730,000 in 1960.

- Q. No. 26. In a free competitive economy, how does the overpricing of jobs tend to cause unemployment?
- A. When wage rates are established above market levels (either by wage agreements or by increases in minimum wage laws), there is invariably an increase in unemployment. This is because companies cannot and will not pay workers more than they can produce or more than they are worth in the market place. Or expressed another way, the economic answer to the overpricing of jobs is always unemployment or an uneconomical use of labor. One of the most classical examples of how the overpricing of labor causes unemployment is contained in the elimination of the jobs of elevator operators. In 1950 there were literally thousands of young people in our large cities working as elevator operators for \$1.00 to \$1.25 an hour. In 1965 there were still thousands of teenagers willing to work at these same rates, but there were no jobs. Why? Because wage rates for elevator operators had been increased to \$2.25 to \$2.50 an hour. These artificially high wages for an unskilled occupation made automatic controls more economical than manually operated controls. The end result was literally a 100% conversion from manual to automatic. It may well be that the elimination of manually operated elevators was desirable from an economic viewpoint and was inevitable anyway. It is doubtful, however, that those responsible had this as their objective when they forced wages upward.

- Q. No. 27. In a free competitive economy how does providing consumers with better products at lower prices benefit workers?
- A. A worker is also a consumer. If the cost savings from automation are given to consumers, the benefits to workers are real and tangible even though they are indirect. This is because an individual worker, in his capacity as a consumer, is able to buy more goods with the same amount of dollars. The question, therefore, is not whether workers should or should not share in productivity gains, but rather under what conditions available productivity gains should go to consumers—and hence to workers indirectly—and under what conditions these same gains should go directly to workers alone. Or expressed another way, the question is not whether workers should or should not share in the cost savings from automation, but rather what is economically more desirable this year—more jobs or more money. The chart of Exhibit 5 graphically illustrates these two alternatives.
- Q. No. 28. According to the chart of Exhibit 5, the way to create new jobs is to divert more of the productivity gains from automation to consumers. In our free economy, is this how we normally provide employment for teenagers looking for jobs for the first time?
- A. Yes. Most of the new jobs for teenagers are created through technological improvements in our so-called growth industries where there is an elastic demand for products and services. In growth industries such as the electronics and the television, if prices can be reduced sufficiently, there is usually a dramatic increase in demand, in sales, and in employment levels. Consequently in our free enterprise economy, we depend, to a great extent, on these so-called growth industries to pick up the slack and provide employment opportunities for our teenagers and for those men and women whose jobs have been eliminated by technological improvements in stable or declining industries. This is why it is so important in growth industries to limit wage adjustments to whatever is justified by the laws of supply and demand and to pass on to consumers all of the rest of the available cost savings from automation.
- Q. No. 29. The above answer implies that automation, provided its gains are used correctly, could conceivably eliminate unemployment. Is this possible?

Exhibit 5
Chart Showing How the Productivity Gains From Automation Should be Divided



- A. Yes. Far from being a curse, automation is a wonderful asset. Automation eliminates menial tasks and drudgery. And, if the productivity gains from automation were to be correctly applied (and used to reduce costs, to build better products, to lower prices, and to expand markets), automation could conceivably be responsible for the creation of millions of new jobs and the complete elimination of unemployment. The automobile and telephone industries are prime examples of the job-creating potential that is inherent in automation provided a goodly portion of the cost savings from automation is passed on to customers.
- Q. No. 30. The above answer implies that at least part of our present teenage unemployment—that in excess of the 3% considered to be normal—is primarily the cumulative result of diverting too much of the productivity gains from automation to workers and not enough to consumers. If this is true, why wouldn't the solution be to stop doing so and to give more of the cost savings from automation to consumers?
- A. This is the solution. In fact, if employment levels are to be raised in years to come, workers must limit their demands for more money and more leisure hours to whatever is justified by the laws of supply and demand. Unless industry in future years can divert more of the productivity gains from automation into reducing unit costs and providing consumers with better products at lower prices, there will not be an increase in sales volume that will be large enough to provide jobs for all who want to work.
- Q. No. 31. This may be sound economics, but just how can companies persuade workers to forego unjustified wage adjustments and to agree to accept market wage rates?
- A. There is no easy answer to this question. The fact that it is raised periodically is an indication as to how much collective bargaining has degenerated in recent years. When collective bargaining was first introduced, efforts were made to determine levels of wages and to establish wage rates in line with those prevailing in the market place. This concept, however, was gradually forgotten and any semblance to actual wages paid in major industries in 1965 and those that would normally have

been set by the laws of supply and demand was purely coincidental. Or expressed another way, wage rates in 1965 were determined not by any intelligent analysis of what was being paid in the market place, but rather by brute force—the economic and political pressure of organized workers.

- Q. No. 32. According to the above, wage rates in 1965 in major industries were set above market levels. Is it possible to estimate the extent above?
- A. Any answer to this question is an approximation for the simple reason that the deviation from market averages in 1965 varied anywhere from a few cents an hour to \$1.50 or more. The average deviation above market for the seven and one-half million workers in major industries was probably about 65 cents an hour. This would be equivalent to wage rates 15% above market levels and in total would amount to about ten billion extra dollars for workers in major industries.
- Q. No. 33. Who supplied this extra ten billion dollars for above market wage rates?
- A. There is only one answer to this question: the other 90% of the labor force. If 10% of the labor force are paid 15% more money, the other 90% automatically (either through higher prices or lower wages or unemployment) are forced to accept a 5% reduction in their standard of living.
- Q. No. 34. How long can the wages of 10% of the labor force be maintained above market levels?
- A. Indefinitely. In fact, until the general public understands the laws of economics as they apply to wages and employment, there is little possibility of public pressure developing that will force the discontinuance of unjustified annual wage adjustments.
- Q. No. 35. Is it possible to summarize the laws of economics as they apply to wages and employment so that the general public can understand them?
- A. Yes. About all the average person needs to know about wages, automation, and employment is outlined in Exhibit 6, entitled "The Economic ABC's of Employment."

Exhibit 6
The Economic ABC's of Employment

If—when unemployment is excessive—the savings in costs from automation are passed on:		
(A) to consumers in better products, higher quality, better service and lower prices, ▼ sales tend to rise and ▼ employment levels tend to rise.	(B) to employees in higher wages or more paid for benefits, ▼ sales tend to remain constant and ▼ employment levels tend to decline.	(C) to employees in more leisure hours with the same pay, ▼ sales tend to remain constant and ▼ employment levels tend to remain constant.

Q. No. 36. Most workers would disagree with the economic ABC's of employment of Exhibit 6 because they believe that automation, not higher than market wages, is the culprit causing unemployment. To support these beliefs there have been, in recent years, a number of statements issued saying that automation was destroying 40,000 jobs a week. Is this true? If so, is automation responsible for unemployment?

A. The figures are correct. At the present time, automation is destroying about 40,000 jobs a week or slightly more than two million jobs each year. Automation, however, is not responsible for unemployment. Automation eliminates jobs, not workers. Automation also causes displacement of workers, but automation at the same time creates far more jobs in any one year than it destroys.

Percentagewise, the loss of jobs because of automation was about the same in 1965 as it was in 1964 and about the same as it was ten, twenty, fifty and 100 years ago. There has been no appreciable change in recent years in this percentage. In fact, for the past 150 years the annual percentage loss of jobs because of

automation (and the increase in average output per man-hour) has averaged between 2½ and 3%. Likewise, in the past 150 years the annual increase in new jobs because of automation and technological improvements has averaged around 4 to 4½%. The increase in new jobs over the years consequently has been considerably greater than the loss of old jobs.

- Q. No. 37. How many new jobs are normally created each year?
 A. There are no accurate published statistics on new jobs. It is possible, however, to compute an approximate figure by adding various statistics. The tabulation in Exhibit 7 shows approximately how many new jobs must have been created in 1964.

Exhibit 7

Computation of New Jobs Created—1964

Number of old jobs eliminated by automation in 1964—(about 2½%)	1,800,000
Net new applicants looking for work (Teenagers minus old timers of 65)	1,300,000
Decrease in unemployment	300,000
Total—or number of new jobs created by business and industry in 1964—(about 4½%)	3,400,000

The tabulation of Exhibit 7 brings out what too few people seem to realize, namely, that we live in a world of change—that old jobs disappear daily and new jobs are created to take their place. If we have a teenage problem in years to come, it will not be because we will be eliminating jobs too rapidly—or any faster than in previous years—but simply because we will not be creating new jobs fast enough.

- Q. No. 38. Would advocates of the labor theory of productivity agree with the above conclusion?
 A. No. Advocates of the labor theory of productivity for obvious reasons can never agree that labor is overpriced or that the demands of workers for wage increases are unjustified. This is why advocates of the labor theory of productivity maintain that the solution to the unemployment problem is more and more control by the federal government over wages and prices. This is also why, when unemployment becomes a problem, proponents of

the labor theory of productivity will be advocating a 35-hour work week, double time after 40 and a \$2.00 minimum wage law. Such proposals, of course, will not eliminate unemployment at all, but they do tend to divert attention from the basic cause of the unemployment, namely, the fact that some labor is over-priced.

Q. No. 39. Under the labor theory of productivity, the solution to unemployment then is more and more governmental intervention into the determination of wages and prices. Under the consumer theory of productivity, when excesses cause unemployment, should the government intervene?

A. Yes. In our complex modern society, even in a free economy, whenever unemployment is excessive, governmental action of some type is inevitable. This is why few economists object to the government attempting to stimulate the economy by periodically changing its fiscal and monetary policies—(that is, by increasing bank credits, by reducing interest rates, and by increasing the money supply).

Conversely, most economists strongly object to any attempt by the federal government to set wages and prices. The reason for this is the United States is still essentially and overwhelmingly a private society—a society in which most jobs are created by thousands of different companies attempting to make a profit—and a society in which most individuals find their own jobs at rates of pay which they believe are fair and equitable.

Q. No. 40. What then is the basic difference in philosophy between the labor and consumer theories of productivity?

A. The basic difference purely and simply is that advocates of the consumer theory of productivity believe that prices, wages, and profits should be determined in the market place by the economic laws of supply and demand. Conversely, the proponents of the labor theory of productivity believe that prices, wages, and profits should be determined by government edict.

Q. No. 41. Which theory should be acceptable dogma in the United States in the years to come?

A. There is only one answer to this question. If we are to continue to enjoy high standards of living in a growing dynamic society,

we must let wages, prices, and profits be determined in the market place. Only in a free society can we have an adequate national rate of economic growth.

In this respect, it should be noted that an increase of just one percentage point in the growth of our Gross National Product will eliminate more unemployment than all of the poverty and training programs ever proposed. And the best way to increase the percentage rate of growth in our Gross National Product is to limit wage increases to workers to whatever is justified by the economic laws of supply and demand, and to pass on to consumers and customers all of the remaining available productivity gains from automation.

Hi-Ho Silverless

by Donald E. Bently and Grant W. Corby, Jr.

Donald E. Bently and Grant W. Corby, Jr., both graduates of courses at the Rampart College Freedom School, are, respectively, chairman of the board and president of the Bently Nevada Corporation, of Minden, Nevada, manufacturers of precision electronic measuring instruments.

The government's issuance of "40 per cent" half dollars has some extremely interesting implications which are not obvious on the surface. Let's take a closer look and see what it's all about.

First, the "old-fashioned" half dollar contains 90 per cent silver *by weight*. This simply means that the half dollar in your piggy bank (and you should have one), that weighs 12.498 grams, contains 90 per cent silver of those 12.498 grams, which is 11.249 grams of pure silver. If one troy ounce (31.103481 grams) of silver is "worth" \$1.29, which is what the Treasury says it's worth, your

old half dollar contains \$.467587 "worth" of silver. (The reason that it doesn't contain 50 cents worth is because of "seignorage," the charge made by the Treasury for minting the coin.)

Now the new half dollar, we are told, contains only 40 per cent of silver. But, and here is the important point, the new half dollar is being made from the same dies as the old half dollar was made from, so its total *volume* is the same and its total *weight* less. Since the new halves are mostly copper (which is lighter than silver), the percentage of silver, by weight, is 40 per cent *of the new coin*, or 36.76 per cent of the weight of the old half dollar. This means that the percentage of silver, when compared to the old coin, has dropped from 90 per cent of silver to 36.76 per cent, making the "40 per cent silver" that is advertised quite misleading.

This leads us to a logical conclusion that is really important. If 36.76 per cent of silver (by weight), or 4.5934 grams of silver, is now "worth" one half dollar, that means silver is now worth \$3.384 per troy ounce! And this is according to the U.S. Treasury! In time, when a sufficient number of "counterfeit" paper dollars are printed by said Treasury, even these very low-silver-content coins will disappear, as Mr. Gresham's law so clearly shows.

It would seem that the masked rider from out of the East isn't loading his bullets with as much silver as he used to, and yet he's trying to tell us that they are worth the same as before. This must lead Tonto to remark that Great White Father does indeed speak with forked tongue.

Hi-Ho Silverless!

A New Dimension to War

by K. J. Cullinane

Kevin Cullinane developed his background in geopolitical strategy while serving as officer-in-charge of the First Marine Division's Counter-guerrilla Warfare School in California. He has subsequently worked as political analyst for a northern Virginia weekly and as research director for a conservative lobby organization. Currently, he resides in Boundary County, Idaho, and is engaged in farming and free-lance writing.

The record of hearings held by the Senate Military Preparedness Subcommittee in 1965 presents a poignant tableau of little men face-to-face with a gigantic contradiction.

The hearings—heavily censored when published—were prompted by uneasiness over budgetary measures practiced by Secretary of Defense McNamara; measures which the Senate feared may prove to be crippling to our ground forces.

What proved especially puzzling was the docile acceptance of McNamara's policies by two Army quartermaster generals testifying before the subcommittee. In the generals' evasive refusal to admit that McNamara's budget policies had hurt Army readiness, the legislators were confronted by what seemed a suspension of reality; they didn't like it . . . after all, in an otherwise unreal world, wars at least are for real; are they not?

"It leaves me shocked at what we are hearing," one of them said.

"I am getting a very bad impression of the situation," said another.

"Are you going to let them make mice of you?" a senator asked the generals. "Are you men or are you mice?"

The generals, sent up explicitly to screen for Defense Secretary McNamara's unrealistic policies, showed themselves to be more astute.

These high leaders of the Army harbored no illusions about their role in the hearings, which seemed so unnatural . . . so unreal to the senators. And if the two men wearing general's stars smiled nervous, sweaty smiles and fiddled with pink fingers at their papers occasionally; if they every now and then had to just plain give out with a

dull, blank evasion, why, so what? Who's going to really *do* anything about it at this late date?

The tableau developed because a few senators became curious about the cutting of defense spending to a level which has frittered away the nation's combat readiness through dangerous supply shortages, this during a flare-up in the war—the Thirty Years War which started in 1941.

"You have not denied those shortages, have you?" one of the senators asked of the Army's vice chief of staff.

"No," the general replied.

"You do admit those shortages?" the senator asked of the second witness, the vice chief's logistics expert.

"Yes, sir."

The senators could not understand why these generals would not go on to admit that the wasting away of our stockpiles of military spare parts and the reduction in research and development was a serious thing.

"I assumed that by appropriating around \$50 billion a year we were at least maintaining our inventories with the proper equipment. This is a shocking story!" one of them expostulated.

"If this statement is correct, how can you feel satisfied, how can you sleep well at night if you have all these shortages here?"

"I think this country today is in a critical situation and who can we depend upon if we can't depend upon you uniformed people . . . if you don't stand up before the Armed Services Committees of the House and Senate and take a position that down in your hearts you must know is the right position and which was overruled by the Defense Department, then I can say the future of this country doesn't look too bright."

The gigantic contradiction—wherein that department of the government charged with defending the citizenry showed such seeming lack of concern—unravels somewhat when considered in the context of a widely read treatise by Eric Blair.

Blair, a British novelist and political philosopher intimate with collectivist geopolitics, remarks upon a world divided into three major power centers which remain in a state of continuous conflict with one another, a world in which:

In our own day they are not fighting against one another at all. The war is waged by each ruling group against its own subjects, and the object of the war is not to make or prevent conquests of territory, but to keep the structure of society intact.

It is Blair's contention that this continuous war is one in which none of the three superstates *"ever attempts any maneuver which involves the risk of serious defeat. When any large operation is undertaken, it is usually a surprise attack against an ally."*

He feels that the basic philosophies and social structures of the three superstates vary little, and that their conflicts are used more to prop one another up than to knock each other out.

As usual, the ruling groups of all three powers are simultaneously aware and unaware of what they are doing. Their lives are dedicated to world conquest, but they also know that it is necessary that the war should continue everlastingly and without victory. Meanwhile, the fact that there is no danger of conquest makes possible the denial of reality which is the special feature of all three ideologies. Here it is necessary to repeat what has been said earlier: that by becoming continuous, war has fundamentally changed its character.

In past ages, a war, almost by definition, was something that sooner or later came to an end, usually in unmistakable victory or defeat. In the past, also, war was one of the main instruments by which human societies were kept in touch with physical reality. All rulers of all ages have tried to impose a false view of the world upon their followers, but they could not afford to encourage any illusion that tended to impair their military efficiency. So long as defeat meant the loss of independence, or some other result generally held to be undesirable, the precautions against defeat had to be serious. Physical fact could not be ignored. In philosophy, or religion, or ethics, or politics, two and two might make five, but when one was designing a gun or an airplane they had to make four. Inefficient nations were always conquered sooner or later, and the struggle for efficiency was inimical to illusions.

Moreover, to be efficient it was necessary to be able to learn from the past, which meant having a fairly accurate idea of what had happened in the past. Newspapers and history books were, of course, always colored and biased, but falsification of the kind that is practiced today would have been impossible. War was a sure safeguard of sanity, and so far as the ruling classes were concerned it was probably the most important of all safeguards. While wars could be won or lost, no ruling class could be completely irresponsible.

But when war becomes literally continuous, it also ceases to be dangerous. When war is continuous, there is no such thing as military necessity. Technical progress can cease and the palpable facts can be denied or disregarded. As we have seen, researches that could be called scientific are still carried out for the purposes of war, but they are essentially a kind of daydreaming, and their failure to show results is not important. Efficiency, even military efficiency, is no longer needed. . . . Since each of the three superstates is unconquerable, each is in effect a separate universe within which almost any perversion of thought can be safely practiced.

And that is why the generals smiled every now and then. Couldn't the senators relax a bit and see the geopolitical world for what it really is?

A world where "*the fact that there is no danger of conquest makes possible the denial of reality. . . .*"

Where "*by becoming continuous, war has fundamentally changed its character. . . .*"

Couldn't the senators see that "*when war becomes literally continuous, it also ceases to be dangerous*"?

Seeing the world as it is, would make obvious to the questioning senators why enemy governments, though incredibly weak, feel that their ports are safe, even as we suddenly slap embargoes upon friendly governments. It would explain the rationale behind the surrealist debate concerning the role of our military in achieving national security through disarmament; it would, in fact, explain our entire, seemingly capricious, foreign policy during the last thirty-five years.

Seeing the world as it is, might halt the embarrassingly naive questions asked by the senators; questions such as, "Why?"

And, if they could see the world as Eric Blair saw it, could they then identify which of the power-bloc leaders (if it matters) aired this guilty secret in January:

There may be some who do not want peace—whose ambitions stretch so far that war in Vietnam is but a welcome and convenient episode in an immense design to subdue history to their will.

Ah well, *IF*. Perhaps the coolies who built the Great Wall failed to understand that although it would never serve its ostensible purpose satisfactorily, the Great Wall would allow their rulers the satisfaction of expending billions of man hours in constructing the only man-made structure visible from the moon.

Perhaps, after all, the senators who helped build a "universe within which almost any perversion of thought can be safely practiced," have been *too close* to the big picture; the people's parliaments often are, it seems.

For any among the Senate who might like more insight into "the big picture," I might recommend that they glance over Eric Blair's powerful novel—within which the foregoing treatise was skillfully included. Blair's *nom de plume*, by the way, was Orwell, George Orwell; and the book, *his last one*, gentlemen of Congress . . . his last one.

From a Free Child A Free Adult

by John MacEachron

John MacEachron is an assistant professor of speech and drama at Brenau College in Gainesville, Georgia. He earned his B.A. degree at Grinnell College, and his M.S. degree in speech and drama at the University of Wisconsin. Professor MacEachron has also taught in high school, and has worked with elementary school students as a speech therapist. He spent some years as a director of community theaters. He and his wife, also a teacher, hope some day to have a school of their own; such a school will stress respect for property and the rights of others.

In the search for a greater understanding of freedom the emphasis is almost always on an intellectual approach. This is perfectly reasonable. An appreciation of freedom is certainly mainly a matter of understanding, i.e., of the intellect. On the other hand, in order for a person to accept freedom *as a way of life* for himself, to free himself from the need for external sources of security, to be self-reliant, to eschew any ambition to rule others, to accomplish all of these things, more is required of the individual than an intellectual understanding of the benefits of freedom and the lamentable consequences of the lack of it. It is also necessary that the individual be emotionally and psychologically prepared to accept responsibility for himself and for the consequences of his actions. If this were not so, there would be many more advocates of freedom than there are. That is, many people may accept the concept of freedom for themselves, or in the abstract, but feel that it is impractical for "the masses" (as in *A Rift Between Friends*¹).²

¹Anonymous, *A Rift Between Friends in the War of Ideas* (Colorado: Pine Tree Press, 1964).

²That celebrated Fabian, George Bernard Shaw, is a case in point. Shaw saw a free society based upon individual self-government as the only ultimate answer, but felt this happy state of affairs had to wait upon evolution to produce a race of supermen. See the prefaces to *The Apple Cart* and *Caesar and Cleopatra*.

We will expand this point briefly, as agreement here is necessary if we are to continue together through what follows.

Self-Confidence Necessary to Freedom

One contrast between those who believe in freedom and those who don't, is in terms of what the individual wants, always bearing in mind that one pays for what one gets. Simply stated, the individual who values security is willing to buy it at the expense of his freedom; the individual who values freedom, on the other hand, must buy it by sacrificing security—at least that kind of security the first person seeks.³ The need for security as such, however, is common to all men, just as much so for those who believe in freedom as for those who don't. The difference is in the means employed in achieving it. Inevitably, he who desires freedom must seek and find this security within himself.

But what of those who seek in vain? There are millions of such people. Every observant person must be aware that a percentage of the people he knows are insecure in some degree. This insecurity expresses itself in various ways. One common way is found among those who cannot bear to accept the responsibility for their own condition. These people see themselves as inadequate in some significant respect, and are compelled to put the blame on anything or everything other than themselves.⁴ As a school teacher I have witnessed this phenomenon many times, as has every teacher, though some may not have recognized it for what it is. I have frequently had students insist that they are stupid. They flatly refuse to believe otherwise, and, in fact, not infrequently become angry if I insist that they are not stupid. Superficially, this would seem incredible; upon examination, however, it is perfectly plausible. The student in question is not doing well in his school work. Objectively, this is entirely the result of his lack of application. He, however, is emotionally unable to accept this conclusion. He prefers to think of himself as stupid; thus he is absolved of the responsibility for his own poor performance.

Similar self-denigration is observable in all areas of society, not only among students; in fact, once one has become aware of this

³We will disregard here the question of whether this security is a real or a false security. If the individual *believes* he is more secure, he will act accordingly regardless of whether he is deluded.

⁴For an incisive and compelling description of this type of personality, see Eric Hoffer, *The True Believer* (New York: Harper & Row, Publishers, Inc., 1958).

defensive negation of self, he quickly comes to realize how lamentably—one might almost say *frighteningly*—common it is, as much so among adults as among children. Such people are hardly equipped to clasp to their bosoms a philosophy which places self-reliance high among its virtues. Far rather would they cherish the notion that we must take care of others; deep down they see themselves, actually or potentially, as the “others” who need caring for. Obviously, these people who must needs find their security outside of themselves are not going to be attracted to the freedom philosophy. To expect them to be like expecting someone who has a profound emotional dependence on a religious faith to abandon that faith merely because it can be demonstrated to be illogical.

It seems reasonable from this to say that in order for an individual to accept the freedom philosophy, he must be not only intellectually capable of understanding it, but also emotionally equipped to accept the concomitant burden of responsibility.

If we are in agreement thus far, I think we can proceed to the next point without difficulty.

The Child Builds the Man

In these days of Sunday-supplement psychology it is hardly necessary to point out that the emotional structure of the adult is significantly affected by childhood experiences. Thus, generally, slum children will display certain characteristics notably distinguishable from those of a middle-class child, who is in turn different from a rich child.⁵ It is also a matter of common knowledge that children tend to resemble their parents in outlook and attitude. Democrat parents have Democrat children; religious parents have religious children. In all of these different environments, however, there are both self-confident and insecure individuals. In other words, though an environment may shape a general outlook, may cause a fairly homogeneous set of values to emerge, no one environment has any characteristic effect on personality growth. A so-called underprivileged kid may exude self-confidence, and a child from a wealthy background may be riddled with insecurities (and vice versa). What then does influence personality structure? Why are all kinds of personalities found in every stratum of society?

One provocative answer to these questions can be found in the

⁵It may not be necessary to point out that what may be true of a group need not necessarily be true of any given individual within the group.

work of Dr. Maria Montessori. In her theories, and in the results of her studies are many discoveries that should be of intense interest to parents who value freedom. It is not enough merely to refrain from sending one's child to a public school. In terms of the school atmosphere and its influence upon the child's personality there may be little to choose between a public or a conventional private institution.

Maria Montessori was born in 1870 into a distinguished and well-to-do Italian family. When she was twelve, the family moved to Rome to improve her educational opportunities. She sampled various fields, always in science (it is a matter of record that teaching was rejected by Maria as the one thing she would not do), and eventually chose medicine. She took her degree of medicine in 1896, the first woman in Italy to do so.

For the next ten years Montessori worked with brilliant success in her chosen field. At various times she occupied the chair of hygiene at a woman's college in Rome, was a permanent external examiner in the faculty of pedagogy, was a professor at the University of Rome, and was assistant doctor at the psychiatric clinic in the University of Rome. In addition, she practiced medicine in several Roman clinics, besides keeping up a private practice. During this time, she achieved local renown for her revolutionary approach to the treatment of mentally deficient children. Thus it was when, in 1906, the directors of a slum project decided to organize a play-school for pre-school-age children, Montessori was invited to supervise it.⁶ This was the genesis of her life's work. The results Dr. Montessori achieved with these slum ("disadvantaged," in the current jargon) children stunned the world. Within two years her reputation was international. She was flooded with invitations to lecture in every civilized nation. Her writings (copious, considering her crushing work load) were translated into many languages and enjoyed tremendous sales everywhere.

For the rest of her life Dr. Montessori devoted herself to lecturing, training teachers in her method, and establishing her schools in Italy, France, Spain, England, Holland, Germany, and India.

In 1914 she was invited by the millionaire owner of *McClure's* magazine to come to America and establish an institute wholly in

⁶Actually, all that these directors had in mind was to provide a humane way of penning the "little vandals" up during the day while their parents were working, so they would not be so destructive.

accordance with her ideas—expenses being no object. She declined, apparently thinking that her hopes for a worldwide adoption of her methods would suffer if she tied herself to one locality. There are now several centers in the United States where the Montessori method is taught by European-trained personnel—some by former students of Montessori herself.⁷

What, then, is it about the Montessori method which makes it of interest to the student of freedom? The aim of the Montessori method is an independent, self-reliant adult.

Basically, this is achieved by working through the nature of the child, through those characteristics which are inherent in, and peculiar to, childhood. Given an educational environment which harmonizes with what Dr. Montessori calls the child's "inner directives," learning and personality development occur almost spontaneously. An analogy can be made with the child's physical development. (Of course, in a living child the two cannot be separated.) Every parent knows that their children walk when their physical maturation reaches a certain point—no sooner, no later. Any interference in the process, any effort to hasten or retard it can lead only to undesirable consequences. Similarly, there is a stage in the child's development when he is ready for certain learning experiences. As an example, consider the often observed fact that children learn languages quickly and easily; they "pick them up," as people say. Past a certain age, however, one loses this facility, and to learn a new language then requires the laborious process of studying grammar and memorizing vocabulary. One has only to imagine that a child has dozens of similar facilities ("sensitive periods," Montessori calls them) which, if properly exploited, make all of his learning as apparently spontaneous as the way he "picks up" languages.

Through the use of specific and ingeniously designed learning materials, each step in the child's development—recognition of colors, sounds (pitch), letters, geometric shapes, etc., as well as the development of physical grace and self-control—occurs when he enters the "sensitive period" for that particular discovery, and in the well-run Montessori school it is the child who decides when he is "ready" for each step. This, in essence, is what is meant by the

⁷Readers interested in further information about Montessori schools in America may write to The American Montessori Society, Whitby School, Upper Lake Avenue, Greenwich, Connecticut.

“free child” in the Montessori sense. He is free within the framework of a rigidly self-imposed discipline.

The result of this harmonious learning environment is what Montessori calls the “normalized” child. This term can be easily misunderstood. “Normal,” as Dr. Montessori uses the word, does *not* mean conforming to any uniform pattern but, rather, that the child’s psyche is functioning normally. It’s rather like the way one might refer to a group of children as physically normal (meaning not malformed) without suggesting that they lack individuality. This “normalized” child is in harmony with his surroundings, at peace, happy, discovering the world in a way that is as natural as growth itself.

Montessori Opposes Regimentation

What the Montessori method opposes is the characteristic of the conventional education which insists that the child conform to the rules, schedule, and curricula of the school. Such a system makes it inevitable that certain children will fail. Indeed, in a conventional school a teacher who failed no one would be suspect.⁸ But what of the child who “fails”? Such failure “may have dangerous consequences for the individual, resulting in timidity, anxiety, depression, as well as (an) inferiority complex. . . . Bad results may follow for society, too, in the form of incapacity for work, laziness, *dependence on others*, a cynical outlook, and even criminality” (italics mine).⁹ Conventional educators have recognized this problem and instituted what they are pleased to refer to as the “social” promotion, which has the effect merely of teaching children they can get something for nothing. The Montessori method, by contrast, allows each child, functioning within a prepared environment, to learn, to grow, to find himself without the possibility of failure. For the “normalized” child, learning through the use of the Montessori materials is an exquisitely exciting experience which fills him with quiet, inner exultation; it is an inseparable dual process of external mastery and self-discovery.

⁸Even in the so-called non-graded school (where the child proceeds in each subject at his own pace) the presentation of new material is in the conventional manner; designed, in other words, to conform more with the way an adult approaches learning than in the way more natural to a child’s nature. Notwithstanding, the non-graded schools are a step in the right direction.

⁹E. M. Standing, *Maria Montessori: Her Life and Work* (Mentor-Omega ed.; New York: New American Library of World Literature, 1962), p. 117.

It isn't possible here to describe the Montessori method in any detail; to attempt a brief explanation would be to invite misunderstanding, even if I considered myself enough of an expert to do the subject justice, which I do not. I recommend for the interested parent Mr. Standing's book quoted above. In fact, "recommend" is too weak a word; if I may so far presume, I urge parents of small children to investigate the Montessori method before making any final decisions about the education of their children.¹⁰

It would be absurd to claim that the Montessori method, or any method, will infallibly effect a certain result. On the other hand, a mountain of evidence indicates that, if a parent's goal for his child is that sturdy, self-reliant adult for whom freedom is a boon and a challenge, not a frightening boggy, the Montessori school is his best hope. In the large sense, it is the best hope of the future.

¹⁰Further suggested reading: Maria Montessori, *The Absorbent Mind* (Madras: The Theosophical Publishing House, 1949). Montessori, *The Secret of Childhood* (New York: F. A. Stokes Company, 1939). Sheila Radice, *The New Children* (New York: F. A. Stokes Company, 1920). Dorothy Canfield Fisher, *A Montessori Mother* (New York: Henry Holt & Company, 1912).

Robert LeFevre

On the Other Hand

Unionism and Economic Stagnation

The role of the union in modern America is skillfully and ruthlessly exposed by Butler Shaffer. Since unionism invariably stultifies entrepreneurship, it serves as one of the fundamental causes of market stagnation, so often deplored by those who talk perpetually of "growth factors" and who seek to speed up market exchanges in search of perpetual affluence and prosperity.

One is left to wonder just how many gains would result if there were no labor unions in existence. Since unions create no wealth and serve primarily to weaken the will and ability of those who are capable of creating and accumulating wealth, it follows that without unions, far more wealth would be available than is presently the case.

Panarchy

Those who assume that governments are necessary will find an ingenious exploration here. Panarchy is a proposal for the creation of voluntary contracts between those who are to be ruled and those who are to do the ruling. Since it is inconceivable that all men would agree as to the functions and attributes of their rulers, panarchy provides for competing governments, not drawn up by territorial boundaries, but existing without geographic lines of demarcation, between those persons seeking to be governed and those persons seeking to govern. It even provides an escape for those who wish no government at all.

What is remarkable is that this article, written and published more than a hundred years ago, should offer a contemporary challenge. While the term "voluntary government" is internally contradictory and comparable to "volitional slavery" or "freely selected coercion," there is a real challenge in the writing of P. E. de Puydt, and his translator, Adrian Falk.

Freedom and the Gold Standard

It is a pleasant fiction that gold is a panacea in the market and that the only requirement is a currency based on gold. Professor Cooley

demolishes this myth by pointing out that gold contains no magic, but a free market in gold, as in other commodities or services, would provide the most practical and the most realistic system of exchange.

It is undoubtedly true that at the present moment in world markets, gold is in heavy demand. But Professor Cooley is not deceived by this fact. Now that gold has a fixed price guaranteed by the U.S. Treasury insofar as foreign bank claims are concerned, gold is bound to be in demand. Since currencies are increased constantly by government credit maneuvering, inflation appears to be the order of the day in spite of a guaranteed ratio to gold.

Without question, gold as a base for currencies in the world would serve a most useful purpose, provided a free market obtained. The student of money and banking would do well to consider the fact that it is the free market that is primary; the gold is secondary.

Professor Cooley is not opposed to a gold standard. He is opposed to any standard, gold included, that has a fixed ratio to anything in the market. Thus, the author of "Freedom and the Gold Standard" is speaking up for a free market and would favor any commodity or credit arrangement that is honest and is in market demand. If the market wants gold, gold will be supplied in the correct quantity when government does not set the price and when producers are free to sell whatever gold they can produce in a free market. If the market rejects gold as a medium of exchange, then the price will fall and once more producers will supply the correct amount based on the new price. It is a free market without price controls that is wanted. Professor Cooley makes it abundantly clear that a control of the price of money or gold works exactly the same way as a price control on any other good or service. There is small merit in opposing price controls on goods while favoring a price control on gold. The market should be free of all controls.

Knowledge Be Dammed

"He stood close to the light, and the shadow he cast was large enough to encompass many generations." With this observation, Erica Carle warns us that even a wise and great man does not of necessity know all truth. It is truth that must be sought; and the effort to eulogize and perpetuate the brilliance of an honest and successful pioneer of the mind should not cause us to depart from the search for truth for its own sake.

The real difficulty arises when the high level of attainment gained by some savant becomes accepted as "standard" and then force is

invoked so that this "standard" becomes mandatory for all. Erica Carle takes special notice of the effect on the medical sciences which this tendency to dogmatize has produced.

The Economics of Automation and Unemployment

This brief study is one of the finest to come to the *Journal* respecting the age-long fear of union theorizers respecting improvement of tools including automation. Dr. Ells has done a superb job virtually without exception.

In his answer to Question No. 39, Dr. Ells has reversed his otherwise consistent position. He asks if government should intervene in the economy if unemployment becomes excessive, and his answer is in the affirmative. But Dr. Ells gives us no guide as to what is to be classified as "excessive." This must, of necessity, be left to governmental theorizers, who are motivated by political rather than economic reasons. Government has neither money nor constructive employment of its own to offer. Even if one cares to argue that the "services" rendered by a government are necessary, the fact remains that governmental "services" are not productive. To the extent they exist, they must be financed by the productive segment of the population.

When taxes are imposed for the purpose of rendering a service, including an employment service, the areas of the market which are taxed to support this service will be less able to provide for free-market employment at the productive level. Thus, rather than aiding to reduce unemployment, governmental intrusion at this point renders the productive segments of the market less competent to solve the problem, and actually augments the problem. This augmentation can be disguised temporarily by a manipulation of money and credit, but the impairment remains.

There is something in Dr. Ells' argument here that smacks of the assumption that it is the task of the entrepreneurs in the market to provide jobs for the unemployed. But entrepreneurs are not in the market for that purpose. They are in the market to make profits, and the more they can learn to make profits, the more surely will they be able to expand employment and improve standards generally.

The appearance of unemployment in any degree is actually a signal that our existing standards are below our productive capacity. What is needed is more capital in private hands which can be converted to new market processes and market services. When this

area is taxed, there is less capital available. The solution so ably advanced in other parts of his study is reversed at this point. With this exception, Dr. Ells has done outstanding service.

Hi-Ho Silverless

The jingle-jangle-jungle of government manipulation of silver is cast in humorous mold by Donald Bently and Grant Corby, Jr., and the merry clink of silver is muted by the tone of brass.

A New Dimension to War

“Perpetual war for perpetual peace” has already appeared in book form. Kevin Cullinane, by bringing back some of the writings of Eric Blair, has put the matter into even more striking context. We now have perpetual war for perpetual war. There’s a surprise twist to this fascinating article. It may send a number of students back to the library to examine again some almost forgotten Orwellian tome.

From a Free Child a Free Adult

In recent years, a growing concern over primary education, both as to content and method, has served to stimulate the emergence of a spate of private schools, not the least of which are those institutions adhering to what has been called “the Montessori method.” Professor MacEachron has offered a brief explanation of the philosophy underlying this method. It may serve to encourage parents who are not enchanted by the current procedures in the highly stylized educational structure. It may even inspire a few to start “Montessori” schools of their own.

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New manuscripts are welcomed by the editor.