

the Freeman

VOL. 19, NO. 1 • JANUARY 1969

- The Collective Guilt Myth** **William Henry Chamberlin** 3
Blaming everyone else for the faults and failures of an individual is unlikely to improve the social climate.
- The Only Kind of People There Are** **Roger J. Williams** 10
Our differences, traits of individuality, are wasted under central planning—require freedom to develop.
- The Rise and Fall of England:**
11. The Fabian Thrust to Socialism **Clarence B. Carson** 14
Concerning the history of the Society and its development since 1884.
- The Free Society and Its Enemies** **Tibor R. Machan** 25
One's basic view of human nature determines largely whether he favors freedom or not.
- Marx's View of the Division of Labor** **Gary North** 28
An analysis of Marxian errors that have been politically implemented into major disasters in our time.
- How We Discourage Investment** **Henry Hazlitt** 36
The high tax rate on the earnings of successful business ventures is a short-cut to economic stagnation.
- Education in America:**
4. The Decline of Intellect **George Charles Roche III** 38
How dangerous a little knowledge may be is revealed by those who would reject their intellectual heritage in a new adjustment to circumstances.
- In Praise of the Conventional Wisdom** **Jack McCroskey** 48
Our common sense ought to prevail over the utopian promises of socialism.
- An Inquiry Concerning Inequality** **W. A. Paton** 53
Variations in nature and in the nature of man point to the blessings of diversity.
- Book Reviews** 61
"War, Peace, and the Presidency" by Henry Paolucci.

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

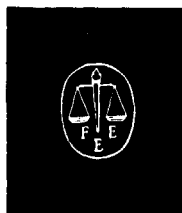
LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "The Only Kind of People There Are," "The Rise and Fall of England," and "How We Discourage Investment."

WILLIAM HENRY CHAMBERLIN

THE COLLECTIVE GUILT MYTH

THE UNITED STATES in the present decade experienced three assassinations of prominent public figures: President John F. Kennedy, his brother, Senator Robert F. Kennedy, and the Negro leader, Dr. Martin Luther King. Each of these tragedies brought forth a chant of the alleged collective guilt of the entire American people for the crime of an isolated individual. Those who succumb to this emotional reaction should recall the wise words of Edmund Burke: "I do not know the method of drawing up an indictment against a whole people."

There are more than 200 million Americans, people of the most di-

verse backgrounds, interests, levels of education and knowledge, political and economic sympathies. To hold all 200 million responsible for the isolated acts of more or less deranged individuals verges on national masochism and is downright absurd, as may be recognized if one recalls the circumstances of these killings.

President Kennedy was the victim of a mentally unstable person whose sympathies, so far as can be judged from his record, were confusedly Leftist. The man accused of shooting Dr. King in Memphis is awaiting trial, so the facts are not all available. What is not in doubt is that the overwhelming majority of Americans deplored the crime and bore no direct or indirect responsibility for it. Again, subject to further rev-

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

elations at the trial of his assailant, Robert Kennedy seems to have been an innocent bystander, shot because of the implacable feud between Jews and Arabs in the Near East.

Other Lands Plagued

Deplorable as are such acts of violence, they scarcely form a reasonable basis for indicting the whole American people. Political assassination is as old as recorded history and has taken place in almost all nations under various circumstances. There are examples in the Old Testament, in the annals of Greece and Rome. In an age more familiar with classical languages and history, a parallel might have been drawn between the Kennedy brothers and Rome's Gracchi, who tried to shift the balance in the cumbersome Roman constitution away from the patricians toward the plebeians, although they were of high birth themselves.

The Middle Ages afford many examples of hated, weak, or unlucky rulers who were done to death in one way or another. And the history of the Russian Empire has been wittily and not inaccurately described as despotism tempered by assassination. Some Czars perished as a result of palace coups, with the complicity of their guards. Alexander II was assas-

inated in his capital, St. Petersburg, after several unsuccessful attempts, by a small determined band of revolutionaries who called themselves Narodnaya Volya (People's Will). This same group took pains to dissociate itself from the killing of President Garfield (the nonpolitical act of a disappointed office seeker), putting out a statement to the effect that the assassination of high officials was a legitimate form of struggle in Russia, with its denial of liberty, but impermissible in a free republic.

Ironically enough, Alexander II was the most progressive of modern Czars, having emancipated the serfs and introduced other reforms. The last Czar, Nicholas II, was shot down with his Czarina and all their children in a blood-drenched cellar, following the sentence of a self-constituted Bolshevik court during the Russian civil war in 1918.

Nor have other European countries been free from murder for political causes, some of them committed by anarchists and other revolutionaries who believed in "propaganda by the deed." Among the more distinguished victims were King Humberto of Italy in 1900 (he died murmuring some words about "the dangerous trade of kings"), President Sadi Carnot of France, who was stabbed dur-

ing a visit to Lyons, Prime Minister Canovas of Spain, and the Empress Elizabeth of Austria. Her killing, by an Italian anarchist as a symbol of hated royalty, was especially ironical because Elizabeth had rebelled against the excessive formality of Vienna court life, separated from her husband, and was leading a life of private retirement in Switzerland.

So America has no monopoly of assassinations of prominent public figures, for political and non-political reasons. Yet no one has ever suggested that the Russian, Italian, French, or any other people should be regarded as involved, en masse, in these crimes.

Steps to Curb Crime

The alleged sickness of American society is a favorite theme of those who would implicate all Americans when a John F. Kennedy, a Robert F. Kennedy, a Martin Luther King is murdered by a specific individual. Now contemporary American society unmistakably has its faults. But these do not constitute some vague sickness. They are the consequence of the failure of definite individuals and groups to measure up to their duties and responsibilities.

The United States crime rate, especially in violent forms of crime, is a national disgrace because the executive, legislative,

and judicial branches of the government have failed in their obvious obligation to do something about it. The rate of murder, assault, armed robbery, and similar crimes has grown in precise proportion as the handling of brutal criminals has become softer, more permissive, more ineffectual. State after state has been abolishing the death penalty, even for the most atrocious cases of murder without extenuating circumstances, for purposes of robbery, for instance.

From the Supreme Court down, the trend of judicial decisions has been not toward protecting the peaceful citizen in his home or on the streets, but toward hampering the police in their work and protecting the criminal against proper punishment for his misdeeds. There are also outrageous delays in bringing the most notorious criminals, about whose guilt there is no reasonable doubt, to answer for their crimes before the courts, which are often clogged with cases involving trivial and minor offenses.

Crime is like sin; every candidate is publicly against it. But there has been no progress, rather retrogression, in taking practical concrete steps to reduce a higher incidence of crime and insecurity in the streets; in public parks, even in private homes, than one finds in foreign countries on a

comparable level of education and civilization.

Ordinary crime, as well as political assassination, is not something for which the whole American people may reasonably be held responsible. In its present outrageous dimensions it is the natural and inevitable result of neglect and failure in the framing of laws, and the laxness and delay in administering these laws. What is needed to promote a downward turn in the violent crime statistics is not to "cure" a "sick" society, but a number of specific practical measures designed to reverse the modern trend to coddle the criminal at the expense of his victims.

Mob Manifestations

This national guilt myth is responsible for other faulty judgments and analyses. A very serious example of mass violence, accompanied by murder, assault, wholesale arson and looting has been the rioting in predominantly Negro sections of a number of United States cities and towns in recent years. Another such example, on a minor scale, was the action of some students at Columbia University in taking physical possession of the President's office and other buildings, holding some college administrators prisoners for a time, defiling the buildings

which they occupied, shouting obscenities over the campus, and forcibly disrupting for a time the normal functioning of a great institution of learning.

A presidential commission published a report on the causes of the riots in the cities; an academic commission, headed by Professor Archibald Cox of Harvard, published a report on the disturbances at Columbia. Although different persons were involved, there was a curious similarity in the method of reasoning in these two reports. The direct perpetrators of violence were left uncensured or, at most, praised with faint damns, while criticism was concentrated on alleged secondary causes: on that familiar scapegoat, "society," in the case of the rioters; on the college administration, in the case of the student disturbances.

Almost half a century ago the Governor of Massachusetts, Calvin Coolidge, later President, won national acclaim with his declaration on the occasion of the strike of Boston policemen: "There is no right to strike against the public safety by anybody, anywhere, at any time." (What a pity no one could repeat these words with authority in New York at the time when it was paralyzed by strikes, slowdowns, and threats of strikes by such essential groups of pub-

lic servants as teachers, policemen, firemen, and sanitary workers!)

Both of the reports under discussion might well have started with the same words, applied to rioting in a free country where there are plenty of opportunities for expressing grievances and seeking to redress them in a peaceful and orderly way. Instead, the presidential commission placed the principal blame for the riots on racism in white society. Insofar as racism implies deliberate prejudice and discrimination against others because of race, color, and creed, it is a vicious and dishonorable thing; yet, the law has not yet been devised that would make every individual love or esteem all his neighbors or fellow-citizens.

Signs of Progress

Few Americans today would avow themselves as racists, and external signs of discrimination on grounds of race and color have been swept away by one legal enactment after another, some by the Federal government, some by the states. Deliberate segregation by color in schools has been illegal for fifteen years. Even so, it might spare some friction and bitterness if some zealous Federal bureaucrats and state education administrators would remember that,

while the law forbids segregation, it does not enjoin integration up to the point of destroying the neighborhood school and compelling the busing of children away from their homes into unfamiliar and sometimes unsafe neighborhoods.

Discrimination on trains, in buses and public accommodations has been legally outlawed. Doors of opportunity are opening more widely. There are more black faces on college campuses and in white-collar jobs. Negro representation in national and state legislatures is increasing.

Under these circumstances, what rational goal is served by squalid outbreaks of race hatred and other destructive instincts, such as the maniacal impulse to burn on a large scale—and mainly houses and stores that serve the Negro community? The net effect of these outbreaks has certainly been to retard, not to advance Negro progress, to discourage the forces of goodwill, and strengthen the bigots and racists, white and black.

Destruction on Campus

The student outbreaks at Columbia, the University of California, and elsewhere are also mindless in the extreme, except for a nihilistic minority who wish to bring higher education to a

halt. This is not to say that there are no legitimate student grievances, overcrowded facilities, poor food, and a skimping by some big-name professors of their basic function as teachers in favor of writing books and performing odd jobs for government agencies and foundations. Such grievances, when presented in a sensible and civilized way, will certainly win sympathy and redress, except insofar as they are rooted in one cause about which little can be done: the storming of admission doors by more students than universities and colleges can comfortably accommodate.

But the "causes" which prompted the radical minority of the Columbia students to break up the normal functioning of the university were almost incredibly trivial. There were two: the decision of the University to build on its own property a gymnasium which would have benefited both the students and the adjacent Harlem community; and the participation of a few professors in projects sponsored by an institute of defense analysis.

Neither of these issues was a proper matter of student concern; neither justified such obviously illegal doings as the sacking of the President's office, the seizure of university property, the provoked clash with the police, the

shouted obscenities across the campus. Indeed, this last conspicuous feature of the Columbia and other travesties of revolution might well warrant an inquiry by admissions officers as to the kind of homes from which the students were selected.

Outbreaks of Disorder Call for Stern Measures

Blaming everyone for wanton outbreaks of disorder except those actually responsible for these acts is not good morals, good logic, or good policy. Nor is it much use to attack that familiar scapegoat, "society." The proper course for the future is for the civil authorities to put down future riots, should these occur, with all necessary force.

As for university and college students, their right to hold meetings, to parade with placards, to picket peacefully for some cause should not be abridged, although it is hard to see how the pursuit of knowledge is advanced by trying to prevent the sale of California grapes or to interfere with fellow-students who wish to be interviewed for employment with a chemical company. A sharp line, however, should be drawn between peaceful demonstrations and those which involve trespassing on college property, restraint on the free movement of individuals, and

denial of the right of other students to attend classes. Young collegians who fancy themselves in the role of Trotskys, Mao Tse-tungs, and Che Guevaras should be given a plain warning to cease and desist, or to transfer their juvenile playing of revolutionary games elsewhere.

Responsible Individuals

It is time to examine critically a number of assumptions that are bred of the myth of the American national collective guilt complex. For instance, it is sometimes taken for granted that racial friction is unique in America. This disregards the numerous ethnic conflicts in other parts of the world, including the genocidal savagery of tribal feuds in such newly emancipated African lands as the Congo and Nigeria.

The war in Vietnam is denounced as an example of "American imperialism." Vietnam is certainly a sorry story and may have

been a serious blunder. But there has never been the slightest American desire to exercise imperialist domination over that country or to derive profit from that faraway land even remotely comparable with the sacrifice of blood and treasure in its jungles and rice paddies. Right or wrong, wise or unwise (and it may be a long time before a fair historical judgment is possible), the American military intervention has been for the purpose of warding off the establishment of communist dictatorship in South Vietnam and leaving the people of that tormented country freedom to choose their own government and way of life.

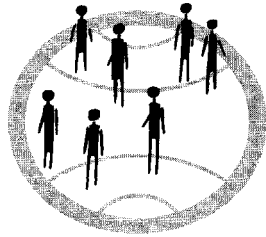
The extreme forms which the American national guilt complex sometimes takes are as foolish and unwarranted as the old-fashioned spread-eagle oratory of United States chauvinism. It is useful to remember that guilt is always individual, never collective. ♦

IDEAS ON LIBERTY

Someone to Blame

SO LONG as the attitude in society is that people are responsible for themselves, but that nature inevitably will limit what we can have, there is a chance that the discontent people feel will be directed at nature. But when we take the attitude that government is all-powerful, that it's only because somebody didn't pass the right law that we're in a bad way, then discontent will be directed at people.

ROGER J. WILLIAMS



The only kind of people there are

IF SOCRATES were resurrected, I suspect he would call attention again to what was written about 25 centuries ago: Know thyself; if you know a lot about other things and are ignorant of yourself, this is ridiculous.

We in this advanced and scientific age have never taken Socrates seriously on this point. I maintain that we are being ridiculous; we seek to plan and yet are not informed about ourselves for whom we plan. Of course, we know *something* about ourselves, but science has never undertaken a serious job of understanding people — a multidisciplinary undertaking. We have not tackled the job of understanding ourselves with one-tenth of the fervor we

have shown in our research in outer space.

One of the most important facts about ourselves we have not grasped: All of us are basically and inevitably individuals in many important and striking ways. Our individuality is as inescapable as our humanity. If we are to plan for people, we must plan for individuals, because that's the only kind of people there are.

In what ways are we individuals? First as to our bodies. These ways are tangible and not subject to argument. Each of us has a distinctive stomach, a distinctive heart and circulatory system. Each of us has a distinctive muscular system, distinctive breathing apparatus, and an endocrine system all our own. Most surprising and significant perhaps, each of us has a distinctive set of nerve receptors, trunk nerves, and a brain that is distinctive in structure and not like other brains.

We are individuals also with re-

Dr. Williams is Professor of Biochemistry at the University of Texas. This article is slightly condensed and published by permission from his address before the American Institute of Planners at Hot Springs, Arkansas, July 12-19, 1968.

Dr. Williams' latest book, *You Are Extraordinary* (Random House, 1967), is available from The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y., 10533, \$5.95.

spect to our minds. We do not all think with equal facility about the various things that can be thought about. Einstein was an extremely precocious student of mathematics, but on the other hand, he learned language so slowly that his parents were concerned about his learning to talk. William Lyon Phelps, the famous English professor at Yale, on the other hand, confessed that in mathematics he was "slow but not sure." There are at least forty facets to human minds. Each of us may be keen in some ways and stupid in others.

The importance of this individuality in minds would be hard to exaggerate. Because of it two or more people agree with each other only *in spots*, never totally. The grandiose idea that all workers of the world can unite and speak and act as a unit is wholly untenable because of individuality in the minds of the individual workers. Nor can all capitalists unite, and for the same reason. Neither can all Negroes, all Latins, all Chinese, all Jews, all Europeans, or all English-speaking peoples.

It is often assumed that people disagree only because of self-interest and differences in their education. They also disagree because their minds do not grasp the same ideas with equal facility. Sometimes an individual has a specific idea which seems to him

perfectly clear and potent. To him it seems certain that once this idea is expressed it will gain automatic acceptance. Practical trial shows, however, that it does not. To other individuals, because the patterns of their minds are different, this supposedly clear and potent idea may appear foggy, dubious, or even unsound.

Failure to recognize individuality in minds is widespread and is a revelation of the fact that we are ignorant about the people for whom we plan.

"Environmental Determinism"

I do not know that anyone else has ever expressed it this way, but on a long walk with Aldous Huxley about a year before he died, he decried to me the fact that the prevailing philosophy today may be described as "environmental determinism." Environment is assumed to be the only factor in our lives; inborn individuality in body and mind are completely neglected. According to this philosophy, every child who is placed in a slum environment becomes a delinquent and a criminal. This, from the work of the Gluecks at Harvard and others, is manifestly untrue. Neither is it true that every child who is furnished with plenty becomes for this reason an honorable and upright citizen.

Our "social studies" and "social science" teaching in all our schools and universities is permeated with environmental determinism which shows no interest in the crucial facts of individuality and quite inevitably tends to destroy all moral responsibility. A delinquent cannot help being a delinquent, we are told. Society should take all the blame. A criminal is that way because society has made him so, so society is to blame. This is blatant oversimplification in the name of social science! It disregards how human beings are built—their fundamental nature—and can by its short-sightedness lead to a breakdown of our civilization.

What I have been saying does not in any sense deny the importance of environment. Environments are what we can control, and to study how to improve them is the essence of planning. But we, the people, are not putty; we are individuals, and *we* need to be understood.

Individuality Is Crucial

To me it seems certain that the facts of individuality need to be taken into account. There are three areas, related to planning, in which I have some special knowledge. In all these areas individuality is crucial.

Take for instance the area of nutrition and health. It would be

relatively easy to produce economically in factories a "man-chow" which would supposedly be the perfect food for the average man. Laboratory experiences as well as wide observations show, however, that this "man-chow" idea is completely unrealistic. It will not work. Because of biochemical individuality we do not all like the same foods nor can we thrive on the same mixture. Many human beings are so built that they derive a substantial part of the satisfaction of life out of eating. Taking variety and choices from them would be depriving them of their pursuit of happiness. The best food planning devised involves supermarkets where thousands of kinds of foods in great variety are available.

The Food and Drug Administration in Washington has, at least until very recently, done its planning on the basis of the hypothetical average man and has sought to regulate the marketing of medicinal substances, vitamins, and the like on this basis. This cannot work because of the hard facts of biochemical individuality. Real people—individuals—do not react in a uniform manner either to drugs or to nutritional factors such as amino acids, minerals, and vitamins.

No planning in the area of nutrition and health can work on a

long range basis unless the facts of individuality are taken into account. If we plan for people, we must plan for individuals, because that is the only kind of people there are.

Another area of planning in which I have some special knowledge is that of education. I have recently completed my fiftieth year as a teacher. While I have in mind no pet schemes for reorganizing schools or universities, I have had for years a growing consciousness that no successful long-range planning can be done unless we recognize fully that every mind is a distinctive one and that every young person is endowed with peculiar aptitudes which need to be recognized, developed, and used. One of the worst lacks in modern education is the failure of youngsters to know themselves and to recognize their own strengths as well as weaknesses. Education for the hypothetical average child is no good. We must plan for individual children; that's the only kind there are.

Closely related to the problem of planning education is planning to curb crime, violence, racial hatred, and war. As Clement Attlee aptly pointed out years ago, the roots of war are to be found in the minds and hearts of men. The late Robert Kennedy pointed out when he was Attorney-General

that peaceful relations between people cannot be enforced with guns and bayonets.

In my opinion, we will get nowhere in planning to curb violence by thinking in terms of the city of Dallas killing John F. Kennedy, the city of Memphis killing Martin Luther King, or the city of Los Angeles killing Robert Kennedy. Of course, social factors enter into violence, but there are important individual factors, too.

No informed person can think that curbing crime and violence is a simple problem. Because it is difficult, it is all the more important that we seek out — thoroughly — the root causes. I maintain that a great weakness which we exhibit in this modern scientific age is *ignorance about ourselves*.

Finally, let me say that our love of liberty and freedom is based upon this individuality. If we all had the same kinds of stomachs, the same kinds of muscles, nerves, and endocrine glands, the same kinds of brains, planning would be simple. We would all like exactly the same things. We would all be satisfied to read the same books, have the same amusements, eat the same food, and go to the same church. In short, we would all live happily in the same rut.

Planning is not that simple. We must plan for individuals — that's the only kind of people there are. ♦

The Rise and Fall of England



11. THE FABIAN THRUST TO SOCIALISM

THE FABIAN SOCIETY was organized January 4, 1884. Its organization resulted in the split-up of a group that had formed the year before and would be called "The Fellowship of the New Life." There were probably nine members of the Fabian Society at the outset.¹ This was the motto adopted by the Society:

For the right moment you must wait, as Fabius did most patiently, when warring against Hannibal, though many censured his delays; but when the time comes you must

¹ Margaret Cole, *The Story of Fabian Socialism* (Stanford: Stanford University Press, 1961), pp. 3-5.

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn, The American Tradition, and The Flight from Reality*.

strike hard, as Fabius did, or your waiting will be in vain and fruitless.

The significance of the Fabian Society is not immediately apparent. It was only one among numerous collectivist and socialist organizations at its inception. At a conference held in 1886 fifty-four such societies had representatives, and the Marxist Social Democratic Federation was not even in attendance. There were such organizations as the Socialist League, the Socialist Union, the Guild of St. Matthew, the Anarchist Group of Freedom, the Land Restoration Leagues, the Land Nationalization Society, and the National Secular Society.² Not only was the Fabian

² A. M. McBriar, *Fabian Socialism and English Politics* (London: Cambridge University Press, 1962), p. 23.

Society only one small group among many other socialist groups at the beginning, but even after more than sixty years of existence (1947) it had only about 8,000 members.³

The importance of the Fabian Society did not arise from the number of its members. Instead, it became so influential because it attracted into its ranks men and women who were leaders or would become leaders in a variety of intellectual fields. Shortly after its founding, George Bernard Shaw, Sidney Webb, Graham Wallas, and Beatrice Potter (who married Webb) joined the Society. Over the years, many other prominent English intellectuals and politicians would belong. In the 1920's, for example, it numbered among its adherents those who were or would become prominent such as Clement Atlee, Stafford Cripps, R. H. Tawney, Michael Oakeshott, Ernest Barker, Rebecca West, C. E. M. Joad, Bertrand Russell, Malcolm Muggeridge, Harold Las-ki, and G. D. H. Cole.⁴ Of equal, or greater, importance, the Fabians had an *idea*, and it was this idea which helped to draw so many intellectuals into their ranks. The

idea can be succinctly stated: The Fabians linked reformism by government action with socialism, the latter to be achieved gradually by way of the former.

So stated, the idea may not now be very impressive; certainly, it may not strike us as original, unique, or anything but obvious. That is because we are more or less familiar with it, because it has become a part of that baggage of ideas we carry around with us. This was not the case in the 1880's and 1890's. Socialism and reformism were antithetical currents whose advocates were usually in dogmatic opposition to one another. To appreciate what they did, it will be helpful to go a little into the background of these antithetical dogmas.

The French Had Help

Modern socialism was conceived in the midst of the French Revolution and was shaped within a few decades following the Napoleonic Wars. It was the work mainly of Frenchmen: of Saint Simon, Charles Fourier, Pierre Joseph Proudhon, Auguste Comte, and Louis Blanc. Men from other nations also contributed: Karl Marx, Friedrich Engels, Robert Dale Owen, and William Godwin, among others. At the time of the founding of the Fabian Society, there were three main streams of so-

³ Cole, *op. cit.*, p. 273.

⁴ Sister M. Margaret Patricia McCarran, *Fabianism in the Political Life of Britain* (Chicago: Heritage Foundation, 1954, 2nd ed.), pp. 41-45.

cialism: communitarian, revolutionary, and anarchistic.

Many of the early socialists were communitarians. That is, they proposed to achieve socialism instantly, as it were, by living in communities separated from the rest of society. An example of such a community would be Robert Dale Owen's New Harmony community in America, but there were many other such experiments. In these communities, there would be no private property; all would share in useful work; all would receive from the goods produced and the services provided. These communities were quite often conceived as places where men having taken care of their brute needs could devote most of their energies to intellectual and esthetic fulfillment. They were conceived as voluntary efforts, and if they were to become universal it would be because of their success as a way of life.

There were also the revolutionary socialists, of whom Karl Marx was to become the most famous. Marx spoke of his as scientific socialism—denouncing others as utopians—but that facet of his work need not concern us here. He envisioned—predicted or scientifically calculated, he might have said—a time in the future when the proletariat would rise up, cast off their chains, and destroy the bour-

geois state and all its paraphernalia. Socialism would somehow replace it in that last great stage of history.

Anarchism was most famously propounded by William Godwin and Prince Peter Kropotkin. Its central notion was that the state was unnecessary, that formal government employing force was equally unnecessary, that if it were abolished, society would take over and manage its own affairs peacefully. Some anarchists went about attempting to destroy the state in the most direct fashion, i. e., by political assassination. This was generally intended as a terrorist tactic, to so terrorize those in government that they would abdicate and all others would be afraid to take on their jobs. Not all anarchists, of course, pursued their objective in such a forthright manner.

Societism Unbridled

What gave these people title to be called socialist? What did they have in common that made them socialists? The point has long since been lost sight of largely, but it is this: they proposed that government or the state could be abolished and that society would wholly replace it by subsuming its functions. This doctrine might be clearer if it were referred to as societism rather

than socialism. Generally speaking, early socialists abstracted from liberal doctrine the idea that the state, or government, existed to protect property. (Liberals did not, of course, hold that this was the *only*, or even the underlying, reason for the existence of government.) Property — individualist, private property—, then, was the occasion for the state with its oppression, wars, and dislocative impact upon society. Abolish private property, and the state would no longer have any function. Or, abolish the state, and there would no longer be any private property.

There was, then, a deep hatred of and animus against the state by most socialists. The communitarian would abandon the state to its own devices, so far as possible. The revolutionists would assault it directly, and for Marx it would wither away. The anarchists would make it impossible. This attitude prevailed among many socialists down to the end of the nineteenth century, or beyond. (Indeed, it can be argued — conclusively, so far as semantics are concerned — that once they accepted the state and began to use it they ceased to be socialists.)

Out of the Ashes

This was the state of socialism when the Fabians began to study it in the 1880's. Socialists were

nowhere in power in any land, and it is difficult to see how they could have been, considering their animosity to government. Such communities as had been tried had been failures, usually abysmal failures. Their revolutions had aborted, as, for example, that of the Paris Commune in 1848. Anarchists were widely recognized as a menace, and of interest generally to the police. Socialists were fragmented into numerous groups, their antipathy a product both of temperamental differences among their leaders and their penchant for nit picking over fine points of doctrine. Their doctrines had been repudiated by most men who had heard of them, the estimate of them ranging from thinking of them as downright silly to being profoundly dangerous. Their leaders were frequently *personae non gratae* in their native lands. The inevitability of the triumph of socialism had no direct evidence with which to sustain the faithful.

Yet, there was a great ferment of ideas at work in England, and elsewhere, in the last three decades of the nineteenth century. The Victorian Way was under attack, as has been shown. Men were losing confidence in the validity of ancient certainties. There was a depression in the 1870's, which became known as the Great De-

pression. Reports of poverty and suffering were beginning to make an impact. Neomercantilism and nationalism were gaining sway in many countries. New ideas were being applied in many fields. Reformers, reform ideas, and reform organizations abounded.

The early Fabians were socialists searching for a *modus operandi* by which to achieve their goal. This distinguished them from most other socialists; these had very definite ideas about how utopia would be achieved; by way of communities, following some great revolutionary upheaval, by political assassination, via labor organization, by a revival of peasantry, and so on. In like manner, reformers were usually wedded to a favorite panacea: inflation, a single tax on land, a redivision of the land, urban housing projects, settlement houses, and such like. The Fabians were not encumbered by any such fixed ideas as regards means (though some would eventually become attached to nationalization in this manner). It would be unjust to them to suggest that they were all willing to use any means for attaining socialism, but they were certainly open to the use of a great variety of means to the eventual socialization of England. They had no bias in favor of revolution, nor any in opposition to government. Ameliorative

reform was quite acceptable, so long as it thrust England in the direction of socialism.

So it was that the Fabians acted as a kind of filter for the currents of ideas and movements sweeping about them, eclectically taking from whatever sources whichever ideas or programs suited their purposes. It would not be appropriate here to trace down all the sources of their ideas, but it will help to see what they did — and to see why they were eventually so successful — to note how they took from or flowed with certain currents that were already under way.

Reform by Force

One of the elements of Fabianism, as has been noted, was reformism, the willingness to use government power to make changes of a limited nature. The stage had been set for this by the liberals in the course of the nineteenth century. They had given reform a good name generally and had shown how, when it is applied in a limited manner, it can be made to work. The main impetus of liberal reforms, of course, had been to remove government restrictions, regulations, and prescriptions — to establish liberty —, such as the lowering of tariffs, removing religious qualifications for officeholding, repeal of the

navigation acts, repeal of wages legislation, freeing of the press, and so on.

But there was also a minor strain of interventionism in English liberal thought. This can be best approached by noting that there were two distinct currents that went into nineteenth century English liberalism. They were, respectively, the natural law philosophy and utilitarianism.

Those who adhered to the natural law philosophy—David Ricardo, for example—were not interventionists, at least not in the first half of the century. They believed in a naturally harmonious universe in which to intervene was but to bring about dislocations.

The Radical Nature of Utilitarians

The utilitarians had a quite different foundation for their beliefs, though they frequently arrived at similar conclusions. They are usually characterized as philosophical radicals. The leading figures among utilitarians were Jeremy Bentham, James Mill, and John Stuart Mill, in that chronological order. Bentham repudiated natural law, saying of those who had attempted to uphold it that they “take for their subject the pretended *law of nature*; an obscure phantom, which in the imaginations of those who go in

chase of it, points sometimes to *manners*, sometimes to laws; sometimes to what law *is*, and sometimes to what it ought to be.”⁵ In its place, he substituted happiness or utility as his standard of measurement for what ought to be done. This cut away any absolute measure or standard by which to judge what action should be taken. (Utilitarians inclined toward democracy, toward determination by the majority of what would conduce to the greatest happiness.) This opened the way for reform in many directions.

At any rate, Bentham and his followers were enthusiastic reformers. One historian notes that “Bentham had a genius for practical reform. From his tireless pen flowed a series of projects for the practical reform of everything: schools, prisons, courts, laws. . . . By sheer energy and perseverance, Bentham and his followers . . . forced upon the public constant consideration of the question, ‘What good is it? Can it be improved?’”⁶ John Stuart Mill edged closer and closer toward some degree of some sort of socialism as

⁵ Quoted in John Bowle, *Politics and Opinion in the Nineteenth Century* (New York: Oxford University Press, A Galaxy Book, 1964), p. 66.

⁶ Roland N. Stromberg, *European Intellectual History Since 1789* (New York: Appletton-Century-Crofts, 1968), p. 53.

he grew old, and was for a considerable while under the influence of Comte's thought.⁷ The thrust of the utilitarians was toward the extension of the suffrage, educational opportunity for everyone, reform of the Constitution, reform of the laws, and so on. By the time of William Gladstone and the emergence of the Liberal party, these ideas were bearing fruit in proposals to restrict the sale of alcoholic beverages and the supplanting of church controlled education for some state variety.

Democratic Change Rendered Respectable

The utilitarian influence or bearing on Fabianism was threefold, then. The utilitarians made reform respectable, and established a bent in that direction. The utilitarians championed political democracy (and Mill especially emphasized freedom of expression) which would be taken up by the Fabians. Thirdly, Fabians harked back to particular thinkers in support of some of their ideas. One writer says, "The derivation of Fabian ideas from the Liberal tradition has always been stressed by historians, and the Fabians themselves insisted on it, sprinkling their writings plentifully with footnotes and other references to John Stuart Mill, the contemporary Liberal

economists and other respectable authors."⁸

But there was an important influence on the Fabians — or a current which they could use — from the natural law side of liberalism too. This may be a good place to note that any idea of philosophy can have some aspect of it abstracted so as to be used for quite different ends than its general tendency. This was what happened, at any rate, to an aspect of the natural law philosophy. A line of thought was developed in this way that led to the justification of a major government intervention. Several people traveled a similar route to this conclusion, but for reasons that will appear the American Henry George's thought may be used to exemplify this particular usage.

The Georgist Influence

Henry George was in the line of natural law thought. More specifically, he was a latter-day Physiocrat. The Physiocrats had sought for a natural order for economy, and they had placed great emphasis upon land and agriculture. George started from these premises and arrived at the conclusion that rent on land, or some portion of it, is unearned by the landlord — is an "unearned increment" —, is not rightfully his, and should be ap-

⁷ *Ibid.*, pp. 72-73.

⁸ McBriar, *op. cit.*, p. 8.

propriated by the government to be used for the benefit of society, which is the original source of this rent. The Fabians were early acquainted with this doctrine, though they were more inclined to use Marx's phrase "surplus value" than George's "unearned increment." Even so, George's reformism by way of taxation was grist for their mill.

George's *Progress and Poverty* was published in 1879. He made speaking tours in England in 1882 and again in 1884. One writer goes as far as to say that "four-fifths of the socialist leaders of Great Britain in the 'eighties had passed through the school of Henry George."⁹ Another historian declares that George's *Progress and Poverty* was the starting point for Fabian socialism.¹⁰ Another says, more circumspectly: "His eloquent writings and lectures brought many young men of the 'eighties, including some Fabians, to think along lines which were to lead them to Socialism."¹¹ If any doubt of his influence remains, George Bernard Shaw's testimony should clinch the argument. "I am glad to say," Shaw

wrote, "that I have never denied or belittled our debt to Henry George."¹²

Conservative Party Role

The Conservative party prepared the way and helped to establish the tendency for reformism in England also. This was especially true of it under the leadership of Benjamin Disraeli. In his novels Disraeli displayed his interest in and concern for poverty. One writer says that "he believed that the conditions of the common man could be improved by government action. He was, indeed, a believer in the maxim that much should be done for the people but very little by the people."¹³ In 1875, when Disraeli finally had an assured parliamentary majority behind him as Prime Minister, he began to press through a number of reform measures. A Trade Union Act was passed, an Artisans' Dwellings Act, a Food and Drugs Act, and a Public Health Act.¹⁴

But of equal or greater importance than the Conservative championing of reformism, usually

⁹ M. Beer, *A History of British Socialism*, II (London: George Allen and Unwin, 1953), 245.

¹⁰ R. C. K. Ensor, *England: 1870-1914* (London: Oxford University Press, 1936), p. 334.

¹¹ McBriar, *op. cit.*, p. 30.

¹² Anne Freemantle, *This Little Band of Prophets* (New York: Macmillan, 1960), p. 34.

¹³ Salo W. Baron, "George Bandes and Lord Beaconsfield" in George Bandes, *Lord Beaconsfield* (New York: Crowell, 1966), p. vii.

¹⁴ Ensor, *op. cit.*, pp. 35-36.

dubbed "Tory paternalism," was something which the Fabians must have imbibed from conservative philosophy. The *gradualist* approach to socialism is rooted in an abstraction from conservative sociology, whose progenitor was surely Edmund Burke. Implicitly, Burke tells us much about how society must be changed, to the extent that it can be successfully changed. Society is an organism, Burke held, and it cannot be changed or altered casually, or at will. Such changes as occur must not be offensive to the system as it is, should be in accord with it, and must be introduced slowly so as not to shock it. Now Fabians really had no objection to a socialist revolution, at least most did not, but they did not believe that this could be accomplished in England. Thus, their gradualist tactics at least accorded with a widespread English belief which owed much to conservative thought, however offensive what they introduced might actually be to the English system.

Theories of Evolution

Another element that went into the Fabian view, a current which they could turn into their own stream, was the evolutionary theory of development. For several decades prior to the organization of the Society, the evolutionary

conception of things had been gaining sway, particularly as a result of Hegel's philosophy of history, Charles Lyell's *Principles of Geology*, Herbert Spencer's *Social Statics*, and Charles Darwin's *Origin of the Species* and *Descent of Man*. Evolutionary theories were particularly important to utopians and socialists because they could be interpreted so as to give the impression that everything was changing, that nothing was fixed, and that all things were possible. This was another source and support, too, of the notion of making changes gradually. In view of the currency of these ideas, "it was only to be expected that the Fabians would avail themselves of these ideas to justify their programme. The extent to which they did so may be seen in several theoretical Tracts written for the Society at different times by Sidney Webb, and also in *Fabian Essays* . . ."¹⁵

The Fabians Motivated by Marxist Ideals

Marxism was a major influence on the Fabians. In this case, however, the adoption of Marxist ideas did not give added impetus to the Fabian cause. On the contrary, they would be an impediment at this time. Hence, Fabians were disinclined to ascribe ideas to

¹⁵ McBriar, *op. cit.*, pp. 60-61.

Marx or to credit him where credit was due. But the Fabians were socialists, and there is good reason to believe that their socialism was informed by Marxist ideas. The Marxist influence can be shown both by external and internal evidence. H. M. Hyndman, leader of the Social Democratic Federation in England, was greatly influenced by Marx.¹⁶ He published two books at a crucial time which were largely cribbed from Marx's writings: *England for All* (1881) and *Historical Basis of Socialism in England* (1883). A number of the early Fabians were deeply involved with the Social Democratic Federation. Not only that but also early reading lists for the Society indicate that several of Marx's works were available and presumably read. As one writer says, "The particular kind of Marxist works in currency amongst the Fabians had an effect on the development of their own theory. . . ."¹⁷ He notes that the *Fabian Essays* reveal "a number of elements taken over from Marxist theory. In addition to the emphasis on the role of the working-class in bringing Socialism into existence, the doctrines of the narrowing of the numbers of the capitalist class and the increasing misery of the working-class can

both be found there. . . ."¹⁸ It is worth noting, too, that both George Bernard Shaw and Sidney Webb virtually embraced Russian communism later in their lives.¹⁹

Utopianism

One other current present at the time greatly assisted the Fabians in the spread of socialism. It was utopianism. The great age of utopian literature, particularly the utopian novel, in English was from 1883 to 1912. Some seventy-four works appeared during this period.²⁰ According to one historian, the most influential of these works on British socialists were two books by Americans: Laurence Gronlund's *Co-operative Commonwealth* (1884) and Edward Bellamy's *Looking Backward* (1888). But the English also published important works of the genre: William Morris, *News from Nowhere* (1891), and Robert Blatchford, *Merrie England*, the latter selling over a million copies.²¹ It is important to keep in mind, too, that utopian literature was frequently vague about how socialism was to be obtained but provided

¹⁸ *Ibid.*, p. 62.

¹⁹ *Ibid.*, p. 92; C. Northcote Parkinson, *Left Luggage* (Boston: Houghton-Mifflin, 1967), p. 94.

²⁰ Glenn Negley and J. Max Patrick, *The Quest for Utopia* (New York: Henry Schuman, 1952), pp. 19-22.

²¹ Ensor, *op. cit.*, p. 334.

¹⁶ Beer, *op. cit.*, pp. 67-69.

¹⁷ McBriar, *op. cit.*, p. 11.

glowing pictures of the ideal society that would emerge. This helped greatly in popularizing socialist goals.

A Witches' Brew

From these elements, however disparate and antagonistic they may have been at the time, the Fabians concocted a blend which has come to be known as Fabianism. They fatefully linked government action (reformism) with the thrust to socialism. By so doing, they provided a *modus operandi* for achieving their goals which became increasingly believable to many people. By riding certain currents that were underway, they began to achieve respectability for their doctrines. In contrast to America, "socialism" became a word to conjure with in England rather than a dirty word. This should be attributed mainly to the Fabians and their methods. Moreover, they linked gradualism and

democracy to the movement toward socialism, thus making it that much more acceptable. The Fabians were not so much original in conceiving any of the elements as they were successful fusionists and propagandists. It was by their efforts, more than any others, that England was bent toward socialism.

And, there is a clear connection between the rise of socialism in England and the decline and fall of England from world leadership and greatness within a few decades. Chronologically, the relationship is about as close as it could be. But it must be made clear that it was not simply an accident that the rise of socialism in England paralleled the decline of that country. To do that, the Fabian methods and program must be examined, the movement to power told, and the erosive impact of all this on British institutions and practices explored. ♦

*The next article of this series will further explore
"The Fabian Program."*

The Free Society and Its Enemies

TIBOR R. MACHAN

THE EDUCATION of citizens in the philosophy of freedom must be the concern of all those who consider the free society the proper kind of social system under which man can live with his fellow men. Unfortunately, it is in this task that those who propose a free society find themselves least qualified. The reason is simple: how the problems of individuals, how their wants will best be handled is not something that we can forecast with certainty.

This basic uncertainty about the ways in which free men would deal with their lives — how they would manage to travel roads built by private concerns, to mention just one issue which is raised frequently — should not, however, prevent one from thinking about the issue once in a while. It is true that if a free society is based on the moral point of view that each man has the moral right to the use and

disposal of his property — including himself and his work — then it is of secondary concern how men will come to produce those things which we now seem to value very highly. Surely, if it is morally right to have private ownership of land, how that principle will effect the satisfaction of the now expressed desire for roads, parks, beaches, and the like is of secondary concern.

But it is also true that unless we can successfully demonstrate that a free society is good for people, that it is of benefit to man — that the moral principles serve his best interest — we cannot very well advocate its adoption. Yet we know that not everyone with whom we talk about freedom is thoroughly versed in the intricacies of philosophical reasoning. A recent discussion I had with a gentle lady of advanced years showed me that it is very difficult to resolve basic problems of epistemology with someone who, though basically intelligent, just has not the time or

Mr. Machan, candidate for the Ph. D. degree at the University of California, Santa Barbara, also teaches part-time and does free-lance writing.

the energy to absorb what is needed to consider such issues.

As a result, I considered demonstrating to some of my intellectual adversaries that some of the things we value today — roads, parks, forests, beaches, schools, and so on — not only would be available to people who wish to obtain them but would be obtainable in much better conditions and circumstances than now prevail. In attempting this, I found that one cannot limit himself to one alternative. Certainly, it is quite possible that city roads — as they are now known — would be maintained and owned by the local business concerns (groceries, gas stations, motels, banks, nightclubs, and the like). But it is also conceivable that roads might be defunct at the time when a free society will be established, and the problem would not even arise. The notion that we would travel in helicopters may now seem outrageous; but with free men, one can never tell what is going to catch on next.

An important feature of this type of presentation of the possibilities of and within a free society is that at certain stages it reveals a great deal about the person with whom one is talking. For instance, the lady with whom I was discussing the matter objected to my suggestion that businesses might own the city roads on the

grounds that “they might not let me walk on them unless I do it for the sole purpose of trading with them.” This revealed something very interesting to me about this lady. It strongly hinted that hers was a negative view of human nature. Clearly, it would be absurd and even self-defeating for anyone to make that kind of a limitation on property which is widely used and which works, in the end, to further his benefit. A business does not benefit solely through direct trade; good will, patience, and kindness to customers furthers one’s business operations in any market where buyers are free to choose where they will shop. We all find it disturbing when we are being pushed too hard by salesmen who cannot wait for us to make a decision. But the suggestion that honest business practices, competence, consideration for one’s fellow men, and respect of others’ rights, would foster ill will seems to stem not so much from a concern over the availability of generally recognized values and goods but from a basic distrust of the capacity of man for goodness.

Many people believe, consciously or subconsciously, that man by his very nature is either stupid or evil. They do not act on this in their personal lives — not always, that is — but they tend to think

it when the promise of human freedom is suggested to them. They look at history and believe that the evils result, not from bad ideas, distorted views, faulty reasoning, or the absence of reasoning by many powerful people, but from the basic, necessary deficiencies of human nature. And when this becomes evident, we who believe otherwise can go to work on a reconsideration of the philosophy of man and society.

Religion and philosophy have had great influence in bringing about the kind of society we have. It is only through reconsideration of the problems in those very abstract fields of study that we may be able to recast man's image. But our rethinking of those issues also may help us appreciate the confusion that persists in many minds about alternative systems of government and society. For clearly, if man is necessarily evil or deficient in important aspects of his character, no social system is going to bring about the goods which so many of our adversaries believe a free society cannot produce. As to the lady's objection, for instance, surely she must realize that if people would privately place stupid prohibitions on the use of the property which they open for trading purposes, they will vote just as stupidly when the use of city streets is considered

in the "democratic process." There is, after all, no guarantee that City Planning Commissions are composed of infallible and good people; and if they are all deficient by nature, the harmful judgments they make will affect all of us. An elite and a dictator are equally subject to the laws of human nature. So, it is a mistake to think that pure democracy or representative democracy — or any other system of government in which human beings administer the decisions — would protect us against the failings of naturally deficient or evil men. At least, in a free society we would be able to confine the source of evil and the responsibility for it much more efficiently; while, as it stands now, we all suffer at the hands of the majority and its representatives.

Discussing the values of a free society is an exasperating job. But it is immensely revealing; it tells one a great deal about why we are where we are and why we are not moving toward a better alternative more rapidly. By paying heed to some of the things that concern our adversaries, we can learn a great deal about them and about the problems we must overcome in order to progress toward the building of a truly free society. I am by no means pessimistic. But I would warn against believing that the task is a simple one. ♦

MARX'S VIEW

of the DIVISION

of LABOR

GARY NORTH

THE DIVISION OF LABOR is a subject which has fascinated social scientists for millennia. Before the advent of modern times, philosophers and theologians concerned themselves with the implications of the idea. Plato saw as the ultimate form of society a community in which social functions would be rigidly separated and maintained; society would be divided into definite functional groups: warriors, artisans, unskilled laborers, rulers. St. Paul, in his first letter to the church at Corinth, went so far as to describe the universal Church in terms of a body: there are hands, feet, eyes, and all are under the head, Christ. Anyone who intends to

deal seriously with the study of society must grapple with the question of the division of labor. Karl Marx was no exception.

Marx was more than a mere economist. He was a social scientist in the full meaning of the phrase. The heart of his system was based on the idea of human *production*. Mankind, Marx asserted, is a totally autonomous species-being, and as such man is the sole creator of the world in which he finds himself. A man cannot be defined apart from his labor: "As individuals express their life, so they are. What they are, therefore, coincides with their production, both with *what* they produce and with *how* they produce."¹ The very fact that man rationally organizes production is

Gary North is a member of the Economists' National Committee on Monetary Policy and is the author of *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), from which this article has been adapted.

¹ *The German Ideology* (London: Lawrence & Wishart, 1965), p. 32.

what distinguishes him from the animal kingdom, according to Marx. The concept of production was a kind of intellectual "Archimedean point" for Marx. Every sphere of human life must be interpreted in terms of this single idea: "Religion, family, state, law, science, art, etc., are only *particular* modes of production, and fall under its general law." Given this total reliance on the concept of human labor, it is quite understandable why the division of labor played such an important role in the overall Marxian framework.

Property vs. Labor

Marx had a vision of a perfect human society. In this sense, Martin Buber was absolutely correct in including a chapter on Marx in his *Paths in Utopia*. Marx believed in the existence of a society which preceded recorded human history. In this world, men experienced no sense of alienation because there was no alienated production. Somehow (and here Marx was never very clear) men fell into patterns of alienated production, and from this, private property arose.³ Men began to appro-

priate the products of other men's labor for their own purposes. In this way, the very products of a man's hands came to be used as a means of enslaving him to another. This theme, which Marx announced as early as 1844, is basic to all of Marx's later economic writings.

Under this system of alienated labor, Marx argued, man's very life forces are stolen from him. The source of man's immediate difficulty is, in this view, the division of labor. The division of labor was, for Marx, the very essence of all that is wrong with the world. It is contrary to man's real essence. The division of labor pits man against his fellow man; it creates class differences; it destroys the unity of the human race. Marx had an almost theological concern with the unity of mankind, and his hostility to the division of labor was therefore total (even totalitarian).

Class Warfare

Marx's analysis of the division of labor is remarkably similar to Rousseau's.⁴ Both argued that the desire for private property led to

² "Private Property and Communism," *The Economic and Philosophic Manuscripts of 1844*, edited by Dirk J. Struik (New York: International Publishers, 1964), p. 136.

³ "Estranged Labor," *ibid.*, pp. 116-17.

⁴ J. J. Rousseau, *Discourse on the Origin of Inequality*, in G. D. H. Cole (ed.), *The Social Contract and Discourses* (London: Dent, 1966), esp. pp. 195-208. Cf. Robert A. Nisbet, "Rousseau and Totalitarianism," *Journal of Politics*, V (1943), pp. 93-114.

the division of labor, and this in turn gave rise to the existence of separate social classes based on economic differences. The Marxist analysis of politics relies completely upon the validity of this assumption. Without economic classes, there would be no need for a State, since a State is, by definition, nothing more than an instrument of social control used by the members of one class to suppress the members of another.⁵ Thus, when the proletarian revolution comes, the proletarian class must use the State to destroy the remnants of bourgeois capitalism and the ideology of capitalism. The opposition must be stamped out; here is the meaning of the famous "ten steps" outlined in the *Communist Manifesto*. Once the opposition is totally eradicated, there will be no more need for a State, since only one class, the proletariat, will be in existence. "In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association in which the free development of each is the condition for the development of all."⁶

⁵ *German Ideology*, pp. 44-45.

⁶ *The Communist Manifesto* (1848), in *Marx-Engels Selected Works* (Moscow: Foreign Languages Publishing House, 1962), I, p. 54. For a critique of this view of the State, see my study, *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), p. 112.

Marx actually believed that in the communist society beyond the Revolution, the division of labor would be utterly destroyed. All specialization would disappear. This implies that for the purposes of economic production and rational economic planning, all men (and all geographical areas) are created equal. It is precisely this that Christians, conservatives, and libertarians have always denied. Marx wrote in *The German Ideology* (1845-46):

... in communist society, where nobody has one exclusive sphere of activity but each can become accomplished in any branch he wishes, society regulates the general production and thus makes it possible for me to do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner, just as I have a mind, without ever becoming hunter, fisherman, shepherd or critic.⁷

A Utopian Ideal

A more utopian ideal cannot be encountered in serious economic literature. While some commentators think that Marx later abandoned this radical view, the evidence supporting such a conclusion is meager. Marx never explicitly repudiated it (although the more outspoken Engels did,

⁷ *German Ideology*, pp. 44-45.

for all intents and purposes). Even if Marx had abandoned the view, the basic problems would still remain. How could a communist society abandon the specialization of labor that has made possible the wealth of modern industrialized society and at the same time retain modern mass production methods? How could the communist paradise keep mankind from sliding back into the primitive, highly unproductive, unskilled, low capital intensity production techniques that have kept the majority of men in near starvation conditions throughout most of human history?

The whole question of economic production "beyond the Revolution" was a serious stumbling stone for Marx. He admitted that there would be many problems of production and especially distribution during the period of the so-called "dictatorship of the proletariat." This period is merely the "first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society."⁸ Marx never expected great things from this society. However, in the "higher phase of communist so-

ciety," the rule of economic justice shall become a reality: "From each according to his ability, to each according to his needs!"⁹ This will be easy to accomplish, since the vast quantities of wealth which are waiting to be released will be freed from the fetters and restraints of capitalist productive techniques. As Mises has pointed out, "Tacitly underlying Marxian theory is the nebulous idea that natural factors of production are such that they need not be economized."¹⁰ Maurice Cornforth, the Marxist philosopher, confirms Mises' suspicion that Marxists see all scarcity as a product of institutional defects rather than as a basic fact of the order of the world in which we live:

The eventual and final abolition of shortages constitutes the economic condition for entering upon a communist society. When there is socialized production the products of which are socially appropriated, when science and scientific planning have resulted in the production of absolute abundance, and when labour has been so enlightened and organized that all can without sacrifice of personal inclinations contribute their working abilities to the common fund, everyone will re-

⁸ *Critique of the Gotha Program* (1875), in *Marx-Engels Selected Works*, II, p. 24. This is one of the few places in which Marx presented some picture of the post-Revolutionary world.

⁹ *Ibid.*

¹⁰ Ludwig von Mises, *Socialism* (New Haven, Conn.: Yale University Press, [1922] 1951), p. 164.

ceive a share according to his needs.¹¹

Who Shall Plan?

A critical problem for the Marxist is the whole question of communist planning: How is production to be directed? By what standards should the society allocate scarce resources? Whatever Marx's personal dreams were concerning the abolition of scarcity, resources are not in infinite supply. It is because of this very fact that society must *plan* production. Marx saw this activity as basic to the definition of man, yet this very activity implies the existence of scarcity, a peculiar paradox for Marxism. The fact remains that automobiles do not grow on trees. Someone must decide how many automobiles should be produced in comparison with the number of refrigerators. Planning is inherent in all economic production, and Marx recognized this: "Modern universal intercourse can be controlled by individuals, therefore, only when controlled by all."¹² But how can they "all" register their preferences? If there is no private property (and, therefore, no free market economy), and if there is no State

planning — no political planning — then who decides which goods are to be produced and which goods are not? Murray Rothbard has stated this dilemma quite accurately:

Rejecting private property, especially capital, the Left Socialists were then trapped in an inner contradiction: if the State is to disappear after the Revolution (immediately for Bakunin, gradually "withering" for Marx), then how is the "collective" to run its property without becoming an enormous State itself, in fact even if not in name? This was the contradiction which neither the Marxists nor the Bakunists were ever able to resolve.¹³

The Problem of Scarcity

The need to coordinate production implies the existence of scarcities which the production is designed to alleviate. If everyone had all he desired at the moment of wanting it, production would be unnecessary. Raw materials must be fashioned into goods or indirectly into services, and these goods must be shipped from place to place. Such actions require *time* (interest on the investment of capital goods), *planning* (profit for success and loss for failure), and *labor* (wages). In short, *production* demands *planning*. No

¹¹ Maurice Cornforth, *Marxism and the Linguistic Philosophy* (New York: International Publishers, 1965), p. 327.

¹² *German Ideology*, p. 84.

¹³ Murray N. Rothbard, "Left and Right: The Prospects for Liberty," *Left and Right*, I (1965), p. 8.

society is ever faced with the problem "to plan or not to plan." The issue which confronts society is the question of *whose* plan to use. Karl Marx denied the validity of the free market's planning, since the free market is based upon the private ownership of the means of production, including the use of money. Money, for Marx, is the crystallized essence of alienated production; it is the heart of capitalism's dynamism. It was his fervent hope to abolish the use of money forever.¹⁴ At the same time, he denied the validity of centralized planning by the State. How could he keep his "association" from becoming a State? The Fabian writer, G. D. H. Cole, has seen clearly what the demand for a classless society necessitates: "But a classless society means, in the modern world, a society in which the distribution of incomes is collectively controlled, as a political function of society itself. It means further that this controlled distribution of incomes must be made on such a basis as to allow no room for the growth of class differences."¹⁵ In other words, given the necessity of a

political function in a supposedly stateless world, how can the Marxists escape the warning once offered by Leon Trotsky: "In a country where the sole employer is the State, opposition means death by slow starvation. The old principle: who does not work shall not eat, has been replaced by a new one: who does not obey shall not eat."¹⁶

Ultimately, the acceptance of the existence of scarcity must be a part of any sane social analysis. In contrast to this Rousseauian-Marxian view of the division of labor stands both the traditional Christian view and the libertarian view of Professor Mises. Men have a natural propensity to consume. If unrestrained, this tendency might result in looting, destruction, and even murder.

The Need to Produce

The desire to consume must be tempered by a willingness to produce, and to exchange the fruits of production on a value for value received basis. Each person then consumes only what he has earned, while extending the same right to others. One of the chief checks on men's actions is the fact of economic scarcity. In order to ex-

¹⁶ Leon Trotsky, *The Revolution Betrayed* (1936), quoted by F. A. Hayek, *The Road to Serfdom* (University of Chicago Press, 1944), p. 119.

¹⁴ "On the Jewish Question," (1843-44), in T. B. Bottomore, *Karl Marx: Early Writings* (New York: McGraw-Hill, 1964), pp. 34-40.

¹⁵ G. D. H. Cole, *The Meaning of Marxism* (Ann Arbor: University of Michigan Press, [1948] 1964), p. 249.

tract from a resisting earth the wealth that men desire, they are forced to cooperate. Their cooperation can be voluntary, on a free market, or it can be enforced from above by some political entity.

Scarcity makes necessary an economic division of labor. Those with certain talents can best serve their own interests and society's interests by concentrating their activities in the areas of production in which they are most efficient. Such specialization is required if productivity is to be increased. If men wish to have more material goods and greater personal services, they must choose occupations in which they can become effective producers. Those who favor a free market arrangement argue that each man is better equipped than some remote board of supervisors to arrange his own affairs and choose his own calling according to his desires, talents, and dreams. But whether the State directs production or the demand of a free market, the specialization of labor is mandatory. This specialization promotes social harmony; the division of labor forces men to restrain their hostile actions against each other if they wish to have effective, productive economic cooperation.

In this perspective, the division of labor promotes social unity

without requiring collective uniformity. It acknowledges the existence of human differences, geographical differences, and scarcity; in doing so, it faces the world in a realistic fashion, trying to work out the best possible solution in the face of a fundamental, inescapable condition of man. In short, the cause of economic scarcity is not the "deformed social institutions" as the socialists and Marxists assert; it is basic to the human condition. While this does not sanction total specialization, since man is not a machine, it does demand that men acknowledge the existence of reality. It does demand that the division of labor be accepted by social theorists as a positive social benefit.¹⁷

A Faulty Premise

Anyone who wishes to understand why the Marxian system was so totally at odds with the nineteenth century world, and why it is so completely unworkable in practice, can do no better than examine Marx's attitude toward the division of labor. It becomes obvious why he always shied away from constructing "blueprints for the communist paradise" and concentrated on lashing the capitalist framework: his view of the future was utopian. He expected man to

¹⁷ Mises, *Socialism*, pp. 60-62.

be regenerated by the violence of the Revolution. The world beyond would be fundamentally different: there would be no scarcity, no fighting, and ultimately, no evil. The laws of that commonwealth would not be conformable with the laws that operate under bourgeois capitalism. Thus, for the most part, Marx remained silent about the paradise to come. He had to. There was no possible

way to reconcile his hopes for the future with the reality of the world. Marx was an escapist; he wanted to flee from time, scarcity, and earthly limitations. His economic analysis was directed at this world, and therefore totally critical; his hopes for the future were utopian, unrealistic, and in the last analysis, *religious*. His scheme was a religion — a religion of revolution. ♦

IDEAS ON LIBERTY

Culture vs. Barbarism

CULTURE strives to establish a boundary between itself and barbarism. The manifestations of barbarism are called "crimes." But existing criminology is insufficient to isolate barbarism. It is insufficient because the idea of "crime" in existing criminology is artificial, for what is called crime is really an infringement of "existing laws," whereas "laws" are very often a manifestation of barbarism and violence. Such are the prohibiting laws of different kinds which abound in modern life.

The number of these laws is constantly growing in all countries and, owing to this, what is called crime is very often not a crime at all, for it contains no element of violence or harm. On the other hand, unquestionable crimes escape the field of vision of criminology, either because they have not the recognized form of crime or because they surpass a certain scale. In existing criminology there are concepts: a criminal man, a criminal profession, a criminal society, a criminal sect, a criminal caste and a criminal tribe, but there is no concept of a criminal state, or a criminal government, or criminal legislation. Consequently the biggest crimes actually escape being called crimes.

HOW WE DISCOURAGE

INVESTMENT

HENRY HAZLITT

PERSONAL INCOME tax rates that rise to the level of 77 per cent obviously discourage incentives, investment, and production. But no politician raises the point for fear he will be accused of defending the rich.

What is probably an even greater discouragement to new investment and increased production is the present income tax rate of 52.8 per cent on corporations. Yet this gets even less criticism than high personal income taxes. Nobody wants to defend the corporations. They are everybody's whipping boy. And yet they are the key productive element on which the nation's income, wealth, and economic growth depend.

There was at least some awareness of this until recent years. When the tax on corporation income was first imposed in 1913 it

was at the very cautious rate of 1 per cent. It never got above 15 per cent until 1937. In the midst of World War II it was still only 40 per cent. It did not get to 52 per cent until 1952.

Today such a rate is taken for granted. Yet most of those who approve of it, and even suggest it could be a little higher, are the very people who have been complaining most loudly in recent years about the country's disappointing rate of economic growth.

The present average tax on all corporations is about 45 per cent. On successful corporations of any size, however, the average rate is close to 52 per cent. Broadly speaking, therefore, when anybody contemplates a *new* corporate investment, he will not make it unless the investment promises to yield *before taxes* at least twice as much

as the return he would consider worthwhile. If, for example, a man would not consider a new investment worthwhile unless it promised a 10 per cent average annual return on his capital outlay, it would have to promise a return of 20 per cent on that outlay before taxes.

What is at least as important as reducing the incentive to investment is that the present corporate income tax reduces the funds available for investment. In the second quarter of 1968, according to estimates of the Department of Commerce, U.S. corporations were earning total profits before taxes at an annual rate of \$92 billion. Out of this their corporate tax liability was \$41 billion. This reduced their profits after taxes to \$50.7 billion. Out of this sum, in turn, \$24.4 billion was paid out in dividends while \$26.3 billion was retained in undistributed profits.

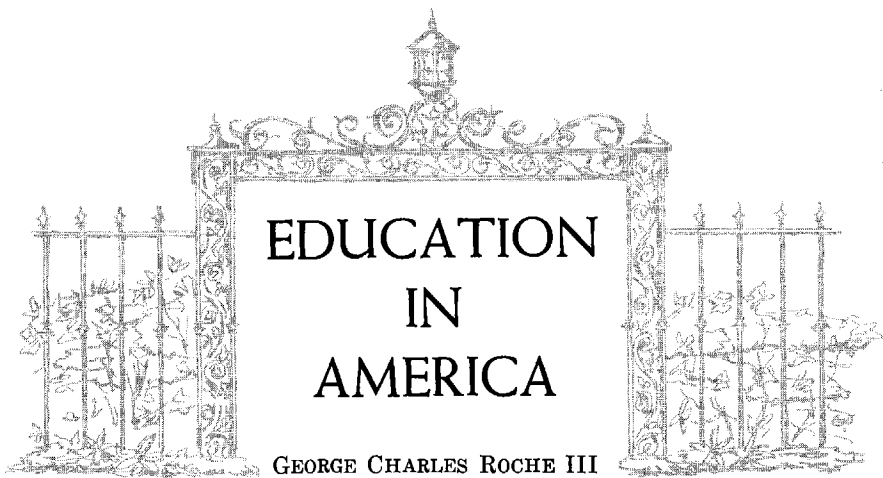
This last figure represents the corporations' own reinvestment in working capital, inventories, improvement, new plant, and equipment. If there had been no corporate tax whatever, and there had been the same proportionate dis-

tribution of profits between dividends and reinvestment, the amount of money reinvested would have been \$47 billion instead of \$26 billion—about \$21 billion, or 80 per cent, more a year.

By discouraging and retarding investment in new machinery and plant, the 52.8 per cent marginal corporation income tax shields existing obsolescent capacity from the competition of the new, modern and efficient plant and equipment that would otherwise come into existence, or come into existence much sooner.

It is obvious that a corporation income tax in the neighborhood of 50 per cent must drastically reduce both the incentive and the funds for new investment, and therefore for the consequent increase in jobs, productivity, real wages, and economic growth that the politicians are always calling for. By striking so directly against new investment, in fact, the present high corporate income tax slows down economic growth more effectively than almost any other type of tax.





4. *The Decline of Intellect*

THE LOWERED ethical standards of our age have been matched by a decline of intellect. Today, we place progressively less faith in man's intellectual powers, substituting a faith in institutionalized arrangements and methods. If we would help our young to develop and implement proper values in their lives, we must first recover the intellectual integrity to distinguish between good and bad. Such intellectual integrity rests upon a firm belief that man *can* think, and that no genuine substitute exists for human thought.

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

If the school is to transmit the intellectual and cultural heritage, and develop in students a proper sense of morality, it must begin by teaching them to think.

Conversely, if we would help our young people to think, we must provide a cultural and moral framework within which their intellectual capacities may be exercised. Yet, this disciplined thought is precisely what is lacking in the home and the school.

Within the existing educational framework, moral and philosophic questions tend to be handled with the neutrality of "scientific objectivity." As the result, our children are provided no philosophic basis for their own thinking. Instead,

they take on the protective coloration of the dominant social mores — a form of “social adjustment” which places a premium upon non-thinking. Small wonder that our age of shrinking values also becomes the age of shrinking intellect.

Debunking Tradition, While Demanding Its Fruits

It is not quite fair to say that today’s intellectual leaders have no values. Although they are extremely skeptical about values and emphasize that skepticism in all their works, many modern “intellectuals” *do* have their own underlying value system which C. S. Lewis has sharply called into question:

It is an outrage that they should be commonly spoken of as Intellectuals. This gives them the chance to say that he who attacks them attacks Intelligence. It is not so. They are not distinguished from other men by any unusual skill in finding truth nor any virginal ardour to pursue her. Indeed it would be strange if they were: a preserving devotion to truth, a nice sense of intellectual honour, cannot be long maintained without the aid of a sentiment which . . . [they] could debunk as easily as any other. It is not excess of thought but defect of fertile and generous emotion that marks them out. Their heads are no bigger than the ordinary: it is the atrophy

of the chest beneath that makes them seem so.

And all the time — such is the tragi-comedy of our situation — we continue to clamour for those very qualities we are rendering impossible. You can hardly open a periodical without coming across the statement that what our civilization needs is more “drive,” or dynamism, or self-sacrifice, or “creativity.” In a sort of ghastly simplicity we remove the organ and demand the function. We make men without chests and expect of them virtue and enterprise. We laugh at honour and are shocked to find traitors in our midst. We castrate and bid the geldings be fruitful.¹

“There Is No Truth”

What are some of the philosophic underpinnings of the educational system now reaping such a bitter harvest? One of the most basic principles of the Deweyite pragmatism and instrumentalism which infects our schools and our social order is that the truth of an idea is measurable only by the consequences to which it leads. If the consequences of an idea are good, then the proposition is true. How do we measure good consequences? The good, so we are told by the instrumentalists, is that which achieves the proper social ends.

¹ C. S. Lewis, *The Abolition of Man*, pp. 34-35.

Does the individual have judgment in this matter? Is there some divine sanction by which we can evaluate such ends? The modern answer to both questions is "No." The measure of good is now exclusively social, eliminating individual judgment, eliminating any fixed standard of right and wrong, and indeed eliminating the very concept of truth.

The fact that a modern intellectual no longer searches for truth should not be construed to mean that he no longer searches for knowledge. The distinction comes in the fact that his search for knowledge evidences no interest in any ultimate reality beyond the immediate workability of an idea. Any value without direct application to the here and the now is considered pointless and unworthy of transmission as "knowledge."

Most men who have lived in Western civilization have premised their thinking upon the presence of a higher reality, dimly perceived yet serving as the basis for all human endeavor. That human endeavor was an attempt to discover and live in consonance with that higher reality through the use of man's *unique* capacity to reason. The modern intellectual, applying "scientific" methods and standards to his investigation, finds no evidence of such a higher

reality or any higher side of man as reflected in the individual. Thus, man comes to be viewed as nothing more than a creature engaged in the process of adaptation to his environment, a creature possessing neither soul nor mind in the sense in which Western man has developed the concept. The intellect itself, the individual's very capacity to think, is finally called into question.

No Use for the Mind

Today's educational framework affords no place for the mind. The concept of mind always demanded discipline on the part of the individual if the fruits of his intellectual processes were to command the attention and respect of his fellows. But in today's denial of mind, the new keys to man's personality are assumed to be composed exclusively of emotional factors, psychological "adjustment," and materialistic creature necessities.

"Adjust to your environment," our young people are constantly told. Such a denial of intellect has the effect of lowering standards for society as a whole while robbing each of us of the essence of his individuality.

Thought, if granted any validity at all, has come to be regarded as a rather mechanical process, measurable, and computable.

The social engineers predict that such intellectual concentrations will be beneficial to mankind as a whole and to each individual as well. The idea advanced by Julian Huxley of a "thought bank" is considered by them in all seriousness. To an inquiry of *The New York Times* in 1958, one of the scientists consulted about the socio-intellectual aspects of the year 2000, Professor John Weir of California Institute of Technology, answered that there will be no conflict among the thinking of individuals because "a common Thought Bank will be established from which all will receive instructions and to which all may repair in case of doubt." Less "scientific" but equally enthusiastic for a society that will have eliminated "divisiveness," are the recommendations of Professor Robert C. Angell. In *Free Society and Moral Crisis*, the author identifies what he calls the "moral web" with socialized attitudes, and "moral crisis" with deviant behavior. It is incidental to our present argument that Mr. Angell never tells us how one distinguishes whether a "deviant" group is *good or bad*—how one tells a saint from a delinquent, a gang from the twelve apostles—when both disrupt the social fabric and neither behaves according to "the common values of their culture." What is, however, relevant here is that the remedies he suggests for "social and moral integration" are all collectivistic measures, reached through public discussions in high schools, television panels,

Boy Scout and YMCA programs, group therapy, prisoner rehabilitation, and so on.²

Forget and Adjust

Such attitudes rest on two suppositions: 1. All past thinking and moral judgment must be discounted if not dismissed since it predates the definition of truth as "social good"; and 2. The preparation for those living in such a society must no longer aim toward the education of a freely choosing moral agent but instead must emphasize the "adjustment" of the individual to the total social good.

. . . the difference between the old and the new education will be an important one. Where the old initiated, the new merely "conditions." The old dealt with its pupils as grown birds deal with young birds when they teach them to fly: the new deals with them more as the poultry-keeper deals with young birds—making them thus or thus for purposes of which the birds know nothing. In a word, the old was a kind of propagation—men transmitting manhood to men: the new is merely propaganda.³

Such an educational system is not designed to develop a capacity for thinking or to halt the decline of intellect.

² Thomas Molnar, *The Decline of the Intellectual*, pp. 219-220.

³ Lewis, *op. cit.*, pp. 32-33.

It may well be that such an attempt at placing society over the individual (and, indeed, over God as well), would be unacceptable to many persons now living in this nation or in the Western world. It is true, however, that these are the dominant ideas among intellectuals who will largely influence generations to come. The departure from tradition, morality, and even human thought which seems far advanced in theory, has scarcely begun in practice. The most sweeping changes in our society lie ahead unless we decide to reverse the process.

In facing that decision, let us compare the new values with the traditional, with our Western heritage of discovery and development in morality, science, law, and art, a heritage based upon a firm and unswerving faith in man's ability to reason, in his unique gift of intellect. Remove man's power to think and to act on the basis of his thinking and you have destroyed the very quality which makes him human. To abandon such a history is to create a vacuum quite likely to be filled with the new "philosophy of change."

The Philosophy of Change

Today, we are told that we have swept aside the dead hand of the past with its constricting and confining tradition and morality. We

are told that the disciplines of former ages no longer bind us. We are told that, in view of these rapid transformations, all standards are relative to social considerations; man and society are whatever we choose to make of them. Thus, change itself, change for its own sake, becomes the dominant philosophy of the age. A variety of experiences (no matter what their quality) with constant growth (no matter in what direction) and constant activity (no matter how frenzied) are now to serve as a suitable educational goal. Here again, the decline of intellect is most graphically demonstrated.

What are the standards for judging the purposes and values thus successively emerging in the pupil's mind? If the teacher himself has no general aim, nor final values to which all this process is related; if education itself is to grow "in whatever direction a novelty emerging future renders most feasible. . . ."⁴

This is a pointless procession of the blind leading the blind. An "educated" man is often regarded as one who is quick and clever in discussion and ready and willing to discuss anything. To freely discuss on all sides of all questions, without standards, without values, is to insure the creation of a gen-

⁴ Jacques Maritain, *Education at the Crossroads*, p. 17.

eration of uninformed and talkative minds, a living demonstration of the decline of intellect.

During Goethe's travels in Italy, he spent some time in the company of an Italian captain. Describing the man, Goethe remarked, "This captain is a true representative of many of his compatriots. Here is a particularly typical trait of his. As I would often remain silent and thoughtful, he said to me once: 'What are you thinking about? One ought never to think, thinking ages one! One should never confine oneself to one single thing because he then goes mad: *he needs to have a thousand things, a confusion in his head.*'"⁵

The New Age of Doubt

How different is modern education from that traditionally followed in Western civilization! St. Thomas always warned students never to leave any difficulty unresolved in their study, to always fully understand whatever they read or hear and to "avoid speecifying on anything whatsoever." How few modern students follow such an injunction! He also warned teachers that they must "never dig a ditch [in front of the student] that you fail to fill up."⁶

⁵ Jose Ortega y Gasset, *Meditations*, p. 81.

⁶ Maritain, *op. cit.*, p. 50.

St. Thomas well knew that cleverly to raise doubts, forever to seek and never find, was, when carried to the extreme, the great enemy of both education and thought.

Many modern teachers have not learned what St. Thomas knew so well. We live in an age in which we are kept busy by endless induction. Today we substitute facts for truths. We engage in a constant round of activity on the assumption that, in Richard Weaver's caustic phrase, "Experience will tell us what we are experiencing." No standards, no evaluation, no genuine thought — it is to such a nightmare that the concept of change finally leads us. Any traditional philosophy is dismissed by modern man as "static." Thus, any values not constantly shifting are regarded as old hat, as unworthy for a "modern" mind. Institutions, values, attitudes that show constancy are finally dismissed by a philosophy, if it can be dignified by that name, of ceaseless change.

At any given moment, so says this new philosophy, the only means by which society can properly determine what values are acceptable is through a temporary consensus. Thus, we find a constant flight of endlessly shifting ideas and values, somehow to be caught on the wing and rendered

intelligible at a particular moment in time. Society now becomes the final arbiter of a "truth" as changing as the summer breeze, thus necessitating endless reratification by society. It should be clear that the only constant in such a society would be this supposedly infallible method of arriving at the truth.

The main concern of our modern intellectuals has been, not the discovery of an enduring reality, but rather the mastery of a method for measuring change. We no longer measure growth toward an ideal, simply because no ideal remains. When there is no longer a standard by which to test it, the intellect is clearly in decline.

Mental and Moral Vacuum

The collapse of standards and of the intellect is closely allied to the rise in scientism, as discussed earlier. Modern naturalism, materialism, and scientism hold that only material, physically measurable quantities and values can exist. Thus, all other standards of religion, ethics, and culture, including any accomplishment of the mind, are swept aside. The result is an intellectual and moral vacuum.

This vacuum extends to the most minor and everyday concerns of curriculum. Traditional subjects are being displaced by

courses in art appreciation, fly-casting, and other intellectual activities equally insignificant.

A value system is essential if students are to sort out and make use of the vast assortment of miscellaneous "facts" thrust upon them. Some hierarchy of values is essential to the use of the mind or intellect. And it is not surprising that young people who have thus been "educated" to deny their uniqueness, their capacity to think, should feel unfulfilled and confused by the world around them.

Meanwhile, the trend continues toward a collective mentality. Under a theory of ceaseless change and total "social goals," all values are determined by the current state of the environment. The environment, subject to manipulation by the state, may be depended upon to breed conditions demanding ever larger involvement of government in society. State control of society and education can be depended upon to provide systematic indoctrination through the innumerable channels of propaganda opened by the decline of intellect.

Social Failure

Such a system of total control, supposedly relieving the individual of all responsibility and all concerns, must prove fatal in the end.

Youthful enthusiasm and the joy of living may conceal the inner vacuum for some time, at least until one goes through the initial stages of adulthood — settling down in a trade or profession, getting married, having children, and finding a place in society. But in the midstream of life just before age makes its first appearance, the existential questions about the meaning of life as it concerns the individual are inevitably asked. Then the haphazard, practical cleverness picked up in the school and along the way proves frighteningly inadequate.⁷

Thus, there comes to the individual something of the dichotomy suffered by society: the simultaneous sense of power and insecurity. Today, we are told that everything is possible for us. We are taught to believe this; yet, never has talk of a returning barbarism and decay been more widespread throughout Western civilization. We bury ourselves under every conceivable material and political "security," only to find ourselves increasingly insecure and unprepared for what tomorrow may bring.

Circumstances Can't Choose

We may embrace the pragmatic idea that circumstances will decide the truth. But Ortega has reminded us that it is not circum-

stances which finally decide, but our character. We can move the choice away from the individual to mass man and society as a whole, we can abandon all of our traditional values in a wave of ceaseless change; still, somewhere deep in our hearts we know that *we* are deciding. We know this, even when our very indecision finally forms the future. Choice is not so easily abandoned.

Choice becomes increasingly difficult when our educational system turns out men capable of running the technical machinery of civilization but totally ignorant of the principles upon which that civilization rests.

Civilisation is not "just there," it is not self-supporting. It is artificial and requires the artist or the artisan. If you want to make use of the advantages of civilisation, but are not prepared to concern yourself with the upholding of civilisation — you are done. In a trice you find yourself left without civilisation. Just a slip, and when you look around everything has vanished into air. The primitive forest appears in its native state, just as if curtains covering pure Nature had been drawn back. The jungle is always primitive and, vice versa, everything primitive is mere jungle.⁸

Yes, the jungle is always there;

⁷ Thomas Molnar, *The Future of Education*, pp. 87-88.

⁸ Jose Ortega y Gasset, *The Revolt of the Masses*, p. 88.

and when a society begins to insist that there are no lasting values, that the individual is incompetent to choose his own path or to think his own thoughts, then the civilization based upon fixed moral values and free individual choice is destined to revert to that jungle.

The jungle is close indeed when we believe that a man is no more than the sum of his heredity and environment, and that his behavior, instead of his own choosing, is molded for him by his surroundings. A man thus molded could not be responsible for his action. A society composed of such men would be an irresponsible society that seeks wages without work, pleasure without pain, and learning without effort.

***Insatiable Appetites,
But Others to Blame***

Today, we often fail to see any relationship between crime and punishment, between effort and reward; we have no understanding of a hierarchy of values, no concept of a total unity governing human existence. The predictable result: a nation of spoiled children. These spoiled children are of all ages, but they share a common conviction that if their insatiable appetites are unsatisfied, someone is being mean to them. This may explain why the prom-

ises of science are so uncritically accepted at face value—the fulfillment of all desire in a flood of material goods and scientific progress. We are led to believe that the very riddle of life and death is about to be solved by science. If man can have both eternal life and satiation of all desire in the here and now, then what other god need he worship?

It is true that the price is high; we must be willing to give up our individual capacity to think and to choose, we must be willing to give up any fixed moral code. But what need has man for such things in social paradise?

Individuals within our society become steadily less productive on the intellectual and moral diet they receive. Tocqueville caught the essence of the underlying problem:

In ages of faith, the final end of life is placed beyond life. The men of those ages, therefore, naturally and almost involuntarily accustom themselves to fix their gaze for many years on some immovable object toward which they are constantly tending; and they learn by insensible degrees to repress a multitude of petty passing desires in order to be the better able to content that great and lasting desire which possesses them. . . . This explains why religious nations have often achieved such lasting results; for whilst they were thinking only of

the other world, they had found out the great secret of success in this.⁹

Perhaps the great religious teachers were right after all in their insistence that man must recognize some higher will than his own. Nowhere is this recognition of a higher will more important than in intellectual matters. It would appear that in the modern

world all too many men have so exalted the product of their own minds that they have come to see themselves as self-sufficient. In that illusory self-sufficiency, man has come, as we have seen, finally to lose the direction and point of his own intelligence. Indeed, modern man has ceased to believe in the quality of his own individual intellect, and thus brought about one of the fundamental failures of our age: the decline of intellect.

⁹ Richard Weaver, *Ideas Have Consequences*, p. 118.



*The next article of this series will discuss
"Discipline or Disaster."*

IDEAS ON LIBERTY

Facing the Crowd

THE SOUR FACES of the multitude, like their sweet faces, have no deep cause — disguise no god, but are put on and off as the wind blows and a newspaper directs. Yet is the discontent of the multitude more formidable than that of the senate and the college. It is easy enough for a firm man who knows the world to brook the rage of the cultivated classes. Their rage is decorous and prudent, for they are timid, as being very vulnerable themselves. But when to their feminine rage the indignation of the people is added, when the ignorant and the poor are aroused, when the unintelligent brute force that lies at the bottom of society is made to growl and mow, it needs the habit of magnanimity and religion to treat it godlike as a trifle of no concernment.

RALPH WALDO EMERSON, *Self-Reliance*

In Praise of the Conventional Wisdom

JACK McCROSKEY

SINCE its invention in 1958 by John Kenneth Galbraith, the phrase "conventional wisdom" has developed into an insult of broad and devastating power. Call an idea a part of the conventional wisdom, and far too many people, including many businessmen and college professors, are reluctant to pursue the thought any further. Who, after all, wants to sound archaic?

This development is thoroughly deplorable, for much of the conventional wisdom, although ancient and often neglected, is as valid today as ever. It deserves both defense and praise in face of the onslaughts against it.

Here are seven propositions drawn from the conventional wisdom, the attacks against them,

and some of the ways they might be protected and preserved for use in the political debates ahead.

- *You can't have everything — resources are scarce.*

Old hat, say many of our most popular critics. So marvelous is the U. S. productive machine that we actually can have everything. Automation has made work obsolete. People who prefer not to work should be put on the dole and encouraged to roll around heaven all day.

The facts of the matter are the reverse, of course. Median family incomes in the United States now run about \$8,000 annually; and, if we push ahead as diligently as we can, they may reach \$20,000 annually by the year 2000 — a sum most intellectuals who disparage the need for economic growth already earn or at least aspire to.

The author is Associate Professor of Finance and Economics at the University of Denver and is the current editor of *Business Economics*.

The key problem confronting the United States is still how to increase output, not how to redistribute what we already produce. Our major and continuing goal should be to bake a larger economic pie so that everyone can eat a bigger piece, not to reslice whatever pie is already on the dish.

- *It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from regard to their own interest.*

Most people today, our intellectuals insist, work primarily for honor and wisdom, security and status, blue ribbons and letter sweaters. Their desire for money is strictly secondary.

While the foregoing view may be partially correct, it is equally correct that given the current status of human nature we also need monetary incentives.

We need high wages and salaries to foster personal pride and dignity. We need high profits to encourage saving and risk taking. And we need tax rates that let us keep a senior partner's share of whatever rewards our efforts generate.

- *Consumers are kings.*

Many social critics find this notion terribly quaint. Consumers are enslaved by the hard sell and the soft sell, say the critics, by

planned obsolescence and a compelling impetus to waste. Let advertising croon its seductive tune, and consumers will tumble all over one another in a psychedelic scramble to buy any shabby contrivance sung about.

The truth is that no amount of advertising can sell consumers what they don't actually want — at least not for long. The American economy abounds with examples of massive marketing and advertising campaigns that failed. The sad saga of the Ford Motor Company's Edsel is the most renowned. And there are many others — including General Foods' inability to promote corn flakes with freeze-dried peaches even after advertising expenditures of more than \$3.5 million in 1966 alone. Not even the nation's dogs can be euchred into consuming what they don't genuinely enjoy, a point demonstrated by General Mills' decision to phase out Speak dog food after spending over \$1 million annually on advertising.

Consumers, being neither philosophers nor saints, naturally make mistakes. But by and large they do an excellent job of managing their own affairs — no matter what the critics claim. Heavy-handed emphasis on laws to "protect consumer interests" will ultimately reduce both consumer pleasure and consumer choice.

- *Build a better mousetrap, and the world will beat a path to your door.*
- *Higgling and haggling in the market place determine relative prices.*

If consumers really were subliminally driven to buy whatever advertising men tell them to buy, then the search for new and better products would prove superfluous. Consumers, the silly sheep, would enjoy being sheared. Besides, like the vast majority of sheep, they couldn't tell a superior mousetrap from an inferior door knob.

But U. S. businesses are engaged in a never-ending quest for new and better products, as is attested to by their \$7.5 billion annual expenditures on research and development. Businesses don't spend these sums out of altruism; they spend them in order to keep alive and growing in our hotly competitive economy.

What really affronts and frustrates many intellectuals is not the economy's failure but its smashing success in providing a bountiful array of mouth-watering items. It simply sets some intellectuals' teeth on edge to see most of the American people enjoying new automobiles and color TVs, vacation trips and football games, when, in their view, these people should be writing poems, painting pictures, and playing lutes.

The market caters to consumers not to the whims of reformers.

Not so, according to some of the most fashionable thinkers of our time. The market, like God, is dead. Five hundred or so giant firms dominate America's economy, and these firms set prices at whatever levels they please.

If businessmen completely commanded prices, then presumably the prices of individual products might sometimes rise but would never, never fall. From the many thousands of possible examples, here are just two showing that such command is absurdly exaggerated. One, from consumer markets, concerns TVs, which fell from around \$300 for a 12-inch table model in 1950 to around \$130 for a decidedly superior 17-inch set today. The other, from industrial markets, concerns basic aluminum, which fell roughly 30 per cent between 1961 and 1965. Surely, if TV and aluminum producers held absolute power over their prices — if they could safely ignore pressures from rivals who covet a piece of the action — then they used their power in the wrong direction.

Government, not business, constitutes the most immediate threat to free markets. And one of the most progressive steps we could take today would be the ending of

government control programs, many of which were introduced during the bad-old-days of the 1930's and most of which constrict the sway of competitive forces. For instance, minimum-wage laws, far from helping the poor, have pushed workers on the bottom rungs of the achievement ladder out of their jobs altogether; restrictions on agricultural output, far from preserving the family farm, have helped force down the number of farms from seven million in 1935 to three million in 1968.

- *Government should do for the people only what the people cannot do for themselves.*

Mention a problem — any problem from auto accidents to agricultural prices to dirty air — and a great many Americans will jump to the conclusion that the Federal government could immediately fix up the situation if only it wanted to. Arguments that government shouldn't and can't do everything are interpreted as a serving of political horseradish or as a sign of indifference to human suffering.

The fact is that government shouldn't try to do everything. It's a matter of record in countries from Hitler's Germany to Mao's China that centrally directed economic systems crush human liberties, political and artistic as well

as economic. It's also on the record that overly ambitious programs of the U. S. government lead to the loss of our traditional freedoms. Moreover, many government programs, such as public housing, have worked out in precisely the opposite way intended.

Much of what is needed in the United States today is a reordering of national priorities. Government has plenty to do, especially in the way of preserving the peace, with liberty and justice for all. But it can't do everything at once. Clearly we should take a fresh-eyed look at some of our older projects, particularly our subsidies to various political pressure groups which run into billions of dollars annually. We should also, whenever a new problem is discovered or invented, give serious thought as to whether private businesses and individuals might be able to cope with the trouble without running to Washington. And if it is a problem that can't be solved voluntarily, does that logically and automatically render it soluble by force?

- *Everyone has to pay his bills sometime or other — even the Federal government.*

The New Economics, which is based on the assumption that adroit manipulation of Federal spending and taxing can banish

both recessions and general price rises, has been overpromoted. American supporters of the New Economics apparently encountered so much resistance in first selling the notion that Federal deficits might sometimes prove beneficial that they went overboard in their public pronouncements. As a result, many government officials and even many businessmen suffer from the delusion that deficits don't matter.

But deficits do matter. And just a quick look at some of our most pressing economic problems will provide any fair-minded observer with persuasive evidence. Both our mounting inflation and our deepening difficulties in world money markets have stemmed in large measure from the cavalier acceptance of Federal deficits.

The Federal government, no less than the most humble private citizen, must handle its financial affairs with reasonable prudence — or else suffer the uncomfortable consequences. Far from being outmoded, this bit of conventional wisdom is more up-to-date than Marshall McLuhan.

* * *

Why, in the face of so much evidence, is the conventional wisdom held in such low repute? The

easy answer is simply that our times are out of joint. Alienation and despair are the catchwords of the day. And despite our extraordinary progress over the past several decades — including the marked increase of investment and production and the sharp reduction of poverty — every other person you meet seems convinced we're heading straight for economic perdition.

Maybe it's because life is moving entirely too fast. Instant food, instant money, and almost instant travel from New York to Los Angeles — all these are perfectly delightful. But perhaps they've also given us an impossible-to-satisfy appetite for instant utopia — a never-never land where hard work, personal disappointments, and all income differentials are not only abolished but abolished *right now*.

Well, we'll probably never reach utopia. What we can do is move toward a generally healthier, wealthier, and wiser society by making the right choices, some of them very hard choices. Much of what we need to help guide us along the way is less intellectual novelty for novelty's sake and more respect for the conventional wisdom. ♦

AN INQUIRY CONCERNING INEQUALITY

W. A. PATON

THE VIEW that a state of inequality in mankind is bad, almost wicked, has been booming. Among welfare "workers", school teachers (including the college professors), ministers, politicians, and in the ranks of reformers and do-gooders wherever you find them, there are many who are ardently espousing the egalitarian cause, and almost everybody nowadays acquiesces in the general notion that continuing efforts to whittle down the inequalities found in the economic sphere are warranted. As can be said of most movements promising to hasten the dawn of the millennium, the dedication of the true believers is typically based on emotion or mystic yearning rather than careful observation and

study, and total ignorance of the subject seems to be the norm among both the enthusiasts and those who simply go along. This benighted condition of the advocates, plus the prevailing lack of forthright opposition, or even of critical review, provide the excuse for this attempt to do a bit of probing.

Variation in Man's Surroundings. On undertaking even a limited inquiry the observer can hardly overlook, at the outset, the variations that are found on every hand throughout nature. Mother Earth is far from a homogeneous or quiescent mass. Our planet exhibits a great range of geologic formations and climatic conditions. Differences in soil and water supplies, and in temperature, wind velocity, humidity and so on are the rule, and in many localities

Dr. Paton is Professor Emeritus of Accounting and of Economics, University of Michigan, and is known throughout the world for his outstanding work in these fields. His current comments on American attitudes and behavior are worthy of everyone's attention.

changes in some factors are severe from day to day as well as from season to season. Turning to plant and animal life we find a fascinating complexity of classes, kinds, species, and other groupings, with noticeable individual differences within both broad and narrow divisions. Those who handle horses or dogs, for example, become very familiar with the marked dissimilarities in temperament and talent found among individuals in specific breeds, strains, and even in the progeny of particular parents. The plain fact is that we are everywhere confronted with variety, not uniformity. Indeed, the fussy person will note here that no two grains of sand, or blades of grass, or leaves on the tree, or kernels of wheat are identical in size, shape, and other features.

Man's Peculiarities. When attention is focused on man alone a wide range of characteristics is disclosed among races and regional groups, and also in narrow subdivisions such as the tribe, clan, or specific family. Differences in size, build, skin, eyesight, blood type and a host of other physical factors abound among representatives of *Homo sapiens*, wherever they live. And such differences can hardly be ignored by even the most rabid supporter of egalitarian doctrine. We can't avoid accept-

ing the proposition that no one can add a cubit to his stature by taking thought, and as yet there is no transplanting technique available or proposed by which several inches could be removed from Wilt Chamberlain's frame and transferred to one of his shorter teammates. Individual human beings do not look alike, they behave differently, and they are different, beyond doubt.

Sweeping Heredity Under the Rug. But this is not the whole story. Those who proclaim the basic equality of men may concede the differences in appearance and physical makeup and still argue that all of us begin life abreast in a basic sense, that all have the same potential or worth at the starting line. Taking this position means acceptance of the view that everyone is born a blank, a clean slate, or, alternatively, that each individual starts with precisely the same inherent level of intelligence, talents, over-all capacity. In other words, the factor of inheritance is either disregarded entirely or is considered to be equalized, and the individual's record in life is assumed to be due solely to the impact of environment, the influences and events experienced. Thus the door is opened to the claim that a poor performance is attributable entirely to an

unfortunate background of experience — lack of proper food, housing, or medical care, inadequate education and training, inferior employment opportunities, harassment and exploitation encountered, and so on, and also, perhaps, sheer bad luck.

For anyone who is well acquainted with human physiology and behavior, and indeed for all laymen with a fair amount of common sense and willingness to recognize realities, this thesis is hard to swallow, even preposterous. The evidence is conclusive that each individual comes on the scene with a distinctive package of traits, tendencies, capacities. Typically the differences are more outstanding than the similarities, and some of the ingredients may be at odds rather than in harmony. As to the impact of the varying hereditary package, moreover, the case is quite clear; on every hand examples appear in which the influence of inheritance is plainly reflected in the individual's career. This is especially noticeable among persons who are virtuosos in music, and in the fine arts generally; usually it is easy to spot conspicuous talent in the family trees of such individuals. And likewise among those who show brilliance in professional fields, or in any line requiring high-level ability, the hereditary background is com-

monly very much in evidence. "Brains" are inherited, beyond doubt, along with other qualities. That the more commonplace inclinations and aptitudes are handed down may be somewhat less apparent, but that inheritance plays a part here too can scarcely be questioned.

These comments are not intended to deny that outstanding ability crops up here and there where the ancestry of the individual — assuming the facts are available — is very unpromising. Even so, we will rarely see genius sprouting from a line of progenitors heavily loaded with morons. Further, although almost any one can become more capable with intensive training there is no program that will make great writers, philosophers, mathematicians, engineers, researchers, executives and so on from below-par raw material.

From the Haves to the Havenots. Recognition of the wide range of abilities and accomplishments among men, based at least in part on the hereditary variables, and of the impossibility of equalizing energy and talent through any system of education and training, leaves us still confronted by the widespread opinion that the good society, the happy land, is one where rewards, if not attainments, are substantially equal, and that

the coercive powers of the state should be invoked for the purpose of achieving — or at least moving toward — this idealistic goal. This view has been politically dominant for several decades in the United States (and in many other countries, of course), and the pressures designed to exploit the haves for the benefit of the havenots (and the havelesses) have been mounting. The major means employed, as we all know, has been that of maintaining a high level of tax levies on the more successful and productive individuals and business units and use of a portion of the funds thus confiscated to provide handouts to the elderly (our “senior citizens”), the unemployed, the needy students, the badly housed, the neglected children, the mentally retarded, the sufferers from disaster, the farmers (both poor and affluent), and many other special groups.

It is difficult to appraise the effect of these efforts to date in terms of progress toward economic equality, or in other respects. The assault on high incomes through the progressive tax structure has surely been a leveling influence, but even here the net results are not clear. In the case of high individual salaries, for example, there may be offsetting factors in the market for top-flight services. Earnings from property holdings

probably have been hit harder — over-all — than service incomes. Evidence is not wanting to suggest that initiative and enterprise have been discouraged by the weight of punitive taxation and the continuously increasing load of regulation and interference to which individuals and business organizations have been subjected. The GNP as officially computed keeps on increasing, but the rate of growth may well have been retarded by the flood of “reform” legislation. Evidence can also be found suggesting that some of the programs launched have not only missed the mark but have resulted in injury rather than benefit to the “underprivileged”. All in all the showing is not one for the egalitarians to crow about.

Equalizing Economic Satisfaction Impossible. That it is difficult to rate the results of the schemes designed to despoil the rich and leaven the lot of the poor, from the days of the New Deal on, would be conceded by most observers. The opponents of such programs, needless to say, would like to see a retreat begun from a movement that they regard as basically unsound and harmful. The supporters, on the other hand, while generally dissatisfied with progress to date, insist that what is needed is more of the same —

higher taxes on the well-to-do and on business enterprise, expansion of existing government aid programs and extension of such efforts in new directions, governmental control of economic activity all along the line. In other words, there is thus far no abatement of the enthusiasm for the egalitarian and socialist causes. In the light of this situation it may be desirable to point out the practical impossibility of cutting the economic pie into equal consumable slices for all, regardless of what is done to money incomes by tax levies or other financial confiscatory devices.

Assuming a society in which there is only one simple product consumed — plain rice, for example — a division of the output into equal portions by governmental authority may be imagined (although even in this extreme case the size of an adult share might exceed that of a small child, and other variations might well be prescribed or tolerated). But when attention is turned to the actual situation in the United States, or any other area with a market economy providing an output of many thousands of different kinds of consumer commodities and services, the task of providing each person with the same amount of consumer satisfaction encounters insurmountable obstacles.

Some folks like a big car and some prefer a small job. Some millionaires want a yacht with lots of marble and gold doorknobs and some don't care for such trimmings. The taste for sport and travel is not uniform, which means that not everyone wants an equal share of the output of fishing rods, golf clubs, sun glasses, and the like. Some of us are addicted to television watching and some are not, and there are still a lot of people who have no use for cocktails or cigarettes. Some like to read and some don't, and desires vary as to types of reading material. Not everyone cares for concerts and operas, and even if attendance were required how could everyone be furnished with equally attractive seats? And still more bothersome, how could it be arranged to provide everyone with the same degree of enjoyment? Some members of the audience will be relatively unappreciative, especially those with impaired hearing and those who don't know one note from another.

Likewise in the prosaic areas of food, clothing, furniture, and housing, in the presence of a market offering almost unlimited choices, the packages of individual preferences are legion. And is it proposed that we all be compelled to buy and eat the same kind of pizzas, or any pizzas, for example,

or wear neckties of a particular color? Are the diversities of consumer inclination to be disregarded by the police state envisaged, with a resulting required uniformity in products made available for consumption?

In the case of large and complex physical units of product the equalizer faces an obviously impossible problem of division. For example, if every family wanted a riding horse, and the number of families was larger than the number of horses available, it would hardly be practicable to award a piece of a horse to each.

No, the plain fact is that division of an elaborate array of consumer products into equal shares is literally impossible, and providing each individual with the same amount of "psychic income", or consumer satisfaction, is something still further out of reach. No human being or group, even if operating in the framework of a government bureau, and even if backed by plenty of armed marshals, can cope with such problems successfully.

The only kind of a society or community in which even an approach to equal sharing is practicable is the prison, the slave camp, an army of privates, or — temporarily — castaways or other distressed persons on short rations.

This brings us to an important

and neglected point. Equality in the distribution and consuming of economic output is inherently incompatible with a prosperous, progressive society, blessed with a great diversity of tangible goods and services. Variety may not be the spice of life but it is an essential feature of today's market economy. A complex, competitive market, pillared on specialization and exchange, is not easily developed where egalitarian views are dominant (as can be seen in some backward areas of the world today), and such an economy — even if long established and flourishing — can be crippled and eventually destroyed by a continuing avalanche of share-the-wealth measures — even if the extreme step of imprisonment or liquidation of the more prosperous (the treatment accorded to the Kulaks) is avoided.

Impairing Individual Incentive.

It was noted above that evidence is accumulating indicating that enterprise and productivity have been unfavorably affected by progressive taxes and the accompanying business controls and interferences. There remains for brief attention the question of the effect of redistribution programs — aimed at more equal sharing — upon individual human beings and their basic motivations.

That no two individuals have the same package of traits, inclinations, and abilities has been stressed. This does not deny, however, that there are some characteristics common to many men. One such widespread trait is an unwillingness on the part of the worker, in the vineyard or elsewhere, to see a part of his output commandeered by government, or private pirates, for any purpose. This is particularly true of the hustlers and highly efficient. The superior worker will not continue to maintain his stride indefinitely if the fruits of his labor are seized and turned over to others, be they worthy unfortunates or parasitic drones. The experience in this country and abroad of the scores of idealistic, utopian communities, often launched in an atmosphere of religious fervor, has a bearing. Examination of the history of such undertakings shows that almost invariably the more energetic and productive members became dissatisfied when they realized that they were supporting the inefficient and shiftless, and the usual outcome was either a slowing down to the pace of the sluggards, or departure for a more promising environment, if this were practicable.

Use of the machinery of taxation and other financial devices, including inflation, to take from

Peter and give to Paul, may temporarily obscure what is going on. In a complex economy, in which money and credit are employed to facilitate exchange, the participating individual often seems to have difficulty in tracing relationships and effects. The young berry picker who works diligently and effectively out in the swamp all day and has twenty quarts of nice raspberries to show for his efforts, would be astounded and infuriated if Uncle Sam came along and took half of his output away from him. But when he grows up and becomes superintendent of the berry canning factory, and is paid by check for his services, he may be somewhat less outraged when laws are passed requiring him to turn over to his good uncle—either by employer withholding or on his own initiative—half of his money income.

Free spenders of the other fellow's money seldom mention the need for efficiency and high productivity if the level of economic output is to keep pace with a growing population, to say nothing of an increase in the per-capita slice. They take it for granted that there will always be a willing mule to do the plowing, regardless of how well he is fed. The spenders talk and act as if the purse into which they dip to get the funds for their grandiose

schemes had no bottom whatever — like the widow's cruse of oil back in Elijah's time. There is good reason for regarding their faith as unjustified. Just where the breaking point will be reached in a particular setting can not be readily predicted, but the old story of the last straw and the camel's back should not be forgotten. One thing is certain: when the economic climate becomes so cloudy that it offers no lure to the enterprisers, the innovators, the hustlers, the savers, there will be a disastrous decline in productivity.

The conclusion indicated by this survey is that variation, differences, inequalities are a common-

place feature of man's life on this planet, and — what is crucially important — are indispensable to a thriving, growing market economy, with high living standards. A world in which there was a complete equality in economic shares and consumer satisfactions would be a drab, unproductive, slave-camp sort of place. Hence we will do well to guard against being beguiled by any version of the egalitarian philosophy, however idealistic and well-intentioned. Let's not be misled by those urgently beckoning us toward a downhill road. Let's be thankful for the blessing of diversity, *inequality*, and staunchly resist its erosion. ♦

Reprints available, 10 cents each.

IDEAS ON LIBERTY

The Independent Individual

THE SOCIAL UNIT is the independent individual; the more individual and independent he is, the more able is he to cooperate, and the stronger the society he creates. Cooperation is possible only amongst independent individuals; amongst others, there may be regimentation but no creative cooperation. Society is a vast, natural, complex, intentional, and yet largely unconscious cooperation amongst those able to stand on their own, and, in the exigencies of life, lend a hand.

From a Ford Sunday Evening Hour
broadcast by W. J. Cameron (circa 1937)

A POWER FOR PEACE

HENRY PAOLUCCI'S *War, Peace, and the Presidency* (McGraw-Hill, \$6.95) is just about as unfashionable as, in a time of almost universal stupidity, one could wish a book to be. A conservative who once ran for the U.S. Senate as the New York Conservative Party candidate, Mr. Paolucci is both a libertarian and a nationalist. He believes that international affairs can only be messed up by those who support any of the various movements toward "world government." Balance-of-power politics, says Mr. Paolucci, are not only inevitable; they are also healthy. A world monopoly of power would, by definition, be a power in the hands of the big population countries (Red China, India, Soviet Russia), and what this would do to the U.S., Western Europe, and the fringe nations of East Asia would be sad to contemplate. The good news in Mr. Paolucci's book is that it isn't going to happen.

As a libertarian, Mr. Paolucci

believes in "leveling up" the population of the U.S., which runs counter to the fashionable idea that taxation must be geared to the process of "leveling down." He is in favor of the "possessing classes," a phrase which he would undoubtedly throw in the face of Arthur Schlesinger, who uses similar phrases about the "haves" with a sneer. Mr. Paolucci thinks the Negroes should, in the words of William Graham Sumner, "get capital"; what they need more than anything else is self-respect, which is something that doesn't go with a life spent on relief. As a non-WASP (his Italian ancestry obviously means that he can't very well be a "white Anglo-Saxon Protestant"), Mr. Paolucci is keenly aware of the battle which minorities have had to wage in this country to achieve financial status and a feeling of belonging. But this is the lot of minorities everywhere; it is, says Mr. Paolucci, the human condition, and

there is no use weeping about it. The important thing is that, under the American form of government, individuals can pull minorities up. It has happened in the case of the Irish, the Germans, the Jews, and the Italians — and there is no reason why the Negro, coming north out of the agrarian south, can't "make it" in his proper turn. In any case, says Mr. Paolucci, it is not the business of government to force anybody to love anybody. The business of government is to protect individuals in their rights.

Law and Order

Mr. Paolucci's libertarian streak does not lead him to embrace the fallacy of anarchism. He believes in the check-and-balance republic of James Madison. But he also believes in "we, the people" united behind the President when it comes to facing foreign threats or the bids of minorities to dissolve the federal union. The central thought of his book is nailed down in a remarkable reply to Professor James MacGregor Burns, who, by implication, would welcome a diminution of U.S. sovereignty lest a nuclear holocaust should "wipe out all checks and balances — including the voters." Says Mr. Paolucci, "President Lincoln would have replied that a nuclear holocaust was less to be

feared than peaceful dissolution which would also wipe out checks and balances and with them the way of life that makes being a voter meaningful." The best things in life, says Mr. Paolucci, are those which men are prepared to die for, and it is no less true now than in ancient times that freedom is "made secure only when a sufficient number of persons who are willing to die rather than not be free combine their willingness politically." If our federal union goes, checks and balances will check and balance nothing, the Constitution will constitute nothing, and the civil rights of everybody, the Negroes included, will be "deprived of positive value as well as legal substance."

National Loyalties

Mr. Paolucci, though as a libertarian he could not very well think highly of Lyndon Johnson's domestic views, rather admires the way in which a hard-grained Texas patriot decided to go against the academic liberals' conception of the White House as the place for a continuous "internationalist" teach-in. James MacGregor Burns, Walter Lippmann, Arthur Schlesinger, the earlier Walt Rostow, all believed in a strong presidency — but only when the President was under the tutelage of the internationalists. When LBJ

turned out to be a different breed of cat than some of his predecessors, all the "strong executive" liberals started whooping it up for an even stronger U.S. Senate. The new idols were Fulbright, McCarthy, and other members of the Senate Foreign Relations Committee who wanted to take the conduct of foreign affairs out of the strong executive's hands.

But if LBJ stood out against "national dissolution," his policies were still opaque when it came to considering basic balance-of-power realities on the Atlantic side of the world. Walt Rostow, in the White House, might stand up for preserving the balance of power in East Asia. But he — along with Dean Rusk in the State Department — had been for "convergence" with the communists until the whole world was at a "take-off" position to practice meliorist economics that would feed everybody, the drones as well as the workers. The irony of the situation, as Mr. Paolucci sees it, is that Soviet Russia has, in practice, "turned Marx on his head" by creating, not a stateless paradise, but a tough supernationalistic State that will never accede to real disarmament. Moscow talks "internationalism" — but invades Czechoslovakia, arms communist nationalists such as Ho Chi Minh, and encourages the Arab nation-

alists who look to Nasser as their leader. To hope to build "internationalist" East-West bridges in this atmosphere is utopian.

Barbarians Within

As for the utopia of One-World rule, Mr. Paolucci thinks it would be the prelude to disastrous civil wars on a planetary scale. The history of ancient Rome broods over many a page in Mr. Paolucci's book. When a balance of power existed in the Mediterranean world, Roman citizens did not fight each other. They maintained internal discipline in order to stand guard against external enemies. But after the single great enemy Carthage was destroyed, the Roman classes turned on each other. The civil wars eventually came to an end, but the Roman Republic was insensibly transformed into the Roman Empire. This "One World" of antiquity established a universal peace — but the energies of the population flagged. And, eventually, the barbarians broke in. Mr. Paolucci thinks this is the "law" of One Worldism. But in modern times the barbarians lurk within the advanced countries as well as in the jungles of some of the tropical "underdeveloped" world.

There are some things that are not cleared up in Mr. Paolucci's

book. Would he regard the Clarence Streit blueprint for a federation of the Atlantic democracies as a concession to a debilitating "internationalism," or would he accept it as a proposal for strengthening the West in its balance-of-power confrontation with the Soviet East? Does he think West Europe should remain a preserve of "little nationalisms," or should it become a bigger federal entity with a possibly enhanced ability to live in a balance of power world? Before we can be

clear on strategies to be pursued against the communists, there may be some arguing to do about the claims of Paul Spaak, Clarence Streit, and other prophets of larger federal units. The question is whether countries such as Belgium, France, and Italy have become the "city states" of the modern Western world. It would be good to have Henry Paolucci turn his lucid mind to the consideration of where the thinking of James Madison can be applied to larger federal units. ♦

A NOTE TO ADVERTISERS

TO THOSE who have helped themselves and the Foundation over the years through commercial advertising in THE FREEMAN, our deep appreciation. However, it has never been a Foundation practice to actively solicit such advertisements, our interest being primarily to explore and promote ideas on liberty.

With that in mind, we are henceforth discontinuing all outside or paid advertising, and will use the available space, as in this issue, to advise readers of special offers of books or programs or services directly related to the main purpose of the Foundation for Economic Education: an improved understanding and practice of the libertarian ideal.

LEONARD E. READ, *President*

the Freeman

VOL. 19, NO. 2 • FEBRUARY 1969

- From Spencer's 1884 to Orwell's 1984** **Henry Hazlitt** 67
In *The Man Versus the State*, Herbert Spencer warned prophetically of "the coming slavery" of oppressive taxation and government control.
- Our Saving Grace** **Paul L. Poirot** 76
Despite powerful pressures to "live it up," we owe our lives to the long-standing habit of saving for a rainy day.
- The Rise and Fall of England:**
12. The Fabian Program **Clarence B. Carson** 81
Describing the steps from municipal to national control of industry and trade.
- The Squeeze on the Middle Class** **William Henry Chamberlin** 91
The welfare state grows at the expense of those who gave strength to the ideas and institutions of political and economic freedom.
- Consider Your Stand** **Gottfried Dietze** 98
A reminder to academicians that the promotion of learning involves responsibilities as well as rights.
- Education in America:**
5. Discipline or Disaster? **George Charles Roche III** 101
When parents delegate to teachers, and teachers to pupils, the responsibility for educational content, the result must be undisciplined disaster.
- Pricing Ourselves Out of World Markets?** **M. E. Cravens** 109
Protectionism weakens a nation's capacity to cope with foreign competition.
- Technological Status** **John W. Campbell** 113
Concerning the fiction that backward countries can jump to a high level of industrial achievement without experiencing the horse-collar revolution.
- Book Reviews** 123
"An American Dictionary of the English Language" by Noah Webster
(Facsimile of the original 1828 edition)
"The Birth of the Nation" by Arthur M. Schlesinger
"The America We Lost" by Mario Pei

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "From Spencer's 1884 to Orwell's 1984," "The Rise and Fall of England," and "Technological Status."

HENRY HAZLITT

FROM SPENCER'S 1884
TO ORWELL'S 1984

IN 1884, Herbert Spencer wrote what quickly became a celebrated book, *The Man Versus the State*. The book is seldom referred to now, and gathers dust on library shelves — if, in fact, it is still stocked by many libraries. Spencer's political views are regarded by most present-day writers, who bother to mention him at all, as "extreme *laissez faire*," and hence "discredited."

But any open-minded person who takes the trouble today to read or reread *The Man Versus the State* will probably be startled by two things. The first is the uncanny clairvoyance with which Spencer foresaw what the future encroachments of the State were

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books.

This article will appear as a chapter in a forthcoming book, *Man vs. the Welfare State*, to be published by Arlington House.

likely to be on individual liberty, above all in the economic realm. The second is the extent to which these encroachments had already occurred in 1884, the year in which he was writing.

The present generation has been brought up to believe that government concern for "social justice" and for the plight of the needy was something that did not even exist until the New Deal came along in 1933. The ages prior to that have been pictured as periods when no one "cared," when *laissez faire* was rampant, when everybody who did not succeed in the cutthroat competition that was euphemistically called free enterprise — but was simply a system of dog-eat-dog and the-devil-take-the-hindmost — was allowed to starve. And if the present generation thinks this is true

even of the 1920's, it is absolutely sure that it was so in the 1880's, which it would probably regard as the very peak of the prevalence of *laissez faire*.

The Seeds of Change

Yet the new reader's initial astonishment when he starts Spencer's book may begin to wear off before he is halfway through, because one cause for surprise explains the other. All that Spencer was doing was to project or extrapolate the legislative tendencies existing in the 1880's into the future. It was because he was so clear-sightedly appalled by these tendencies that he recognized them so much more sharply than his contemporaries, and saw so much more clearly where they would lead if left unchecked.

Even in his Preface to *The Man Versus the State* he pointed out how "increase in freedom on form" was being followed by "decrease of freedom in fact. . . ."

Regulations have been made in yearly growing numbers, restraining the citizen in directions where his actions were previously unchecked, and compelling actions which previously he might perform or not as he liked; and at the same time heavier public burdens . . . have further restricted his freedom, by lessening that portion of his earnings which he can spend as he pleases, and augmenting

the portion taken from him to be spent as public agents please.

In his first chapter, "The New Toryism," Spencer contends that "most of those who now pass as Liberals, are Tories of a new type." The Liberals of his own day, he points out, had already "lost sight of the truth that in past times Liberalism habitually stood for individual freedom versus State-coercion."

So the complete Anglo-American switch of reference, by which a "liberal" today has come to mean primarily a State-interventionist, had already begun in 1884. Already "plausible proposals" were being made "that there should be organized a system of compulsory insurance, by which men during their early lives shall be forced to provide for the time when they will be incapacitated." Here is already the seed of the American Social Security Act of 1935.

Spencer also pays his respects to the antilibertarian implications of an increasing tax burden. Those who impose additional taxes are saying in effect: "Hitherto you have been free to spend this portion of your earnings in any way which pleased you; hereafter you shall not be free to spend it, but we will spend it for the general benefit."

Spencer next turns to the compulsions that labor unions were

even then imposing on their members, and asks: "If men use their liberty in such a way as to surrender their liberty, are they thereafter any the less slaves?"

In his second chapter, "The Coming Slavery," Spencer draws attention to the existence of what he calls "political momentum" — the tendency of State interventions and similar political measures to increase and accelerate in the direction in which they have already been set going. Americans have become only too familiar with this momentum in the last few years.

Spencer illustrates: "The blank form of an inquiry daily made is — 'We have already done this; why should we not do that?'" "The buying and working of telegraphs by the State" [which already existed in England when he wrote], he continued, "is made a reason for urging that the State should buy and work the railways." And he went on to quote the demands of one group that the State should take possession of the railways, "with or without compensation."

The British State did not buy and work the railways until 64 years later, in 1948, but it did get around to it, precisely as Spencer feared.

It is not only precedent that prompts the constant spread of interventionist measures, Spencer

points out, "but also the necessity which arises for supplementing ineffective measures, and for dealing with the artificial evils continually caused. Failure does not destroy faith in the agencies employed, but merely suggests more stringent use of such agencies or wider ramifications of them." One illustration he gives is how "the evils produced by compulsory charity are now proposed to be met by compulsory insurance." Today, in America, one could point to scores of examples (from measures to cure "the deficit in the balance of payments" to the constant multiplication of measures to fight the government's "war on poverty") of interventions mainly designed to remove the artificial evils brought about by previous interventions.

One Turn Deserves Another

Everywhere, Spencer goes on, the tacit assumption is that "government should step in whenever anything is not going right. . . . The more numerous governmental interventions become . . . the more loud and perpetual the demands for intervention." Every additional relief measure raises hopes of further ones:

The more numerous public instrumentalities become, the more is there generated in citizens the notion that everything is to be done for them,

and nothing by them. Every generation is made less familiar with the attainment of desired ends by individual actions or private agencies; until, eventually, governmental agencies come to be thought of as the only available agencies.

Forms of Slavery

"All socialism," Spencer concludes, "involves slavery. . . . That which fundamentally distinguishes the slave is that he labors under coercion to satisfy another's desires." The relation admits of many gradations. Oppressive taxation is a form of slavery of the individual to the community as a whole. "The essential question is — How much is he compelled to labor for other benefit than his own, and how much can he labor for his own benefit?"

Even Spencer would probably have regarded with incredulity a prediction that in less than two generations England would have rates of income tax rising above 90 per cent, and that many an energetic and ambitious man, in England and the United States, would be forced to spend more than half his time and labor working for the support of the community, and allowed less than half his time and labor to provide for his family and himself.

Today's progressive income tax provides a quantitative measure-

ment of the relative extent of a man's economic liberty and servitude.

Those who think that public housing is an entirely new development will be startled to hear that the beginnings of it — as well as some of its harmful consequences — were already present in 1884:

Where municipal bodies turn house-builders [wrote Spencer], they inevitably lower the values of houses otherwise built, and check the supply of more. . . . The multiplication of houses, and especially small houses, being increasingly checked, there must come an increasing demand upon the local authority to make up for the deficient supply. . . . And then when in towns this process has gone so far as to make the local authority the chief owner of houses, there will be a good precedent for publicly providing houses for the rural population, as proposed in the Radical program, and as urged by the Democratic Federation [which insists on] the compulsory construction of healthy artisans' and agricultural laborers' dwellings in proportion to the population.

One State intervention Spencer did not foresee was the future imposition of rent controls, which make it unprofitable for private persons to own, repair, or renovate old rental housing or to put up new. The consequences of rent control provoke the indignant

charge that "private enterprise is simply not doing the job" of providing enough housing. The conclusion is that therefore the government must step in and take over that job.

What Spencer did expressly fear, in another field, was that public education, providing gratis what private schools had to charge for, would in time destroy the private schools. What, of course, he did not foresee was that eventually the government would provide free tuition even in tax-supported *colleges* and universities, thus more and more threatening the continuance of private colleges and universities — and so tending more and more to produce a uniform conformist education, with college faculties ultimately dependent for their jobs on the government, and so developing an economic interest in professing and teaching a statist, pro-government and socialist ideology. The tendency of government-supported education must be finally to achieve a government monopoly of education.

Ancient Roots of Tyranny

As the "liberal" readers of 1969 may be shocked to learn that the recent State interventions which they regard as the latest expressions of advanced and compassionate thought were anticipated

in 1884, so the statist readers of Spencer's day must have been shocked to learn from him how many of the latest State interventions of 1884 were anticipated in Roman times and in the Middle Ages. For Spencer reminded them, quoting an historian, that in Gaul, during the decline of the Roman Empire, "so numerous were the receivers in comparison with the payers, and so enormous the weight of taxation, that the laborer broke down, the plains became deserts, and woods grew where the plough had been."

Spencer reminded his readers also of the usury laws under Louis XV in France, which raised the rate of interest "from five to six when intending to reduce it to four." He reminded them of the laws against "forestalling" (buying up goods in advance for later resale), also in early France. The effect of such laws was to prevent anyone from buying "more than two bushels of wheat at market," which prevented traders and dealers from equalizing supplies over time, thereby intensifying scarcities. He reminded his readers also of the measure which, in 1315, to diminish the pressure of famine, prescribed the prices of foods, but which was later repealed after it had caused the entire disappearance of various foods from the markets. He re-

minded them, again, of the many endeavors to fix wages, beginning with the Statute of Laborers under Edward III (1327-77). And still again, of statute 35 of Edward III, which aimed to keep down the price of herrings (but was soon repealed because it raised the price). And yet again, of the law of Edward III, under which innkeepers at seaports were sworn to search their guests "to prevent the exportation of money or plate."

This last example will uneasily remind Americans of the present prohibition of private gold holdings and gold export, and of the Johnson Administration's attempt to put a punitive tax on foreign travel, as well as the actual punitive tax that it did put on foreign investment. Let us add the still existing prohibitions even by allegedly advanced European nations against taking more than a tiny amount of their local *paper* currency out of the country!

The Federal Bulldozer Then

I come to one last specific parallel between 1884 and the present. This concerns slum clearance and urban renewal. The British government of Spencer's day responded to the existence of wretched and overcrowded housing by enacting the Artisans' Dwellings Acts. These gave to local

authorities powers to pull down bad houses and provide for the building of good ones:

What have been the results? A summary of the operations of the Metropolitan Board of Works, dated December 21, 1883, shows that up to last September it had, at a cost of a million and a quarter to ratepayers, unhoused 21,000 persons and provided houses for 12,000 — the remaining 9,000 to be hereafter provided for, being, meanwhile, left houseless. This is not all. . . . Those displaced . . . form a total of nearly 11,000 artificially made homeless, who have had to find corners for themselves in miserable places that were already overflowing.

Those who are interested in a thorough study of the present-day parallel to this are referred to Professor Martin Anderson's *The Federal Bulldozer* (M. I. T. Press, 1964; McGraw-Hill paperback, 1967). I quote just one short paragraph from his findings:

The federal urban renewal program has actually aggravated the housing shortage for low-income groups. From 1950 to 1960, 126,000 dwelling units, most of them low-rent ones, were destroyed. This study estimates that the number of new dwelling units constructed is less than one fourth of the number demolished, and that most of the new units are high-rent ones. Contrast the net addition of millions of standard dwelling units to the housing supply

by private enterprise with the minute construction effort of the federal urban renewal program." (p. 229)

There is an eloquent paragraph in Spencer's book reminding his readers of the eighties of what they did *not* owe to the State:

It is not to the State that we owe the multitudinous useful inventions from the spade to the telephone; it is not the State which made possible extended navigation by a developed astronomy; it was not the State which made the discoveries in physics, chemistry, and the rest, which guide modern manufacturers; it was not the State which devised the machinery for producing fabrics of every kind, for transferring men and things from place to place, and for ministering in a thousand ways to our comforts. The world-wide transactions conducted in merchants' offices, the rush of traffic filling our streets, the retail distributing system which brings everything within easy reach and delivers the necessaries of life daily at our doors, are not of governmental origin. All these are results of the spontaneous activities of citizens, separate or grouped.

Aggravated Waste

Our present-day statisticians are busily trying to change all this. They are seizing billions of additional dollars from the taxpayers to turn them over for "scientific research." By this compulsorily subsidized government competi-

tion they are discouraging and draining away the funds for private scientific research; and they threaten to make such research, in time, a government monopoly. But whether this will result in more scientific progress in the long run is doubtful. True, enormously more money is being spent on "research," but it is being diverted in questionable directions — in military research; in developing greater and greater super-bombs and other weapons of mass destruction and mass annihilation; in planning supersonic passenger airplanes developed on the assumption that civilians must get to their European or Caribbean vacation spots at 1,200 or 1,800 miles an hour, instead of a mere 600, no matter how many eardrums or windows of groundlings are shattered in the process; and finally, in such Buck Rogers stunts as landing men on the moon or on Mars.

It is fairly obvious that all this will involve enormous waste; that government bureaucrats will be able to dictate who gets the research funds and who doesn't, and that this choice will either depend upon fixed arbitrary qualifications like those determined by Civil Service examinations (hardly the way to find the most original minds), or upon the grantees keeping in the good graces of the

particular government appointee in charge of the distribution of grants.

But our Welfare Statists seem determined to put us in a position where we will be dependent on government even for our future scientific and industrial progress — or in a position where they can at least plausibly argue that we are so dependent.

A Denial of Private Property

Spencer next goes on to show that the kind of State intervention he is deploring amounts to not merely an abridgment but a basic rejection of private property: A “confusion of ideas, caused by looking at one face only of the transaction, may be traced throughout all the legislation which forcibly takes the property of this man for the purpose of giving gratis benefits to that man.” The tacit assumption underlying all these acts of redistribution is that:

No man has any claim to his property, not even to that which he has earned by the sweat of his brow, save by the permission of the community; and that the community may cancel the claim to any extent it thinks fit. No defense can be made for this appropriation of A’s possessions for the benefit of B, save one which sets out with the postulate that society as a whole has an absolute right over the possessions of each member.

In the final chapter (just preceding a Postscript) Spencer concluded: “The function of Liberalism in the past was that of putting a limit to the powers of kings. The function of true Liberalism in the future will be that of putting a limit to the power of Parliaments.”

In endorsing some of the arguments in Spencer’s *The Man Versus the State*, and in recognizing the penetration of many of his insights and the remarkable accuracy of his predictions of the political future, we need not necessarily subscribe to every position that he took. The very title of Spencer’s book was in one respect unfortunate. To speak of “the man versus the State” is to imply that the State, *as such*, is unnecessary and evil. The State, of course, is absolutely indispensable to the preservation of law and order, and the promotion of peace and social cooperation. What is unnecessary and evil, what abridges the liberty and threatens the true welfare of the individual, is the State that has usurped excessive powers and grown beyond its legitimate functions — the Superstate, the socialist State, the redistributive State, in brief, the ironically misnamed “Welfare State.”

But Spencer was certainly right in the main thrust of his argument, which was essentially that

of Adam Smith and other classical liberals, that the two indispensable functions of government are first, to protect the nation against aggression from any other nation, and second, to protect the individual citizen from the aggression, injustice, or oppression of any other citizen — and that every extension of the functions of government beyond these two primary duties should be scrutinized with jealous vigilance.

We are deeply indebted to Herbert Spencer for recognizing

with a sharper eye than any of his contemporaries, and warning them against, “the coming slavery” toward which the State of their own time was drifting, and toward which we are more swiftly drifting today.

It is more than a grim coincidence that Spencer was warning of the coming slavery in 1884, and that George Orwell, in our time, has predicted that the full consummation of this slavery will be reached in 1984, exactly one century later. ◆

The 1940 hardcovered Caxton printing of Herbert Spencer's *The Man Versus the State*, with foreword by Albert Jay Nock, 223 pages, fully indexed, is available at \$3.50.

Order from: The Foundation for Economic Education, Inc.
Irvington-on-Hudson, New York 10533

Our Saving Grace

PAUL L. POIROT

THE LATE Lord Keynes and his disciples have heavily bombarded modern man with the theory that he can carelessly consume his way to prosperity. Laws without end have been enacted to implement this false doctrine of consumerism and compulsive spending. Yet, despite that trend, there are those who continue to save and invest in the essential tools of production to which most of us owe our very lives. Call it our saving grace!

Even the most ardent advocates of equality acknowledge a certain respect for the aims and desires of the individual. The ultimate formula for compulsory collectivism would afford "to each according to need," implying that *each* somehow is important. It is difficult to think of any philosophy of man and society that would wholly and consciously deny the dignity of the individual as a hu-

man being with a purpose. The point of divergence among philosophers concerns how far into the future the individual should be free to project his purpose.

The attitude toward private property is really the point at issue here. Is the individual to be free to save and invest his own property for his own purposes, however complex and futuristic the eventual fulfillment of such purposes may be? And, especially, will his fellow men respect and defend these savings, this private property of the individual? In other words, will society's organized agency of force, its government, be dedicated to the protection of life and property; or will it function instead as an instrument for plunder?

Whether *plunder* is deemed too harsh a word to describe the governmental processes of the welfare state will depend primarily

upon one's understanding of the relationships between saving and investment and production and consumption. Is it right, for instance, to expropriate from the baker of bread the stove he has saved and needs for that purpose, but wrong, on the other hand, to take the bread from the mouth of a babe? Or is it just as wrong to interfere with the production of bread as to prohibit its consumption? The hungry babe may be quite unaware that the stove is an essential part of the bread he wants, that this and other tools involved in the roundabout processes of production in an industrial age are forms of saving to which the great majority of us owe our lives. Otherwise, many of us never would have been born and most of us never would have survived.

Lifelong Immaturity

Unfortunately, an understanding of the vital importance of savings and tools does not come automatically as one emerges from childhood. Many so-called adults are content to warm their bodies with the stoves they have seized from bakers — or let the government confiscate in their behalf. And if they want bread, they expect that the government also will provide it. They have not seen that government is neither

a producer nor a saver; at best, it may be a protector, but even then the government itself is a consumer. In order for the government to give goods and services to anyone, it first must take those goods and services from someone. And in the process of compulsory redistribution, there is a heavy loss or attrition of resources. The government is always a consumer, withdrawing from the market scarce resources that individuals otherwise could consume or use in further production according to their own choice and best judgment.

Any grouping of two or more individuals will reveal differences in ability and in habits of spending and saving — very often, marked differences. Under conditions of comparative freedom, some few of the population will attain great wealth in contrast to the vast majority of their fellow men, simply because those few are exceptionally talented in their understanding of human wants and how to satisfy such wants.¹ The

¹ Some readers may object here that the free market rewards the designer of tail-fins or enriches the Beatles. Whether these fads stem from freedom or from interventions of one kind or another might be debated; but it seems reasonably clear that the market serves the most urgent wants of consumers, however peculiar some of us might think the tastes of others.

scope of their understanding will include appreciation of the importance of tools in the productive process. They will best know how to accumulate and combine resources under prevailing conditions for the optimum service of human wants. They will know how to draw from each individual his best performance, with his hands, his mind, his savings.

A Power to Serve

Now, what makes these talented few so wealthy in a free society is not a power to confiscate or tax the resources or to force the compliance of others. On the contrary, they become wealthy through supplying most efficiently what others want. Consumers thus express their appreciation and satisfaction for work well done. And the most remarkable thing of all is that the consumers themselves, who enrich the most efficient suppliers, are better off economically than they could hope to be under any other arrangement. The profit earned by the most successful competitors costs consumers less than nothing.

Every shopper knows that secret when he looks around for the best bargain. But not every shopper knows this lesson well enough to remember it in the privacy of the polling booth. No housewife would think of proposing a tax on

a can of beans before she buys it. She wants the best bargain she can find. But she may not realize that voting for an "excess profits tax" against the most efficient supplier of beans amounts to the same thing as paying more rather than less for beans. The very same consumers who volunteer their patronage to create millionaires will turn right around and ask the government to confiscate the property businessmen need for efficient production of goods and services. Voters thoughtlessly assume that redistributing property politically will have no harmful effect upon the processes of production. They think that they can thus give added spending power to poorer consumers, overlooking that in the process they drive from the market the very goods and services the poorest otherwise might have been able to afford.

Every enlargement of the "public sector" that authorizes the government to use scarce resources necessarily diminishes the private sector that allows man to produce and save and consume as he chooses. The military machine in Vietnam functions as a giant consumer. The multifaceted domestic welfare program in the United States, along with the foreign aid program, divert resources to consumption. The Space pro-

gram is a consumer of goods and services. Whether government spending on education, airways, highways, seaways, subways, and numerous other subsidized operations constitutes a net investment for productive purposes is highly debatable, to say the least. In general, the small part of government spending that goes toward keeping the peace, insuring justice, protecting life and property, and maintaining the essential market climate for open competition and trade may be deemed productive; the great balance of government spending constitutes consumption of scarce resources.

The Impact of Taxes

To view the matter in another light, consider the nature and impact of the various taxes to cover government expenditures. Do they hamper or do they encourage production?

There seems little doubt that corporation income and excess-profit taxes—progressive, in the sense that the burden falls most heavily on the more efficient operators—must tend to hinder production. They take earnings that would most likely have been invested in further production by competitors who thus would have tended to bring costs and prices down.

The personal income tax, as

thought of generally, is also progressive and thus tends to fall most heavily upon incomes that otherwise would most likely have been saved and invested productively. The exemptions tend to encourage consumption. The Social Security tax also is a personal income tax, though it is regressive in nature, falling hardest on those of least income and applying not at all in the higher income brackets. It tends to encourage many workers to quit productive employment and rely on tax-exempt relief payments instead.

Property taxes often fall heavily on business properties and thus raise costs of production. This has special impact in areas where much of the real estate is owned by churches, schools, and other tax-exempt organizations that generally fit the consumer definition, leaving a correspondingly greater burden on tax-paying producers.

Licenses and tariffs and similar privileges at the expense of potential competitors necessarily narrow the market or keep down competing suppliers, thus raising prices.

Finally, there is the tax-like phenomenon of inflation, the legalized printing of money to pay Federal bills, letting the government draw goods and services out of the market without supplying anything of value in exchange.

The process tends to hurt those on fixed incomes or pensions; it discourages traditional saving and encourages wasteful spending in attempts to hedge against further inflation. It may make for an appearance of busy-ness in commerce and industry, but often in lines of production that otherwise would be neither sound nor useful—a malinvestment of productive resources in boomtime, thus aggravating the problem of ultimate correction.

So, there is a two-pronged attack upon productive private enterprise as a result of the expansion of the "public sector": (1) the excessive government spending is heavily concentrated on consumer goods—on consumption rather than production; and (2) the methods of taxing and financing government expenditures, in contrast to voluntary spending in the market, tend to penalize and discourage thrift and productivity—to reward and encourage indolence and waste.

Trading for Mutual Gain

It is well to bear always in mind that voluntary trade occurs only if and when each party sees a gain to himself from the transaction. That both parties gain from free trade is the reason why either or both will tend to specialize and become skilled and efficient in a

given line of production. This is the great advantage the market economy affords in contrast to socialism or other coercive arrangements. But that advantage can be wiped out by government intervention, taxation, and confiscation of private property. Taxes on earnings and on transactions easily can become so burdensome that men lose the incentive to specialize and trade; the do-it-yourself business is the only one that thrives under such conditions, and civilization reverts toward the low levels of self-subsistence.

The followers of Keynes are wrong when they assume that the problem of production has been solved, that the world is plagued by an abundance of goods and services of all kinds, and that consumer desire "is the final scarcity that needs to be overcome."² What they will not see is that human wants are now and forever insatiable and that the scarcity of productive resources is man's eternal problem. Meanwhile, if we are to survive and hope for economic progress, we must continue to curb our appetites for current consumption and continue to accumulate the tools and capital that are needed to expand production. This is indeed our saving grace. ♦

² See George Reisman, "Production versus Consumption," *THE FREEMAN*, October, 1964.

CLARENCE B. CARSON



The Rise and Fall of England

12. THE FABIAN PROGRAM

THE MOVEMENT toward socialism in England was guided, directed, and pressed by the Fabians. Of course, others had a hand in it: Marxists, cooperative commonwealthers, Christian socialists, land nationalizers, syndicalists, utopians, Liberals, and labor unions, to name a partial list. But the Fabians were central to the undertaking. From the mid-1880's, they pressed vigorously and along many lines for the socialization of England. Most of the big names in English socialism eventually either became Fabians or were closely associated with them. The Fabians moved most unerringly toward political power, provided addi-

tional impetus to every rising current, gave the movement its aura of intellectual respectability, and trained so many of the leaders who would move into the political sphere. An examination of the Fabian program, too, will show that the means employed in the movement toward socialism in England were generally those advocated by the Fabians. What follows is an outline of the Fabian program as it was set forth from the 1880's into the early twentieth century, mainly in the Fabian Tracts.

The goal of the Fabians was socialism. They never made any secret of this, and, indeed, on many occasions affirmed it. For example, Tract #7 proclaims that "The Fabian Society consists of Socialists." It goes on to explain what that means:

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

It therefore aims at the re-organization of Society by the emancipation of Land and Industrial Capital from individual and class ownership, and the vesting of them in the community for the general benefit. . . .

The Society accordingly works for the extinction of private property in Land and of the consequent individual appropriation, in the form of Rent, of the price paid for permission to use the earth, as well as for the advantages of superior soils and sites.

The Society, further, works for the transfer to the community of the administration of such industrial Capital as can conveniently be managed socially. . . .

State Socialism Exclusively

The Fabians proposed to achieve these ends by the use of governmental power. The matter is bluntly stated in Tract #70: "The Socialism advocated by the Fabian Society is State Socialism exclusively." More comprehensively, "Socialism, as understood by the Fabian Society, means the organization and conduct of the necessary industries of the country and the appropriation of all forms of economic rent of land and capital by the nation as a whole, through the most suitable public authorities, parochial, municipal, provincial, or central."

However, Fabians claimed to favor constitutional means of taking over the government in Eng-

land and to be advocates of democracy. Sidney Webb claimed in Tract #70 that the "Fabian Society is perfectly constitutional in its attitude; and its methods are those usual in political life in England." Moreover:

The Fabian Society accepts the conditions imposed on it by human nature and by the national character and political circumstances of the English people. . . .

Elsewhere, he affirmed that "all students of society who are abreast of their time, Socialists as well as Individualists, realize that important organic changes can only be . . . democratic, and thus acceptable to a majority of the people, and prepared for in the minds of all. . . ." ¹ It should be clear, however, that considerable constitutional changes in the structure of English governmental power would have to be made before socialist programs could be made into law and that democracy in their hands would take on new connotations.

Emphasis on Equality

If George Bernard Shaw can be accepted as a spokesman for the Fabians, they believed in equality.

¹ J. Salwyn Schapiro, ed., *Movements of Social Dissent in Modern Europe* (Princeton: D. Van Nostrand, 1962), p. 161.

In a speech before the National Liberal Club in 1913, he had this to say:

When I speak of The Case of Equality I mean human equality; and that, of course, can only mean one thing: it means equality of income. It means that if one person is to have half a crown, the other is to have two and sixpence. It means that precisely. . . . The fact is that you cannot equalize anything about human beings except their incomes. . . .²

The chances are good, however, that Shaw was going beyond what the Fabian Society would have wanted to declare. Perhaps, some such equality was an ultimate goal, but, in practice, the Fabians only pressed toward it, as was their way, in gradual increments.

The favorite tactic of the Fabians for pressing England toward socialism was one they called "permeation." "In its most general sense, it meant that Fabians should join all organizations where useful Socialist work could be done, and influence them. . . . Taking a broad interpretation of the meaning of Socialism and having an optimistic belief in their powers of persuasion, the Fabians thought that most organizations would be willing to accept at least

a grain or two of Socialism. It was mainly a matter of addressing them reasonably, with a strong emphasis on facts, diplomatically, with an eye to the amount of Socialism they were prepared to receive, and in a conciliatory spirit."³ In the following, Shaw tells how they actually achieved "permeation" in 1888:

We urged our members to join the Liberal and Radical Associations of their districts, or, if they preferred it, the Conservative Associations. We told them to become members of the nearest Radical Club and Co-operative Store, and to get delegated to the Metropolitan Radical Federation and the Liberal and Radical Union if possible. On these bodies we made speeches and moved resolutions, or, better still, got the Parliamentary candidate for the constituency to move them, and secured reports and encouraging little articles for him in the *Star*. We permeated the party organizations and pulled all the wires we could lay our hands on with our utmost adroitness and energy; and we succeeded so far that in 1888 we gained the solid advantage of a Progressive majority, full of ideas that would never have come into their heads had not the Fabian put them there, on the first London County Council. (Tract #41.)

It is not necessary, of course,

² James Fuchs, ed., *The Socialism of Shaw* (New York: Vanguard Press, 1926), p. 49.

³ A. M. McBriar, *Fabian Socialism and English Politics* (Cambridge: Cambridge University Press, 1962), pp. 95-96.

to accept at face value all the claims of success of the Fabians, for they were never modest in their claims, in order to see that this is how they intended to operate by "permeation."

In Tract #7, the Fabians described the activities which they were to pursue in the following way:

1. Meetings for the discussion of questions connected with socialism.
2. The further investigation of economic problems, and the collection of facts contributing to their elucidation.
3. The issue of publications containing information on social questions, and arguments relating to socialism.
4. The promotion of socialist lectures and debates in other societies and clubs.
5. The representation of the society in public conferences and discussions on social questions.

Wide Range of Activities

Actually, the Fabians engaged in a wide range of activities: holding their own meetings, issuing tracts, doing research, joining organizations, engaging in socio-political gatherings, using their individual talents in subtle ways to promote socialism, writing letters to editors, making speeches, and so on.

They cast their nets as wide as

possible to draw in as many as possible of the wide range of people with beliefs amenable to some degree of socialist activity. While they usually rejected any particular panacea, as, for example, syndicalism and revolution, this did not mean that they rejected the people of these persuasions. The Fabians did not neglect to appeal to Christian socialists. Several of the Tracts are devoted to this subject. They attempt to show that there is a close affinity between socialism and Christianity and, indeed, that the attainment of socialism is a necessary framework for realizing the ideals of Christianity. The Reverend John Clifford conveys this character of the appeal in the following excerpts from Tract #78:

Another sign of the closer kinship of Collectivism to the mind of Christ is *in the elevation and nobility it gives to the struggle for life*. Collectivism does not extinguish combat, but it lifts the struggle into the worthiest spheres, reduces it to a minimum in the lower and animal departments, and so leaves man free for the finer toils of intellect and heart; free "to seek first the Kingdom of God. . . ."

Again, Collectivism affords a better environment for the teachings of Jesus concerning wealth and the ideals of labor and brotherhood. If man is . . . only "the expression of his environment," if, indeed, he is that

in any degree, then it is an unspeakable gain to bring that environment into line with the teaching of Jesus Christ.

Nor were the Fabians above appealing to communists. In Tract #113, they published a lecture that had been delivered by William Morris in which he held that "between complete Socialism and Communism there is no difference whatever in my mind. Communism is in fact the completion of Socialism: when that ceases to be militant and becomes triumphant, it will be Communism."

All Things to All People

The Fabians, then, tended to be all things to all men that they might win people to socialism. Nowhere is this clearer than in the particular programs they advocated. Here they appeared to be completely eclectic. They had few biases against any type of program so long as it was in the general direction of socialism. Such eclecticism has come to be known as pragmatism in reformist circles, but this is only another instance of how socialists take words out of context and give them their own content. For the English Fabians have been no more pragmatic in testing the value of their programs against their ultimate results than have American reformers. They have only been

pragmatic in the sense that they tested an approach by how successful it was in actually getting a program put into effect.

In any case, the Fabians advocated, from the first, a wide range of programs. They embraced government intervention and ameliorative reform, though these were, from their point of view, half-way measures at best. For example, a number of the Tracts are concerned with changes in and administration of the Poor Laws. The following argument, in Tract #54, is clearly melioristic:

The expense of relieving the poor, who are not wilfully improvident, is part of the ransom that Property has to pay to Labor; and it is a ransom which is not begged as a charity but demanded as an instalment of justice. With the growth of enlightenment and the spread of humane ideas amongst all classes, and consequently greater intelligence amongst the mass of voters in the use of their political power, we shall have better laws better administered. The worn-out, deserving worker will be maintained in self-respect in his old age; the temporarily disabled will be helped without pauperization. . . .

Of a similar ameliorative character was the proposal for a national minimum wage law advanced in Tract #127. (Incidentally, the title of this Tract is "Socialism and Labor Policy," and it

was published in 1906.) The proposal reads, in part:

Of far greater urgency and importance is the need for a minimum wage by law. . . . Every worker in a civilized state must receive a wage high enough to give him the food, clothing and house-room necessary to physical health and efficiency. . . .

The first step towards this end should be the determination of a real minimum of food, clothing and housing by an authority appointed by the government. . . . Then the government should be pressed to put its own house in order by the institution of a minimum in the public service throughout the kingdom. A Minimum Wages Bill should follow, bringing all sweated trades within the scope of the law, and punishing all employers who, after a certain date, pay less than the legal minimum. . . .

Government Ownership and Control

The Fabians worked at many levels and addressed themselves to many different audiences. Even the different Tracts were apparently aimed at people of widely varying degrees of receptivity to socialism. One might be addressed to something as unrevolutionary as the Poor Laws. On the other hand, the next might deal with the intricacies of socialist theory, while a third might be burdened down with statistics about conditions in laundries in England. The immediate thrust of the Fabians

was to get the government involved in as many economic activities as possible. The long range aim, of course, was to achieve government ownership and control over the major means of production and distribution of goods and services. This goal could be painlessly achieved, or so they claimed. Tract #13 put the matter this way:

The establishment of Socialism, when once the people are resolved upon it, is not so difficult as might be supposed. If a man wishes to work on his own account, the rent of his place of business, and the interest on the capital needed to start him, can be paid to the County Council of his district just as easily as to the private landlord and capitalist. Factories are already largely regulated by public inspectors, and can be conducted by the local authorities just as gas-works, water-works and tramways are now conducted by them in various towns. Railways and mines, instead of being left to private companies, can be carried on by a department under the central government, as the postal and telegraph services are carried on now. The Income Tax collector who to-day calls for a tax of a few pence in the pound on the income of the idle millionaire, can collect a tax of twenty shillings in the pound on every unearned income in the country if the State so orders. . . .

This was the large plan, but each step had to be taken in its

own time, and particular arguments were advanced for each one. A favorite mode of argument was to use analogy with some service government already performed to claim that another should be brought under the arm of government. For example, here is the argument for municipal milk supply in Tract #90:

If we want good milk, let us establish our own dairy farms in the country and our milk stores in the city. Many of our large towns have spent enormous sums of money to provide their citizens with water: why should they not also provide them with milk? The arguments in favor of municipal water apply with greatest force to municipal milk. . . .

Municipalization

In the early years, the Fabians directed much of their attention to getting local governments to take over enterprises. The Tracts called for "municipalization" much more frequently than for nationalization. Tract #91 called for municipal pawnshops. Tract #92 advocated municipal slaughterhouses. Tract #94 advanced the notion of having municipal bakeries. There appears to have been no particular order of priorities, for municipal hospitals did not gain the limelight until Tract #95. Municipal steamboats got full attention in Tract #97. The argument for municipal slaughterhouses was

similar to the others in many respects, so it may be presented in brief:

Many of our private slaughterhouses are in so insanitary a condition that the meat is exposed to foul emanations from drains, decomposing blood, offal, etc. They may easily become a source of grave danger to the surrounding districts. In municipal slaughterhouses, on the other hand, the buildings are especially designed for their purpose; they are kept in good sanitary condition, and the meat is therefore not subject to deterioration. . . .

The Fabian Society had earlier, in Tract #86, called for the municipalization of liquor traffic.

Provisions existed from 1890 onwards for municipalities to build houses for private occupancy, and the Fabians wished to accelerate this kind of activity. In Tract #76 they noted that the "provision of housing accommodation for the industrial classes has hitherto been left almost entirely in the hands of private enterprise, with the inevitable result that high rents are exacted for the privilege of occupying squalid dwellings whose very existence is a grave social danger." They give this advice: "In order to get the Acts utilized by the local sanitary authority, it is advisable to carefully collect facts relating to insanitary areas and dwellings, and

thus to prove the necessity for municipal action. In large towns the work of demonstrating such need is only too easy."

A Middle Way

Of course, the Fabians did not overlook a prominent role for the national government and for nationalizing. Local governments in England are, in their inception, creatures of Parliament, and their activities have been at one time or another authorized by that body. Thus, whatever body undertook socialization directly, its activities would be authorized and could be directed by Parliament. In Tract #108 the Fabians advocated "National Efficiency," and a "National Minimum" for working conditions, for housing, for standards of living, and for education.

To achieve this, they proposed the use of grants-in-aid, a device with which Americans have since become familiar. Their argument for the grant-in-aid is sufficiently revealing of the way they advanced an idea to be worth examining briefly. They described it as a middle way between centralization and local autonomy. "The middle way has, for half a century, been found through that most advantageous of expedients, the grant in aid. We see this in its best form in the police grant." According to the Tract, local police

were frequently ineffective, and poorer districts were not financially able to maintain efficient police. "A grant in aid of the cost of the local police force was offered to the justices and town councilors — at first one quarter, and now one half, of their actual expenditure on this service, however large this may be."

Nationalization

But for activities which were nationwide, the Fabians proposed nationalization. It is clear, too, that even where the activity was not truly nationwide, they were thinking of national planning for and control of it. For example, Tract #125 deals with the question of electricity and street transportation. The author(s) argues that the provision of these services efficiently extends beyond the bounds of any municipality. He proposes, then, that the country be divided into several provinces, in each of which there will be a provincial board empowered by Parliament to plan for these services. Nationalization, however, appears to be the ultimate aim. For they say:

The establishment of a system of provincial boards as here indicated does not exhaust the possibilities of coordination of area in connection with local government and the collective control of industry. In course

of time it will be found possible to carry the development a stage further, and from the Provincial Boards to elect National Boards, which would stand in the same relation to the Provinces as the Co-operative Wholesale Society does to the various societies which are its component parts. For instance, a National Board elected from the provincial Transit and Electricity Boards might be empowered to carry on the work of building rolling stock by direct employment in its own workshops for the whole of the publicly owned transit services of the country. It might also start factories for the manufacture of tramway rails and motor cars. It could undertake the work of constructing plants of all kinds for publicly owned electric light and power installations. Various local authorities build their own vans, carts, and wagons, and there is no reason why tramcars could not be built in a public workshop with equal ease. . . .

The above has been quoted at length because it indicates how Fabians would move from local activity to regional control to nationalization to socialism.

Some nationalization was to be more directly undertaken, as they envisioned it. Tract #119 called for the direct nationalization of the railways and merchant marine. This would involve some kind of confiscation, as they foresaw. Of course, the owners should be compensated, but the Fabians

proposed that the compensation should only constitute a payment of profits to shareholders, not the return of their capital investment. In short, the capital would simply be expropriated. As for agriculture, Tract #123 says: "Our ultimate aim is to bring the whole of the land into national ownership. . . ." Land would be acquired in much the same way as railroads and shipping. "The Committee would have power to acquire land compulsorily. If a fair rent had already been fixed, then the purchase would proceed on the lines of securing to the vendor his net income, that is, the rent. . . . If such a rent has not been fixed, then its ascertainment would form a preliminary to purchase."

Each Step Forward a Prelude to the Next

Thus would England proceed step by step toward complete socialism. This involved no necessary order to action. Each step would draw the country inexorably toward the next, or toward others. Government ownership at any level of anything would prepare the English mentally for ownership at another level of something else. Government planning of one activity would make necessary the planning of associated activities. Since an economy is ultimately inextricably intertwined, it must all

be eventually socialized to attain national integrity. The productivity and flexibility of private enterprise could be continued without what were for them the infelicities of private ownership, and all could be achieved without anyone being greatly hurt.

This was the Fabian blueprint for England. The Fabians were remarkably provincial. The rest of the world concerned them hardly at all in the early years. That England was the world's financier during the years in which they

were constructing their pipe dream hardly concerned them. But they were probably as innocent of knowledge about international finance as they were of how to milk cows. Yet the English people were greatly attracted to these notions, and they were drawn into the political efforts by which the blueprints were supposed to result in a new edifice. That these were blueprints for the Fall of England, they were not told. To see that they were, we must now turn to the actual course of development.



*The next article of this series will trace the implementation of
"Reform Ideas into Political Action."*

IDEAS ON LIBERTY

The Power of the Press

JOURNALISTS, always chary of saying that which is distasteful to their readers, are some of them going with the stream and adding to its force. Legislative meddlings which they would once have condemned they now pass in silence, if they do not advocate them; and they speak of *laissez-faire* as an exploded doctrine. "People are no longer frightened at the thought of socialism," is the statement which meets us one day. . . . And then, along with editorial assertions that this economic evolution is coming and must be accepted, there is prominence given to the contributions of its advocates. Meanwhile those who regard the recent course of legislation as disastrous, and see that its future course is likely to be still more disastrous, are being reduced to silence by the belief that it is useless to reason with people in a state of political intoxication.

THE **SQUEEZE** ON THE MIDDLE CLASS

WILLIAM HENRY CHAMBERLIN

THE MIDDLE CLASS, the large group of many occupations — professional men, engineers, skilled mechanics, farmers, small businessmen, salaried employees, farmers, to list only a few — that stands between the extremes of wealth and poverty has always been the standardbearer and the surest and most solid support of a society based on political liberty and economic freedom. It began to emerge with increased power and influence with the decay of the medieval feudal system and waxed strong in the struggle to curb the arbitrary power of monarchy and establish free representative institutions.

The middle class was active in the leadership of the three principal revolutions of the Western

world, the British in the seventeenth century, the American and the French in the eighteenth. The French was perverted and distorted to some extent by the greater misery of the masses, especially of the Parisian mob, which lent itself to the manipulation of extremist demagogues, intoxicated with doctrinaire ideas of establishing not equality of opportunity, the American ideal, but complete material equality, to be enforced by dictators operating in the name of virtue and using the guillotine whenever moral suasion failed. Out of all the turmoil and excesses of the French Revolution, its Napoleonic aftermath and the various royal, imperial, and republican regimes that followed during the nineteenth century, middle-class social and economic values acquired a firm footing. France supplied some of the most eloquent and erudite expon-

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

ents of the free economy, such men as Frederic Bastiat and Jean Say.

It is the nature of absolute power, whether it be that of a king surrounded with inherited pomp, ceremony, and pageantry or that of a revolutionary dictator, to recognize no limits on what it may do with regard to those under its rule. So it is significant that John Locke, the outstanding philosopher of the British constitutional revolution whose ideas very much influenced the leaders of the American Revolution, insisted upon the natural right of man to "life, liberty, and property."

There was never any doubt in Locke's mind, or to those of the educated middle class for whom he spoke, that property, far from being opposed to liberty, is one of the essential rights of free men. Locke, a true liberal in the original sense of a word now often perverted and misapplied, went so far as to describe the preservation of their property as "the great and chief end of men's uniting into commonwealths."

The rising and expanding middle class was open to any able and industrious citizen, whatever his origin and background. What they more or less consciously wanted and needed was a state authority strong enough to protect honestly

acquired possessions against spoliation but not so strong as to engage in spoliation itself.

No Taxation

Without Representation

It is not surprising that some of the movements that led to the establishment of the supremacy of Parliament in Great Britain and to the separation of the United States from Great Britain were triggered by one specific property right: the right of the individual not to be taxed without his consent. In his effort to govern without the inconvenience of having a Parliament in session, King Charles I resorted to an old tax known as ship money. In the past it had been levied only in time of war and in certain maritime parts of the country. Charles imposed the levy in peace, and without geographical limitations.

One of the leaders of the opposition in Parliament, John Hampden, refused to pay the tax, contending that it was illegal. Seven out of twelve judges who heard the case, under strong pressure from the Crown, ruled against Hampden. But his stand aroused nationwide attention and sympathy and, as soon as Parliament was again called, "ship money" was ruled illegal. Hampden, a country landowner, was as willing to fight for liberty as to

speak for it. When the differences between King and Parliament reached the point of civil war, Hampden raised a regiment among his tenants and lost his life in one of the many skirmishes and small battles that followed.

In the United States, also, "taxation without representation" was a fighting issue. Like many other small causes of big events, the British levies on stamps and tea were petty in immediate impact; but the underlying claim that a Parliament in London three thousand miles away might lay imposts on colonists who were not (and, under the travel and other circumstances of the time probably could not be) represented there excited justified suspicion and resistance. The colonists knew very well that taxation accepted without protest would probably mean double or treble taxation in the future.

Irresponsible bureaucracy ranked high with arbitrary taxation among the causes which led the American colonists, when protests and remonstrances had failed, to take up arms. This is evident from the following clause in the indictment of King George III in the Declaration of Independence:

He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our People, and eat out their substance.

How surprised and shocked would have been the men who fought against a foreign tyranny at Lexington and Bunker Hill and Saratoga and Yorktown if they could have foreseen today's bureaucratic monster, in the shape of Federal, state, and local governments, costing almost \$9,000 a second to operate, and doubling its exactions from the labor of its citizens every ten years.

Design for Limited Government

No such monster was envisaged in the Constitution which the deliberations of a representative group of leading citizens of the various states yielded as the constructive fruit of the achievements of the American revolutionaries in arms and diplomacy. It is an uncommonly useful and instructive exercise periodically to read over this charter of American laws and liberties. And one of its most striking features is the sparseness of promises as to what the new government will do *for* the people (indeed, there are practically no such promises), compared with the many explicit guaranties as to what the government may not do *to* the people as a whole or as individuals. These immunities included, until the adoption of the **Sixteenth Amendment** in 1913, assurance against the imposition of the graduated income tax.

The kind of government outlined by the American Constitution is in line with the political philosophy of John Locke and Adam Smith that "every man is by nature first and principally committed to his own care." What the Constitution promised is not to make each citizen healthy, wealthy, and wise — something beyond the power of government — but to remove state obstacles to his achieving these objectives by his own efforts.

This was the logical outcome of the struggle against absolute monarchy and feudalism, a struggle in which the middle class played a leading role. It was under this philosophy that the middle class prospered and expanded, because it was no closed hereditary caste but a group in the community which anyone might join with the requisite conditions of industry and ability.

Social Security?

But today, at first gradually and imperceptibly, then more boldly and blatantly, a completely different philosophy of statism has tended to supplant individualism, both in the United States and in Great Britain and in varying degrees in other Western countries. (One need hardly refer to the European and Asian countries where the individual has lost all liberties — economic, personal, and political, to

the grasping thrust of an all-powerful state).

Under this philosophy the government promises its citizens various forms of alleged security, in return for which it exacts a first lien on what they earn by their labor, a lien that is indefinite and ever-expanding. The benefits may look good on paper; but their real value is steadily sapped by inflation, the erosion in the purchasing power of the currency that is the invariable accompaniment of vast government spending. Increasing amounts are taken from everyone's salary to pay for what is euphemistically called Social Security, while the dollars which may be some day paid out steadily diminish in value.

Following British Lead

This process has gone further in Great Britain than in the United States, so that a visit to Britain gives a preview of what may be the plight of the United States ten or twenty years hence. There was a time, before World War I and to a lesser extent in the interwar years, when the British pound was considered a desirable currency, not only to earn and spend, but to save. No longer. Malcolm Muggeridge, leading British television commentator, wrote recently:

Our currency is gently expiring which lets us off any form of saving.

It would be as sensible to save next winter's snow as the Pound Sterling.

We have come to think of our currency as an ailing elderly uncle; yesterday he had a good day, this morning he was feeling a little better, and able to sit up and take a little nourishment, only in the afternoon to suffer a slight relapse. One day, of course, he will pass away — dear old Pound Sterling. It had to happen, but even so he'll be missed.

Mr. Muggeridge has a habit of satirical exaggeration; but there is plenty of evidence to support his dim view of his national currency. What were once called gilt-edged securities are selling at fantastic discounts on the London Stock Exchange. New Zealand recently floated a loan in London at 6¾ per cent, but with an interesting proviso: the value of the loan was to be reckoned in German marks, with correspondingly higher interest and principal payments in the event of a devaluation or writing down of the value of the pound in terms of other currencies. Such a devaluation did occur after the loan was floated.

The "English Disease"

The lack of adequate incentives to capital and to labor — due to inflation and the steady depreciation in the real value of the pound — is a basic reason for what is called on the European continent the Eng-

lish disease: the inability of Britain, year after year, to balance its international payments, paying out more than it takes in.

In America also the middle class finds itself more and more ground between the two millstones of inflation and ever higher taxation at all levels, Federal, state, and local. It is, of course, a basic part of the welfare state theory that government bureaucrats can spend an individual's money better than he would spend, or save, that money himself if it were not siphoned off in taxes. Some aspects of the 1968 election in the United States can only be interpreted as the desperation of certain taxpaying, self-respecting, substantial citizens confronted with continually higher tax bills while their wives complain of ever-higher prices at the supermarket.

The Tax Foundation recently reduced to specifics the impact of inflation and higher prices on an imaginary character named Charlie Green. Charlie is in relatively favorable circumstances; he earns \$12,000 a year, up from \$7,500 ten years ago. But not all is gold that glitters in Charlie's pockets, even though his income is about \$3,000 more than that of the average American family of four. Charlie has a 17-year-old son and a 15-year-old son and financing them through college, where board and

tuition charges have been rising as fast as taxes, is not the least of his worries.

Between 1958 and 1968, Charlie's Federal tax is up from \$1,266 to \$2,169; his state tax from \$169 to \$610; his local property tax from \$590 to \$1,301. All have been rising faster, the state and local tax considerably faster, than his income. And rising prices have wiped out \$489 of his after-tax pay boosts.

What makes the outlook even gloomier for the economic survival of the millions of Charlie Greens who comprise the middle class is the cumulative effect of many existing taxes. The full impact of the expense of much of the social welfare legislation enacted by the spendthrift eighty-ninth Congress has not yet been felt. This is also true of the cost of Social Security, which went up again, and appreciably, at the beginning of 1969. As invariably happens with such hand-outs, the price tag of Medicare, Medicaid, and similar social patent medicines is much higher than the original estimate.

And there is no lack of ingenious schemes for taking what others have earned, for reaping what has not been sown, for still further pillaging the thrifty for the supposed benefit of the thriftless. When, in a time of normal

industrial activity, there are one million people on the welfare rolls of New York, when those who provide the most essential services, teachers, policemen, firemen, sanitation employees, hold up an almost empty municipal treasury for raises out of all proportion to the rising cost of living, it is clear that something is radically wrong.

A Backbreaking Burden

If present trends continue and accelerate, it is not difficult to foresee a time when incentive to creative work by hand or brain will disappear, because its fruits will be eagerly plucked by half a dozen sets of tax collectors. One root cause of the trouble is the change from the time when the American taxpayer was supposed to have done his civic duty when he supported himself and his family and the religious, philanthropic, and educational causes of his choice. Now, he is expected to carry on his shoulders the weight of supporting millions of workless indigent in this country, assuring the triumph of democracy in countries that hardly know the meaning of the word, relieving the age-old poverty of Asia and Africa and Latin America, and paying the cost of such sociological experiments as busing children for miles from their homes and

rebuilding slums which he never made.

The burden is backbreaking and it will not be surprising if some Americans, despairing of relief from an intolerable situation, are tempted to experiment with quack remedies that may be foolish and harmful. What is most needed is education in economic realities, education that will lead to remedial action.

When more people see the state as a robber baron that takes *from* them, not as a Santa Claus that gives *to* them, the prospects will have improved for the dismantling of the bureaucratic monster. (How completely out of hand this monster has grown is evident from the fact that the national budget, which only passed the billion dol-

lar mark early in this century, now stands at \$186 billion). One essential condition for reform is for the voter to use the power of the ballot more intelligently and discriminatingly than he does at present. Every legislator, every executive, at state and national levels, who makes new taxes necessary should be marked for defeat the next time he runs for office.

When the majority of the people recognize that the free-spending leviathan state is the main source of their financial and economic grievances and insist on drastic retrenchment at any cost, the prospect of the survival of the independent middle class will be much brighter than it is at present. ♦

IDEAS ON LIBERTY

Contract or Status

Using the word co-operation in its wide sense, and not in that restricted sense now commonly given to it, we may say that social life must be carried on by either voluntary co-operation or compulsory co-operation; or, to use Sir Henry Maine's words, the system must be that of *contract* or that of *status*; that in which the individual is left to do the best he can by his spontaneous efforts and get success or failure according to his efficiency, and that in which he has his appointed place, works under coercive rule, and has his apportioned share of food, clothing, and shelter.

HERBERT SPENCER, *The Man Versus the State* (1884)

Consider Your Stand

GOTTFRIED DIETZE

Last fall, Students for a Democratic Society urged teachers to refuse to teach on November 5 (Election Day) in order to "protest an election without choice." The following memorandum of November 3, 1968, was addressed to "Teaching Assistants Concerned" by Dr. Gottfried Dietze, Acting Chairman, Department of Political Science, The Johns Hopkins University, Baltimore, Maryland.

MEMORANDUM

SUBJECT: *Your refusal to teach on November 5 in order to "protest an election without choice."*

Let me urge you to do your regular teaching on November 5, unless such teaching is canceled by the university. You should not interfere with the process of learning, but should fulfill obligations you assumed when you accepted admission as a student, fellowship aid, and a teaching assignment for the current academic year.

The relationship between student and university is a contractual one. Implicit to that contract is the promotion of learning. This precludes interference with learning as it is offered by the school in conformity with its program which is available to everyone who applies for admission. A student who interferes with the process of learning commits a breach of contract. This applies a fortiori to students, who by action of the university, receive financial aid and are given a teaching assignment in the expectation that they will excel in the promotion of learning.

The university extended a special trust to you. It was under no obligation to admit you for the current year, to assure you financial aid, or to provide you with a teaching opportunity. The fact that you did enroll indicates that you preferred its program over that of other schools and that you considered this university's offer more attractive and more generous than offers from other schools. Please reciprocate. Although you are free to resign, as long as you enjoy the privilege of being enrolled, the university has every right to expect that you fulfill your obligations.

This by no means excludes legitimate protest. Universities are places of protest by definition. Research and teaching — learning — are unthinkable without the possibility of protest. Protest is the lifeblood of academic freedom, a prerequisite for progress. However, universities can be havens for protest only if the process of learning is not curtailed. For learning promotes rational protest which is to be preferred to irrational demonstrations. Although the scope of university

programs will always be limited (which is obvious in catalogues), it is conceivable that university officials will arbitrarily impede the process of learning. In that case, protests through the proper university channels are in order. But never must such protests interfere with learning.

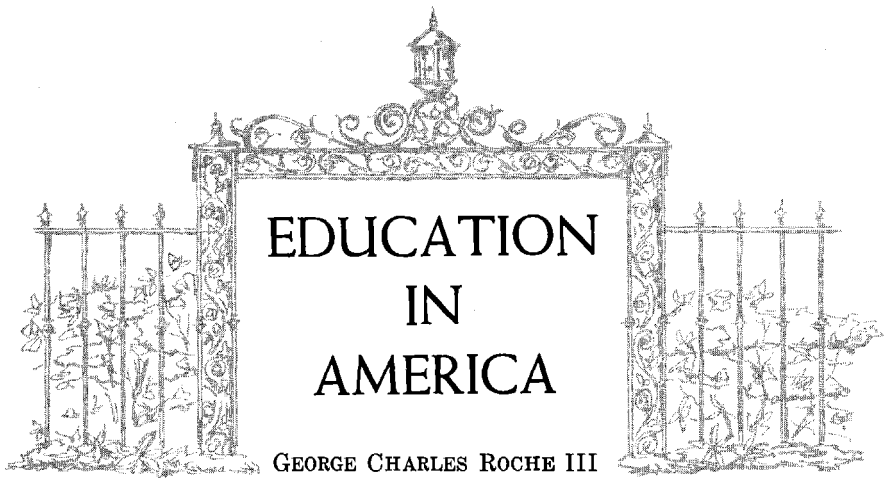
You refuse to teach because "the democratic process has failed." It so happens that the Johns Hopkins Press just published my new book, *America's Political Dilemma*,* a study turning around the decline of rational democracy as a result of the pseudo-liberalism that has determined governmental policy since the New Deal. However, this regrettable fact could never induce me not to teach. I believe with Jefferson that through education we can improve the democratic process and achieve a rational, working democracy which protects life, liberty, and property.

Your complaint that the coming election is one without choice is in no way connected with the policies of this university. You do not blame the university for the failure of the parties to nominate candidates that are more to your liking. Yet, you intend to let the university suffer for something it has not done. You intend to deprive undergraduates who pay tuition of the instruction they are entitled to, although they were not involved in the nomination of candidates for the presidency. You do not protest to the university authorities because you have no cause for protest. Yet, in refusing to teach, you interfere with learning — an action you would not be entitled to even if the university had given you such cause.

If A hits you, you may want to strike back, although it often may be wise to complain before striking the second blow. But would you hit the innocent B in retaliation for A's act?

Won't you reconsider your present stand?

*EDITOR'S NOTE: Reviewed in THE FREEMAN, June, 1968, by Edmund A. Opitz. Admiral Ben Moreell, Chairman of the Board of Trustees, Americans for Constitutional Action, commented on this book: "Vitaly important . . . easily readable, yet scholarly and well-documented . . . a closely argued, systematic and provocative study of the American scene . . . It is a timely book which can do tremendous good. I strongly recommend that everyone interested in constitutional government and the preservation of freedom read it."



5. *Discipline or Disaster?*

MODERN MAN'S collapse of values and intellectual decline must be attributed at least in part to his undisciplined nature. In no other age have men seemed so unwilling to exercise or accept any restraint upon individual appetite. We no longer seem to know how to discipline our young, perhaps because we no longer know how to discipline ourselves. If we could uncover the philosophic underpinnings of this nondiscipline, much of what is happening today in our educational structure would per-

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

haps become more understandable — and less acceptable.

Schools, of course, are not solely to blame for the collapse of values and discipline in our society. Yet, at a time when individuals cry out for spiritual meaning and direction in their lives, all too many of our schools seem to play down the role of discipline, pinning their hopes upon more elaborate physical facilities, more of the “self-expression” and “recreation” that already reflect the undisciplined values of our age.

If we fail to sow the seeds of values and of discipline among our young, we should not be surprised at the harvest. As Albert Jay Nock

phrased it in *The Theory of Education in the United States*:

Nature takes her own time, sometimes a long time, about exacting her penalty — but exact it in the end she always does, and to the last penny. It would appear, then, that a society which takes no account of the educable person, makes no place for him, does nothing with him, is taking a considerable risk; so considerable that in the whole course of human experience, as far as our records go, no society ever yet has taken it without coming to great disaster.

To educate the young in proper values and proper self-discipline is not unduly complicated. Children have no stronger urge than to be "grown up," and are quick to imitate the adult behavior they see around them. The inculcation of proper values and proper self-discipline requires that we act as we wish our children to act. If we would discipline our children, we begin by disciplining ourselves.

But, here is the problem: How can we expect the exercise of self-discipline by parents who are themselves products of a permissive educational system? The sound idea that a child's interests should be taken into account in planning an educational program has been twisted to mean that a child should be given whatever he wants. Parents first abandon to the schools the responsibility for

teaching values and discipline; the schools in turn reply that discipline and value-education can best be left to the children themselves. Small wonder that children rebel when thus abandoned by their elders.

Much of the revolt against authority came in the wake of World War I. The 1920's saw the crystallization of an attitude which totally rejected any standard outside the self. Freudian psychologists insisted that restraint of any natural desire is bad. The "new era" theorists taught us that art was the unplanned result of a head-on collision between the artist's personality and the medium of his work. The professional educationists made the cycle complete in telling us that our young should do only what they wish to do. Such evidences of anti-discipline, in psychology, in art, and above all, in education, are now so commonplace that we take them for granted. All of this has gone hand in hand with the subjugation of intellect to emotion, impulse, and instinct.

Freedom Becomes License

A certain balance of freedom and order is essential, not only in education but in all human endeavor. The importance of freedom in the educational process has already been discussed at length.

But the peculiar conception of "freedom from" rather than "freedom for" carries with it a rejection of all the values and inner disciplines which are necessary to give freedom any real meaning. Today "freedom" has a quality tending suspiciously toward what an earlier generation would have called "license." "Do what you want when you want to do it," modern society tells its young, and then is surprised when the young do just that!

One of the ultimate contrasts that presents itself in a subject of this kind is that between habit as conceived by Aristotle and nature as conceived by Rousseau.

"The first great grievance of the critical humanist against Rousseau is that he set out to be the individualist and at the same time attacked analysis, which is indispensable if one is to be a sound individualist. The second great grievance of the humanist is that Rousseau sought to discredit habit which is necessary if right analysis is to be made effective. "The only habit the child should be allowed to form," says Rousseau, "is that of forming no habit." How else is the child to follow his bent or genius and so arrive at full self-expression? The point I am bringing up is of the utmost gravity, for Rousseau is by common consent the father of modern education. To eliminate from education the idea of a progressive adjustment to a human law, quite apart from tem-

perament, may be to imperil civilization itself. For civilization (another word that is sadly in need of Socratic defining) may be found to consist above all in an orderly transmission of right habits; and the chief agency for securing such a transmission must always be education, by which I mean far more of course than mere schooling.¹

Babbitt was right, of course; learning is rapidly declining in most of our schools, through a steady erosion of standards, intellect, and discipline. The late President Eliot of Harvard epitomized the tendency of our time when he insisted, "A well-instructed youth of eighteen can select for himself a better course of study than any college faculty, or any wise man who does not know his ancestors and his previous life, can possibly select for him. . . . Every youth of eighteen is an infinitely complex organization, the duplicate of which neither does nor ever will exist." The libertarian, of course, centers his case upon the individual, upon a personality whose very uniqueness necessitates freedom of choice; but the libertarians must also help to provide a proper value structure within which that choice takes place, else the choice itself becomes meaningless. It is such a

¹ Irving Babbitt, *Rousseau and Romanticism*, p. 292.

meaningless choice to which President Eliot and most modern educationists have condemned our young people. In Irving Babbitt's phrase, "The wisdom of all the ages is to be as naught compared with the inclination of a sophomore."

Underlying this willingness to allow the young person to pick and choose without discipline or direction is the tacit assumption that no body of knowledge exists as a proper explanation of the human condition. The great point becomes not to teach knowledge, but to teach students. If no standards exist, how can they be passed on to the young?

Simply, it may be called the philosophy of "doing what comes naturally." At the intellectual level, for example, it is held that there is some magic value in the uninhibited and uninformed opinion if freely expressed. And so discussion groups are held in the grade schools and the high schools on such subjects as "What do *you* think about the atom bomb?" or "teen-age morality" or "banning *Lady Chatterley's Lover*" or "implementing freedom among underprivileged nations" or what not. The poor little dears have scarcely a fact to use as ballast. But no matter. The cult of sensibility believes that continuing, free, uninhibited discussion will ultimately release the inherent goodness of natural instincts and impulses. The fad for "brainstorm-

ing" has passed, but not the philosophy behind it.²

Today it seems to be assumed that any opinion whatsoever is justified so long as it is held with sufficient sincerity and emotional fervor. One shares with Irving Babbitt the feeling that "perhaps the best examples of sincerity in this sense are to be found in insane asylums."

In part, this endless capacity for "dialogue" and "the open mind" stems from the same philosophic roots producing our decline of standards and decline of intellect. Unless the individual finally uses that open-mindedness as a preparation for the final act of *judgment* and *selection*, that is, uses his free inquiry and fact gathering as a means of finally *reaching a conclusion*, then open-mindedness becomes only the drafty, valueless cavern through which blow the cold winds of decline and death.

A society unwilling to discipline its thinking and its young is a society doomed to extinction.

A Disciplined Effort Required for the Education of Leaders

Good or bad leaders will always be with us, and no amount of Rousseau's "General Will" or

² Calvin D. Linton, "Higher Education: The Solution — or Part of the Problem?" *Christianity Today*, Feb. 16, 1968.

democratic faith in numerical majorities can change that fact. We will be no better than the quality of the leaders within our society, and the quality of leadership in a democracy will be no higher than the level of popular understanding permits. Unfortunately, a low level of understanding is foredoomed in a society lacking a disciplined educational structure.

We seem unwilling to accept the discipline of genuine language study. Many future voters cannot tell the meaning of such words as grammar, logic, or rhetoric, much less use or appreciate the skills involved. The study of history has fared little better. Through modern "social studies," the sobering truth of history has been carefully concealed from our young. Man's achievements *and* his failures, the painful reality of the fate awaiting the self-indulgent society and the self-indulgent individual, have been carefully buried in reams of uninformed nonsense centering on "group dynamics" or misinformed propaganda slanting the student toward collectivism as a means of solving all our "social problems."

All too many of the subjects taught to America's young people reflect this headlong flight from any meaningful discipline of the mind. A society which thus educates its leaders may expect rough sledding ahead.

"Progressive Education" at Work

The lack of discipline noted in our educational institutions stems from both external and internal weaknesses. Many modern educators cannot control or properly direct their students, nor can they display the internal discipline of mind and heart to control their own intellectual and spiritual behavior. Small wonder that those teachers who are themselves undisciplined prove such poor examples to the young.

Genuine creative capacity involves more than the natural talent of a child. A properly disciplined atmosphere must surround the child to allow his creative capacities to come to light. Children cannot be creative in a vacuum, but a vacuum is exactly what we provide when our teachers are drawn from a philosophic system denying standards and discipline. One of the last century's great commentators on education, Matthew Arnold, once remarked:

It is . . . sufficiently clear that the teacher to whom you give only a drudge's training, will do only a drudge's work, and will do it in a drudge's spirit: that in order to ensure good instruction even within narrow limits in a school, you must provide it with a master far superior to his scholars.³

³ G. H. Bantock, *Freedom and Authority in Education*, p. 98.

It should go without saying that a vast number of America's teachers are anything but drudges; many of them show great self-discipline and high standards, which they constantly reflect in the educational experience they are attempting to impart to our young people. Even so, we find far too many teachers of the other sort, lacking discipline and lacking standards. Moreover, even our best teachers are severely handicapped by an educational structure whose underlying philosophy minimizes proper discipline. Many proponents of progressive education insist that learning be set aside in favor of the unreflective and spontaneous desires and attitudes of the child. The child is to be encouraged to follow his own desires in what he studies. Intellectual effort is to be displaced by spontaneous "activity." Competition and a disciplined system of grading are to be shunned, since they imply superiority and inferiority. The child is assumed to be able to meet his own educational needs without external pressures. In a word, we are to achieve education without discipline.

A Line of Least Resistance

True education, of course, implies discipline. The discipline of competition, the discipline of standards, the discipline of re-

sponsible adults who have determined what is of real and enduring purpose, the discipline of concentration, these are among the essentials of true education. Anything less soon leads to what Irving Babbitt described as a typical result of the "new approach" to learning:

Having provided such a rich and costly banquet of electives to satisfy the "infinite variety" of youths of eighteen, President Eliot must be somewhat disappointed to see how nearly all these youths insist on flocking into a few large courses; and especially disappointed that many of them should take advantage of the elective system not to work strenuously along the line of their special interests, but rather to lounge through their college course along the line of least resistance.⁴

The new motto in education all too often seems to be "jack of all ideas, master of none" apparently implying that, if our young people dabble in enough subjects, never mind whether they ever master any particular subject, "education" will somehow have taken place. Genuine enlargement of the mind presupposes sufficiently disciplined study to achieve a grasp of a subject. This must be coupled with the equally necessary discipline of viewing all subjects as por-

⁴ Irving Babbitt, *Literature and the American College*, p. 35.

tions of a single reality expressive of human existence. An educational philosophy which never allows the student to master any particular subject and which denies the existence of universally applicable general principles is a system calculated to retard the mental growth of its pupils. We have become so concerned about providing "real life situations" in the classroom, so concerned about providing a cultural potpourri based on technological developments in radio, the movies, and television, that the young people educated in our system are no longer in touch with reality, very uncertain as to just who and why they are.

Undermining the Teacher

When no inviolable standards remain, it is natural that the teacher will no longer think of himself as being in authority. All discipline must go, since the teacher has no concepts to impart and is to function only as a leader, synchronizing the amorphous collective development of his participants. Thus, external discipline joins internal discipline in the discard. In such a system, one of the keys for genuine education is lost. The relationship between the master and the pupil, between the one who has achieved discipline and the one who has yet to achieve

it, ceases to exist. Also lost is much of the traditional authority and prestige of the teacher.

The child-centered school may be attractive to the child, and no doubt is useful as a place in which the little ones may release their inhibitions and hence behave better at home. But educators cannot permit the students to dictate the course of study unless they are prepared to confess that they are nothing but chaperons, supervising an aimless, trial-and-error process which is chiefly valuable because it keeps young people from doing something worse. The free elective system as Mr. Eliot introduced it at Harvard and as Progressive Education adapted it to lower age levels amounted to a denial that there was content to education. Since there was no content to education, we might as well let students follow their own bent. They would at least be interested and pleased and would be as well educated as if they had pursued a prescribed course of study. This overlooks the fact that the aim of education is to connect man with man, to connect the present with the past, and to advance the thinking of the race. If this is the aim of education, it cannot be left to the sporadic, spontaneous interests of children or even of undergraduates.⁵

Social Effects of the "New Education"

Most civilized men have appreciated the fact that they must de-

⁵ Robert M. Hutchins, *The Higher Learning in America*, pp. 70-71.

cide certain things for their children, at least until the children attain sufficient capacity to decide for themselves. True freedom is the freedom of self-discipline, a freedom to choose within acceptable standards and values. Take away the values and standards, take away the discipline, and meaningful freedom is taken away as well.

In the education of our future leaders, we might well remember that men without moral discipline, men who deny any allegiance to standards higher than themselves, are likely to become leaders or to follow leaders who stand for nothing but brute force. As modern educationists struggle to "free" man from the old "limiting" standards, they justify their stance with constant reference to the democratic way of life. Any attempt to impose standards is thus labeled "undemocratic." It is worth remembering that democracy is a *political* concept and that all applications of that concept to other aspects of human life, education included, are the tacit admission that the architects of the new order intend that all values will ultimately be political values. In all of the endless talk about "growth" that fills our discussion of education, we steadfastly re-

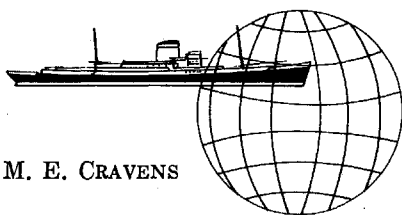
fuse to answer the one central question, growth for what purpose?

"Growth for what purpose?" We are told at various times that the goals include "self-expression," "life adjustment," "adaptation to daily living." The school seems to have become a center in which the individual is told that he will be subjected to no disciplinary standards, that he can be "himself."

How does the student realize himself? By adjusting to his peers and to the society around him. He must learn to "get along." He fulfills himself in his capacity to work with others . . . in and of himself he is nothing. If he has strivings or attitudes not in conformity with the world around him, he must "adjust." He, not society, is in the wrong. The individual, stripped of the standards of self-discipline which would allow him to be his unique self, is thus educated in the new value of conformity.

How can this conformity be described except as a mass of standardized mediocrity? How can such a society hope to generate the leadership necessary for its continued existence? The choice, finally, is between discipline and disaster. ♦

The next article of this series will discuss "The Perpetual Adolescent."



M. E. CRAVENS

Pricing Ourselves OUT of World Markets?

WHETHER OR NOT we're pricing ourselves out of world markets is a moot question. But there's no doubt that competition from foreign producers has intensified. We may hold an edge on quality, but foreign products often are cheaper. Auto manufacturers, for example, are re-evaluating their policies in an effort to meet competition. Like many other industries, they are building plants abroad and hiring foreign labor to produce for sale in other countries and also in the U.S. market. A number of U.S. industries are asking for increased tariff or quota protection against imports.

Foreign competition plagues agricultural as well as industrial producers. Currently, some 20 per cent of our agricultural exports are subsidized in some way. Some other countries also follow the practice; but it is ironic that the U.S. farmer, who is producing enough for himself and 40 other people, cannot compete with less

productive farmers elsewhere. For instance, in cotton, the U.S. is now a net importer instead of an exporter; in tobacco, we have been losing ground rapidly in world markets since 1949.

Actually, the inability to compete in certain things is not necessarily a sign of lack of productivity in our economy. It happens all the time. For instance, in 1889 Ohio was the leading apple-producing state with 14 million bushels, and ranked fifth in the production of potatoes with 16 million bushels. Today, Ohio is eighth in apple production and sixteenth in potato production, with about 3 million bushels of each—less than enough for its own use.

Shifts of Production

So it is with specific agricultural and nonagricultural products in other states and areas in the U.S. and among countries of the world. Shifts in production, no matter where in the world, occur in response to certain factors. The advantages of specialization and

Dr. Cravens is Professor of Agricultural Economics at Ohio State University.

voluntary trade are world wide.

As economies develop, as transportation systems improve, as demands change, the most profitable combination of resources in a given area may change. The land, labor, capital, and management are shifted to the use that will pay the highest return. This flexibility of adjustment to changing conditions is one of our major advantages. A market-oriented economy provides the mechanism to signal needed shifts.

Today, however, there is widespread belief that the government can and should do something to prevent these economic "laws" from working to the hardship of present businesses and employees. We are encouraged to reject the possibility that someone else can grow peanuts more efficiently than we can. Because peanuts was the most profitable crop for our grandfathers and our fathers, and they made a living growing peanuts, we should be secure in the right to do this too!

In the past 30 years we have about convinced ourselves that we can "eat our cake and have it, too." In other words, that we can have foreign aid and foreign trade without foreign competition. Recent trade and payments problems have brought us face to face with the fact that the rules still apply to us.

Why Are Costs Higher?

If prices and costs are rising in the United States relative to those of our foreign competition, how does this happen? Several reasons have been suggested. Labor leaders say profits are too high. Spokesmen for management say wages are too high, labor is unproductive, and taxes are too high. Some say that the rate of investment in new plants is too low. And each faction is likely to be so well satisfied with its own answer that it ignores the answer given by others.

In the world of business, it's not uncommon that a firm may find it is operating at a loss. There's no doubt that lack of profits in many domestic industries is a major problem. And the typical result is a reduction in operations and the laying off of laborers. The reason often given is that foreign competition has taken customers by offering products for lower prices.

On the other hand, the business firm that successfully sells much of its output abroad is likely to show profits higher than average for that industry. The fact that some business firms are losing money because of inability to compete in foreign markets, while others with above average profits can compete, suggests that high profits are not the basic cause of

the inability to meet foreign competition. Since business profits are what is left over after meeting business costs, high profits in themselves mean only that the business is efficiently operated and competing successfully. Low profits mean the opposite.

Wage Levels

Wages in the United States have been higher for many decades than those in most countries. High-wage industries are our major exporters. This was true even before the United States had widespread unionization or minimum wage laws. The parents and grandparents of millions of us migrated here in the late nineteenth and early twentieth centuries partly because of attractive wages plus the fact that work was available for all at going wage rates. Let us hope for still higher wages in the future, because this is a major indication of our level of productivity.

Regarding the productivity of labor, there appears to be no question that some so-called "featherbedding" and other labor inefficiency exists. This is a net drain on the real wages of the gainfully employed wage-earning worker, as well as on everyone else. The "featherbedding" worker receives wages, and has a claim on goods produced, yet produces

little himself. However, a limited amount of featherbedding has existed for many years, and there is no evidence that it has increased enough in recent years to explain the increasing pressure of foreign competition.

Why are American workers more productive than most foreign workers? Why does one American farmer produce enough food for himself and 40 others while the Russian farmer produces enough for himself and only 5 others? Do American farmers work harder or longer or what? The higher output per man in the United States is due primarily to the use of more and better tools and equipment, the superior know-how and management ability of the American farmer, and his greater freedom to make decisions. Nonfarm workers also have more and better tools. Business management is more skilled and has more freedom to make decisions in the United States than in Russia and most other foreign countries.

This dependence of labor productivity on the availability of modern tools and equipment and the funds to finance them poses another problem. Any policy, government or private, that prevents or discourages the purchase of new and improved tools also reduces the efficiency of labor.

Taxes and tax policies are prob-

ably the greatest governmental hindrance to the financing of new and better tools although restrictions by licensing, franchising, and exchange control are also important. Taxes which bear most heavily on the growing and more efficient firms tend to penalize and discourage such efficiency. Inflation also creates special problems in retooling for firms that fail to allow for it.

In recent years taxes often have had a double-barreled effect. They not only have reduced the ability of individuals and business firms at home to finance new and improved equipment but also have been shunted as "foreign aid" to help the foreign competitor buy equipment. The result is that today the foreign competitor sometimes has a plant quite as modern as any in the United States, he pays lower wages, and he may pay a corporate tax rate lower than that of the U. S. business firm that helped finance him.

A major cause of inflation is the spending by the government in excess of its income and the resulting need for creating new money supplies. Inflation can stop only when voters quit expecting more services from the government than they are willing to pay for in taxes.

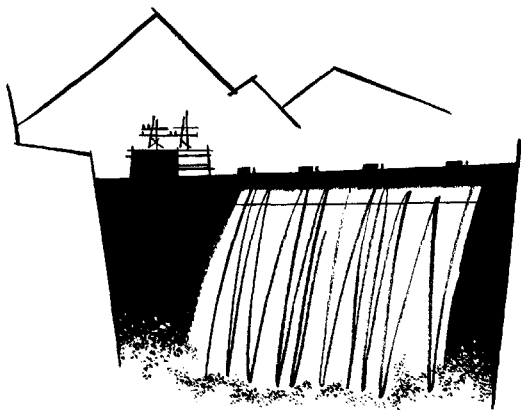
Our Competitors

Competition from foreign producers seems likely to increase. Our urge for protection and security leads to more and more intervention by government in the affairs of our farms and factories and family life. This intervention on behalf of the inefficient producer in agriculture and industry weakens our capacity to compete.

We are becoming increasingly prone to consider present prices or perhaps a bit higher than present prices, as the "just" or "fair" price. It follows that we consider the present producers as having a "right" to continue to produce. If either of these "rights" is challenged by a competitor, the inefficient producer is encouraged to look to the government for help instead of trying to find better ways to serve consumers.

Future pressures of foreign competition will depend in large measure on domestic policies concerning price supports, import quotas, tariffs, and other interventions; on other "welfare" measures of the government; and on the extent of inflation in the United States. High tariffs, high supports, market quotas, and other such practices may hide the problem for awhile, but will not solve it. ♦

TECHNOLOGICAL STATUS



JOHN W. CAMPBELL

IT HAS BEEN said that “technology we can’t understand appears to be magic.” Actually, this applies only to technology more advanced than our own — for frequently we see some great technological device and, by familiarity, fail to recognize it for what it is.

Perhaps the Grade A #1 prime example is one which is now generally considered the perfect symbol of *non*-technology — the epitomization of the failure to develop technology.

The peasant-farmer, plodding along behind his horse-drawn plow as he sweats to till his fields, does

Mr. Campbell’s editorial is reprinted here by permission from *ANALOG Science Fiction-Science Fact*. Copyright 1968 by the Condé Nast Publications, Inc.

seem, to us, about as untechnical as you can get. Yet in that pastoral scene is a technical breakthrough that properly ranks slightly behind harnessing fire, and perhaps a bit ahead of the wheel. (After all, all the native American civilizations got along without the wheel!)

It might be described in modern terms as “a solid-state power-handling device for coupling a heavy duty power source to heavy tractive loads.” Or, more simply, as the device that freed human slaves from service as draft animals.

One of the reasons the Romans and Greeks needed so many slaves was that there was no known way of harnessing animals to heavy

draft loads. Man, because of his bipedal posture and his hands, could have a harness slipped over his chest and shoulders, and by leaning into it, exert all his strength in pulling the load. It was literally true that a man could exert more pull than a 1,500-pound horse.

A horse's sloping chest, and lack of shoulders or grasping hands, made it impossible to tie him to a load except by putting a rope around his neck. Do that, and as soon as he pulls, he's choked by the rope at his throat; he can pull only lightly before his wind is cut off and he has to stop. True, some powerful horses can exert enough pull to move a relatively light chariot at a good speed that way—but as a coupling device it's exceedingly inefficient. The horse couldn't pull a plow, or a heavy dray.

Oxen, equipped by nature with some well-anchored horns, could do considerably better—but it was extremely tiring on even an ox's heavy neck muscles to hold his head down against the backward pull of the load.

Rapid, Heavy Transport

The horse collar, invented somewhere, sometime during the Middle Ages in Europe, was Man's first really successful device for harnessing powerful animal mus-

cles to do the heavy hauling work that was needed. It made possible heavy transport—even on the horrible mud ruts they called roads. It vastly increased the amount of agricultural land that could be prepared and used during a single growing season; there was far more food available for men and motive power. Where before, horses and other animals had transported goods primarily as pack animals, transportation was expanded, quite suddenly, as greatly as it was a few centuries later with the invention of the steam-powered railroad.

Naturally, with the potential of heavy, relatively rapid transportation available, the sedan chair went out of use as the coach came in, and pack-trains were replaced by loaded wagons. Inevitably the demand for more roads wide enough—and good enough!—for horse-drawn vehicles came, and the entire economy began speeding up.

The contact with the highly sophisticated and educated society of Islam was undoubtedly a tremendous factor in the development of the renaissance in the seacoast regions of the Mediterranean, where water transport made transportation reasonably effective. But it was the horse collar that brought an economic renaissance to most of Europe.

It's not at all easy to recognize technological importance — particularly when we're used to it. Certainly a horse collar seems a simple enough idea. . . .

Most moderns haven't actually seen and handled one, or studied one closely. Take a good look at the structure of a horse's chest and shoulders, and without studying a horse collar, try devising a form that will fit snugly onto those sloping curves and planes, allow the horse free movement of neck and forelegs, avoid concentrating the load on prominent bony areas, and so distribute it that the horse can exert his full strength without painful chafing. Then make it stay in place without aid of adhesive tapes, glue, or surgical implants!

The agricultural technicians of the Middle Ages who developed that gadget were not fools, even if they hadn't ever had a course in mechanical engineering, or force-analysis. And they did achieve something that the learned Greeks and the great Roman engineers did not; they harnessed the most effective power source in the world at the time.

And be it noted that that animal power source is still used as the basis for measuring our mechanical tractive engines — as Watt originally defined it in his sales-promotion literature for his new steam engines.

However, two horses can do a lot more plowing than a two-horse-power gasoline-engined tractor can; the gas job can't slow down in a tough spot, dig in its hooves, bellydown to the earth, and lunge with half a ton of hard-tensed muscle to drag the plow through.

Of course, the tractor is also not capable of self-repair, automatic routine maintenance, living off the fields it works, self-replication, or sense enough not to destroy itself by ramming itself over a cliff. In addition to operating on locally-available fuels, a horse is approximately twice as efficient as a tractor in conversion of chemical to mechanical energy.

Current Applications

The moral of this little story is not to be applied just to humans visiting alien planets; it applies very cruelly to situations right here on our own crazy, confused world. Backward nations — I will not be euphemistic and call them "underdeveloped" because they've had the same thousands of years to develop that Europe and America had, and simply didn't do so — do not recognize the importance of what could be called "the Horse Collar Revolution."

Those economically depressed nations want, most ardently, to join "the modern world" — i.e., to achieve the industrially-developed

status of the high-level technological nations.

Now there are two kinds of "status"; one is what your neighbors think you are, and the other is what you actually have and can do. The first type of status is, of course, far and away the most popular, and the most eagerly sought.

One type of individual, if he happens to inherit a few thousand dollars, or hit it lucky in gambling, promptly puts it into fancy new clothes, a down payment on a fancy new car, and a fancy new woman or two, and has himself a whee of a time being admired and respected because man, he's got all the symbols of Status!

So in three months the fancy car is repossessed, the fancy woman moves off, and the fancy clothes prove to have poor durability.

Another approach is to spend the little inheritance on getting a small business started — maybe a neighborhood grocery, or a newsstand. Doesn't get you much Status, of course, and not much spectacular fun . . . but put to work that way a few thousand can support you for life.

It's just that it is *not* as much fun, and a few thousand won't do it unless you get in and work just as hard yourself, and that makes the whole idea much less popular.

Status Symbols

The national equivalent now showing up among the backward nations is that foreign aid — winning the numbers game, in the international lottery! — is spent on fancy Status projects. Hydroelectric plants are Status Symbols, man! That means you've *got* it!

Even if you don't have many electric lights or power machines in grass huts and fields plowed by men and women pulling wooden stick plows through the earth.

Steel mills are great international Status Symbols, too. Of course, what would *really* make one of those nations have Status with all its neighbors would be to have something really technical and ultra-fancy, like a few nuclear bombs.

Trouble is, nobody, except a few experts, in a few major Western nations, have the wisdom to see that the horse collar is one of the greatest technical developments of human history.

The basic plot in Christopher Anvil's "Royal Road" stemmed from an actual disaster of WW II; it didn't have the comfortable ending Anvil's story did. The lesson, bitterly learned then, is being relearned most reluctantly by the backward countries today.

The Allies had a tremendous military need for roads and barracks and airfields in an area where

there simply were none. It was a remote area; shipping simply wasn't to be had for sending in earth-moving machinery, bulldozers, power shovels, and so on. So local natives were hired, at high pay, to do the work.

The men who set up that operation didn't know what a subsistence-level economy was; they found out that fall and winter. The men they'd hired to work at such fine wages were, of course, the native farmers — who therefore didn't farm that year.

In Anvil's story, the thing was planned, and the aftermath was part of the plan; in the real event it wasn't planned that way — it just happened. There was no shipping to bring in food that winter, just as there had been no shipping to bring in earth-moving machinery. It was a horribly grim demonstration of the oft-repeated remark of philosophers that "you can't eat gold." There was a lot of money around — but no crops.

Repeating the Error

What's happening again and again in backward countries today is of the same order. The magnificent new dams and hydroelectric plants employ thousands of workers at good wages — and hire them away from food-production in a near-subsistence economy. The result is inadequate food

production, incipient famine, and a desperate plea for help to feed the starving millions. But they sure have a great Status dam!

Oh, they get irrigation water, too — only sometimes the results haven't been any better thought out than the economic disaster of famine was. Many areas of the world have fairly fertile land lying on top of extremely saline under-soil — practically salt beds. When rain falls, the fresh water seeps downward, and keeps washing the salt back down to the under-soil where it is harmless. But run in irrigation water — the salt from below dissolves, and evaporation from the surface soil pulls the now-saline water up, where it in turn evaporates, and thus rapidly builds up a salt crust on the surface.

It takes several years of non-irrigation, and no crops, for natural rainfall to wash the salt back down so the land can be used again.

But don't you forget — that big irrigation dam and project is an international Status Symbol of high value!

If a nation has a primitive subsistence-level economy, this simply means that its food-and-goods production has economic value just barely sufficient to keep the population from starvation. And that in crop-failure years, there will be

famine, and people will die of starvation.

In many, many such subsistence-level areas, if such famines occurred, there was literally nothing whatever anyone could do to help them. The thing happened repeatedly in India and in China; India, under the British, had railways and His Majesty's government did everything humanly possible to relieve the starvation. But the food needed to feed 300,000,000 starving people can't be gathered from the surrounding areas; they're subsistence-level economies, too. And the railroads weren't vast, heavy-traffic networks such as Europe and America had developed; they didn't have enough cars or engines. And shipping from half around the world took so long that even if the transport and grain were freely donated, it wouldn't get there in time to be very helpful.

In China, because of bad roads and no railroads at the time, there were huge areas where the *only* possible transport was by porters. (Mules can't climb ladders, and some of the routes required ladders to get up mountain "passes.") Since porters had to start in carrying their own food for the round trip, it was fairly easy to figure what distance of penetration was possible before the porter had consumed his total load in his own

round-trip supply. No food whatever could be shipped into any more distant point. People in those inner areas simply starved to death because help was physically impossible.

Breaking the Habit

In subsistence-level economy areas today, what sort of help can the industrial nations give?

Well, first is the fact that Step #1 is to break down the cultural pattern of the people that holds them at the subsistence level. And at this step, naturally, the people will do all they can to destroy the vile invaders who are seeking to destroy their Way of Life, which is the Good, the True, and the Beautiful and Holy Way.

You can't do it by telling them that they *should* stop growing those inefficient crops, those crops that produce protein malnutrition, and learn how to raise these new and far more efficient nutritive crops.

There are problems involved that aren't economic or technical. The Israeli, for instance, have worked out techniques for growing watermelons, wheat, various fruits, and grains on sandy gravel irrigated with salt water. They can make the barren Negev Desert produce fine crops of excellent food — techniques that can be applied anywhere there are sand

dunes, gravel, and sea water, or salt-water springs. It would work fine in huge areas of the Sahara. No vast irrigation dams needed for this project!

Unfortunately, the Arabs don't seem enthusiastic about accepting and applying this Jewish technique.

Even if it were an Arab development, the peoples of the area are tradition-oriented; it would take at least a generation to put over the idea of doing precisely those things which they *know* are wrong. For every farmer knows that salt water kills plants, and you can't grow plants in sand and stony gravel.

The odd thing is that the salt-water irrigation can *not* be used in "good soil"; it works only in the worst kind of gravel-sand soil.

Resistance to Change

The proper development of the backward areas requires recognition that *the people don't want to change*. They want their results to change — they want to *have* the fine things other nations have, but not to *build them*.

To pull up from a subsistence-level economy, the first step is building better roads, and a more efficient agriculture. *Not* irrigation projects, *not* tractor manufacturing plants and hydroelectric projects and establishing an inter-

nationally known air line, complete with twenty or so Boeing 707 jets. Man, those are real Status Symbols!

What's needed is the Horse Collar Revolution and its results. Draft animals can live off the local fields; they don't require exchanging scarce goods for foreign fuel supplies and replacement parts.

The road network has to be built up slowly; too many farmers diverted to vast construction projects and you have famine.

You need schools — schools that teach agriculture and medicine and veterinary medicine and simple local-irrigation techniques and public hygiene and basic nutrition. *Not* electronics, industrial chemistry, and jet-engine maintenance — not for a generation will that be valid. The few natives who are really cut out for that sort of work can be taught in other nations, where schools of that order are needed, and already exist. But don't expect them to come home — there will be nothing for them to come home to for a generation.

But no High Status schools?

Sorry — getting out of a subsistence system can't be achieved on Status — it has to be achieved by *Status*, the hard-work-and-practical-learning kind of real accomplishment.

The ancient truth prevails: God

helps those who help themselves. Because even God can't help someone who won't help himself — that's what the ancient concept of Free Will implies!

Help Is Where You Find It

The more developed nations can help effectively only where the national leaders have the wisdom to work for *real* accomplishment, not for high Status projects.

And be it noted — that “more developed nations” does *not* mean the U.S., the U.S.S.R., and other Western nations alone, by any means. One example has been cited; Israel has a technique that could immensely aid many backward nations right now.

The Philippines have developed a spectacularly productive new breed of rice by careful botanical research; they've done a bang-up job of it, and have a strain that yields three to four times as much food from a given area. It's a breed that could release two out of three rice-farmers in a subsistence-level nation to work on those needed roads and dams and other projects, without bringing starvation to the country.

The water buffalo is an extremely economic animal; it's one beastie that the Western world needs to accept and use as a domestic animal — and is needed far more widely in the world. The

water buffalo yields high-quality milk, high-quality meat, and is an enormously powerful draft animal capable of working under muddy conditions which ruin the feet of most creatures. Moreover, the critter can yield meat, milk, and power when fed on an incredible diet consisting solely of rice stubble! The Thais have carried on a careful program of breeding for some decades, and now have breeds of water buffalo that run over a ton in weight.

Rather surprisingly, about the only area outside of the Southeast Asia region where water buffaloes are used in any numbers is in Italy, where some 40,000 of them are kept. The familiar Mozzarella Italian cheese — in its original, genuine form — is made from water-buffalo milk.

Only when many thousands, or millions, of agricultural workers can leave the farms for work without producing the inevitable famine — only when the agricultural economy gets above the subsistence level — can any nation become “advanced.” Argentina isn't an industrial power — but has a highly developed agricultural economy. All of the highly industrialized nations *first* became highly successful agricultural nations.

Yet we — and unfortunately the backward nations! — see the horse-drawn plow and the farmer as

symbols of low-status, nonindustrial economies.

The great trouble is that *people don't want to change*. It's not *just* the peoples in backward countries; the great economic advantages of the water buffalo have been around for centuries, yet only Italy among all the Western nations has accepted them. Why aren't they being raised in southern Louisiana, for instance, where there's plenty of land and climate of the type they particularly love?

In Africa, millions of children die of protein malnutrition because the natives raise traditional crops that do not provide the essential amino acids — and can't be induced to change their customs.

Indians in Central America suffered the same type of protein malnutrition; their one and only staple was corn — maize. And corn, like most grains, is deficient in lysine to an extent human beings can't live on it.

Anthropologists and nutritionists could get nowhere changing their dietary habits; finally, botanists succeeded in breeding a strain of corn that did contain adequate lysine, so the natives could go on doing as they'd always done — eating corn — and still get the food they needed to live.

That is not a solution to the problem.

Sure, it keeps the children alive

— but it does not achieve the crucially important necessity. Those people will remain forever backward people unless *they* change.

A change in government does no good, for a government cannot remain in power if the people actively hate it. And so long as people insist on not changing their Good, Beautiful, Familiar, and Holy Traditional Way of Life — even if it's killing them! — the social system will not change. And they'll kill anyone, any government, that seeks to change them, if they possibly can. Only a powerfully entrenched and ruthlessly determined dictatorship can impose on them the basic changes they, the people, must make.

If, that is, you insist the change must be made in this generation.

Otherwise, you'll have to have patience, and wait while slow, steady, continuing pressures alter the Established Way of Things decade by decade.

Agriculture First

And the greatest, fastest progress will be made in the backward nations which gain least Technological Industrial Status Projects — and develop their agriculture most.

In a rice-eating nation, if one third of the rice-growers, raising high-production strains, using new and more efficient techniques, can

sell twice as much rice for only seventy-five per cent of the cost — the rice farmer who would not change his traditional ways will be forced out of agriculture. His poor harvest won't be wanted. He'll lose his land, his home, all the things he has lived by and with.

Here, the ruthless dictator who forces him to change his way of life is not human — it's economic. It's even more ruthless and relentless. But it, too, has the same compelling message: "You *must* learn a new way of life — or die!"

At the same time, of course, the fine surplus of cheap rice means

that industrial workers, road and dam builders, all sorts of people in all sorts of newly developing occupations, are living much better. The old near-starvation level of rice is gone — there's plenty to eat, at last.

Look, friends — industry didn't produce a high standard of living. A high standard of agriculture forced people to learn a new high standard of living and industry.

And that's the only way it will be — unless a completely ruthless, dedicated tyrant oppresses his helpless people into learning the new way of life *fast*. ♦

IDEAS ON LIBERTY

Beneficiaries of Capitalism

THE STANDARD OF LIVING is high in the United States because of capitalism, but not all of our people are capitalists. The wages of a truck driver in our country are much higher than the wages of a coolie with a wheel-barrow in China, mainly because of the truck which the American drives. The truck is the result of capitalism, but the driver benefits as much as anyone else from the truck. Not everyone in our country owns stock in companies that make farm machinery, but every one of us profits by the fact that wheat is sown, reaped, transported, and milled into flour by equipment produced by capitalism. How much bread would we have and what would it cost if it were not for these products of capitalism? The farm machinery industry has created a number of millionaires, but the return to all of them combined is only a drop in the bucket compared to the benefit conferred upon the consumers of our farm products.

Webster's 1828 Original

AT FIRST BLUSH it strikes one as rather strange that the Foundation for American Christian Education should have chosen to publish a facsimile edition of Noah Webster's original *An American Dictionary of the English Language*. After all, so one says to oneself, the definition of words might take one anywhere, to God, Buddha, or the devil himself. What has a dictionary of 70,000 words, most of them neutral so far as any religion is concerned, to do with Christian education?

One's skepticism, strong at the outset, does not survive a careful reading of the remarkable introductory essay which Rosalie J. Slater has provided to go with this beautiful reproduction of the text which left Noah Webster's loving hands in 1828. The theory behind Webster's "American Dictionary" was republican theory, for Noah Webster, a good citizen of Federalist Connecticut, was very much

aware that the Founding Fathers had given a rather special New World twist to a whole political vocabulary. The word "congress," in Britain, might be defined as "a meeting of individuals," but in America it also stood for "the assembly of senators and representatives of the several states of North America, according to the present constitution or political compact, by which they are united in a federal republic; the legislature of the United States, consisting of two houses, a senate and a house of representatives." This was something that represented a change from Dr. Johnson's dictionary. In all, Noah Webster added 12,000 new words to the 70,000 of the latest Johnson edition.

A good Calvinist in his later life, Noah Webster preferred Congregational Yale in his home town of New Haven to "unitarian" Harvard. Rosalie Slater tells us

that he considered that words like "govern," "government," "constitution," "fast-day," "republic," "democracy," and others "reflect the uniqueness of America's Christian founding and God's purpose for her." In other words, the language of politics in America could only be understood by people with a knowledge of the whole Christian heritage. The very separation of the powers in America derived from the Biblical injunction to render unto Caesar the things that are Caesar's, and to God the things that are God's. And the Western theory of inalienable rights, brought to linguistic perfection in the various writings of the Founders, came from Biblical sources.

**Webster's Qualifications,
Master of Many Languages**

As Emerson said, an institution is always the lengthened shadow of a man. Webster studied — and apparently mastered — twenty languages in order to give exact meaning to "the primary sense of every word." He wanted to track his meanings to their verbal headwaters, thereby freeing himself as a lexicographer "from dependence on synonyms as substitutes for exact meaning." (These quotations are from Rosalie Slater's essay.) But life, as Noah Webster lived it in New Haven,

Connecticut, and (for an interlude) in Amherst, Massachusetts, before the Jacksonian Revolution, contributed as much to the dictionary as any study of Hebrew, Gaelic, or the combination of French and Gothic that the Normans superimposed on the Anglo-Saxon tongue of eleventh century Britain. Noah Webster's republic was founded on a theory of man as a property holder, but the Founders believed in earned property, not in estates kept unnaturally large through a legal theory of entail which prevented younger sons from becoming owners.

As Rosalie Slater puts it, "The Christian concept of individual liberty and property established under the United States Constitution had produced, for the first time in human history, unlimited opportunity for every man and woman. An explosion of interest and exploration in every field occurred and invention and the arts flourished. Every man needed to know everything and thus a literary, Johnsonian type of dictionary was not sufficient for an American. New terms in science, industry, and commerce were multiplying daily and these were significant in a country where men were independent and '*masters of their own persons and Lords of their own soil.*'" (The italics are Rosalie Slater's.)

It could be that the italicized quotation has special reference to Noah Webster as an entrepreneurial character and as a part-time farmer. Webster said, "Let the people have property and they will have power." He built his own modest competence on his three-part *A Grammatical Institute of the English Language*, which included his 1783 *American Spelling Book* (the famous "blue-backed speller"), his 1783 *Grammar*, and his 1785 *Reader*. As the dates of publication show, these preceded the Constitutional Convention.

Webster went up and down the colonies — or the states — to sell his own books. Over a hundred-year period, one hundred million copies of the Speller "were worn out by Americans as they learned their letters, their morality, and their patriotism" from Webster's subtle combination of words and philosophical substance. The Speller, says Rosalie Slater, "was compatible with the hearthside of a log cabin in the wilderness, it travelled on the flatboats of the Ohio, churned down the Mississippi and creaked across the prairies of the far west as pioneer mothers taught their children from covered wagons. Wherever an individual wished to challenge his own ignorance or quench his thirst for knowledge, there, along

with the Holy Bible and Shakespeare, were Noah Webster's slim and inexpensive Spellers, Grammars, Readers, and his *Elements of Useful Knowledge* containing the history and geography of the United States."

Literary Property Rights

To protect his literary property, Webster fought for copyright legislation at both state and national levels. It was his Speller that paid the family bills during the lean years when he was learning twenty languages and compiling his dictionary. To balance his sedentary hours at the desk, he enjoyed an active life as a small farmer. During his years in Amherst (he moved there in order to conserve his money), he made the cultivation of his own land "a delight and a resource," employing "the ten acres of meadowland surrounding the house agriculturally." Rosalie Slater gives us an unforgettable picture of the lexicographer setting out an orchard. He "grafted the finest kinds of apples and pears he could find, growing peaches and cherries from the stones. His large, sweet white grapes, raised from a fine native vine taken out of his father's farm in West Hartford, were known as 'the Webster vine.' His flowers and the vegetable garden also flourished and prospered and

he could say reverently, 'for some years past I have rarely cast my eyes to heaven or plucked the fruit of my garden without feeling emotions of gratitude and adoration.'"

When he was not working on the dictionary or cultivating his acres, Noah Webster took an active part in public life. He was one of the founders of Amherst Acad-

emy, which became Amherst College. For a time he served as President of the Amherst Board of Trustees.

He was a whole man, and it is good to have his example set before us in an age when whole men are considered rather square. Would that our hippies could get to know him. ♦

Copies of the 1828 *Webster's Dictionary* may be ordered directly from the Foundation for American Christian Education, 2946 Twenty-fifth Avenue, San Francisco, California 94132. \$15.00.

OTHER BOOKS

► **THE BIRTH OF THE NATION** by Arthur M. Schlesinger (New York: Alfred A. Knopf, 1968), 250 pp., \$7.95.

Reviewed by Robert M. Thornton

IT IS sometimes forgotten that our history as a nation began long before the momentous events at Philadelphia. The signing of the Declaration of Independence was the moment of birth following 167 years of gestation as English colonies.

What were the colonists like on the eve of separation from Great Britain? What sort of civilization

was to be found on the eastern seaboard of America? The late Professor Schlesinger, a pioneer in writing social history, gives us a cultural portrait of the American people instead of another political account. His effort is exhaustive in scope if not in detail. Each chapter treats a particular phase of colonial culture -- the family, the church, towns, education, science, the arts -- demonstrating that American colonists were not country bumpkins or barbarians but a highly civilized people. They lagged behind Europe in some matters but excelled

the Mother Country in others — in literacy, for instance. They were serious readers, as evidenced by the fact that a Philadelphia publisher brought out 1,000 sets of Blackstone's *Commentaries* himself after selling 1,000 imported copies, a fact remarked on, I believe, by Edmund Burke in his speech about the political sophistication of the American colonists.

Burke's term, "salutary neglect," best describes Britain's relation to the colonies until after the French and Indian War. Britain then introduced a series of regulations and in a dozen years came the separation that few if any wanted or predicted. The colonists were proud to be Englishmen but prouder still to be free men.

The colonists, Professor Schlesinger points out, were not radicals. First, they sought to prevent a usurpation of their ancient liberties and, second, even after provocations, did not interpret *political* separation from Great Britain as a wiping the slate clean of their English heritage. This book should make clear the differences between the American struggle for independence and the revolutions that have taken place since that time.

Prior to 1776 the colonists had built up a remarkable civilization, especially considering all the ob-

stacles they had to overcome. They were eminently capable of governing themselves and had done so through the years with astounding success. Regarding themselves as responsible and mature, they resented the Mother Country's use of the rod to dominate their affairs, especially as colonial institutions had produced leaders who outclassed the Britishers. Europeans were highly impressed by the stature of the men who sat in the Continental Congresses — George Washington, John Adams, Thomas Jefferson, and Benjamin Franklin, just to name the giants of that glorious age.

In this day of "instant nations," we need to re-examine the American people on the eve of independence; hopefully we might then understand the institutions which produced such an abundance of great men. ♦

▶ THE AMERICA WE LOST (The Concerns of a Conservative) by Mario Pei (New York & Cleveland: The World Publishing Company, 1968). 177 pp., \$4.95.

Reviewed by Robert M. Thornton

THE AUTHOR, Professor of Romance Philosophy at Columbia University, offers no systematic defense of conservative values; here instead is a collection of

short pieces containing his reflections on what is wrong with America. Several have been published before in *Reader's Digest*, *Saturday Evening Post*, *Modern Age*, and other magazines. It is gratifying to come across a scholar who, though not a professional economist or political scientist, can write with so much good sense on these subjects.

Many "liberals" would declare the only thing wrong with our country is that it has not changed enough. Professor Pei disagrees and makes the observation that instead of limiting change to the reforms necessary to ensure justice for all we have for years been casting aside what made this nation great — throwing out the baby with the bath water, as the German saying has it.

What is the matter with the United States? The answer, in a word, is Statism. A nation founded on the principle of personal freedom under limited government has embraced collectivist ideas opposed to individual liberty and glorifying the State. This is manifested in progressive income taxes, compulsory social security taxes,

inflationary fiscal policies, bureaucratic controls and regulations, and astronomical Federal spending.

Of course, totalitarianism is not simply a political or economic problem; it signifies, basically an ethical and moral decline. We are, for instance, very happy to shrug off personal responsibility; and no longer held responsible, we find life dull and meaningless. Then the cry goes up for constant hand-outs and entertainment instead of for opportunity and challenge.

Although imperfect, as all nations of men must of necessity be, this country was once the most respected and admired in the world. But as we embrace alien ideologies, we succumb to the demands of our critics to do penance for our prosperity, as if our prosperity were at the expense of other countries instead of being the consequence of values held by the men who founded this nation and shaped its institutions.

So, concludes Professor Pei, having made the wrong turn several decades ago, we should return to the fork in the road — and take the Right turn. ◆

the Freeman

VOL. 19, NO. 3 • MARCH 1969

- The Alienated American** **Linda Darling** 131
A challenge to the youth of America from one who cares deeply.
- Education in America:**
6. The Perpetual Adolescent **George Charles Roche III** 136
Adjustment to the mediocrity of undisciplined youth denies maturity and the advantages of civilization.
- Tenure** **Thomas L. Johnson** 145
A biologist examines the stultifying effects of the tenure idea.
- Training in Trust** **Harold O. J. Brown** 149
A theologian reviews the works of the late Karl Heim on the importance of mutual trust in human affairs.
- Distinguished Everybodies** **Archie Peace** 156
Helpful suggestions for finding life's meaning.
- The Rise and Fall of England:**
13. Reform Ideas into Political Action **Clarence B. Carson** 158
How the Liberal Party under Lloyd George gave way to the Labour Party and political implementation of socialism before and during World War I.
- A Housing Policy for Great Britain** **J. Enoch Powell** 171
An exciting speculation on the advantages of denationalizing the housing business.
- Hands Off Southern Africa** **William Henry Chamberlin** 176
By what right does the U. S. Government pretend to solve the racial problems of other nations?
- Dynamics of the Free Market** **Robert H. Eagle** 183
How the profit and loss system serves the people at a tolerable rate of change.
- Book Reviews:** 186
"The Third World" by Franco Nogueira
"Dagger in the Heart: American Policy Failures in Cuba" by Mario Lazo
"The American University — How It Runs, Where It Is Going" by Jacques Barzun

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.



Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "The Rise and Fall of England."



THE ALIENATED AMERICAN

LINDA DARLING

THE ALIENATED American is certainly a visible entity in American society today. He is faceless, opinionless, lacking commitment and independence. He is the man who watched the murder of Catherine Genovese and did not want to become involved. He is the nonvoter who avoided the polls in November because of a vague, frustrated animosity toward the American "choice." He is the affluent suburbanite, the blue collar worker, the dissatisfied farmer; he is the do-nothing, the silent, the forgotten American.

A December, 1968, Harris Survey reports that at a time of unprecedented affluence in our country, 28 per cent of adult Americans feel largely alienated from the mainstream of society. More than half of the voters polled felt that their lives were of little

concern in the social structure and that their opinions were of little value to their "representatives" in government.

When did this malady strike the American public? How did the home of the free and the brave become a façade for the uncaring mass of "typical" citizens? Why has the proud America of yesteryear become an America of shame and violence? Where did the American people go wrong?

Is, perhaps, the American of today being pushed into a mold he does not want or deserve? Is our ever-growing government minimizing the American citizen to a point where he is nearly extinct? It is my opinion that big government, by offering effortless material happiness, undermines the individual's right to do for himself. Are these materialistic stand-

ards really more important than the individual's right of decision, his self-respect?

The government has evolved into a corporation surpassing the power of any private enterprise in land owned, in investments and income, in total payroll, and in employees. In Washington are officials who control the spending of nearly 200 billion dollars a year, which is a total of 350 thousand dollars a minute. They command one-seventh of the American citizens in their ever-growing army of employees. They manage 800 million acres of land—one-third of the nation—and spend one of every six dollars spent each year on goods and services.

Big Brother can provide you with an education, a job, or, all else failing, a welfare check. His power pervades every aspect of public, and private, life. He can even influence consumer goods by boycotts such as that against United States Steel last year. In this controlled existence of the American, individualism, spontaneity, and privacy from Big Brother are rare. You are told you should be ready for the world at twenty-one, ready for the armchair at sixty-five, and ready for the grave at seventy-six. All else is taken care of for you. With the problem of sustaining himself alleviated, man has lost touch with

the "human condition" and he ceases to care about the world around him. If there is not an international catastrophe, material wants will be supplied by the omnipresent welfare state.

Handouts May Be Harmful

There is a time when welfare is necessary to help an individual and is, therefore, good. But there is also a time when this gift should be more than an unrestricted handout. There are often jobs available that pay less than the welfare check, so the individual's reason tells him not to work. Should we not question the inefficiency of the government bureau that fails to find a solution to such a major problem or even to acknowledge the existence of such a problem? Is the Federal government really so distant from the situation that it cannot see these things itself? If so, then the management should be brought out of the heights of the governmental hierarchy back down to human size. F. P. Keppel, the president of the Carnegie Corporation, once noted, "We all know that foundation aid can increase measurably the pace of any social tendency, but we don't seem to know when this artificial acceleration ceases to be desirable."

The handout, the idea of something for nothing, tends to under-

mine individual initiative. The American is denied the existence of a feeling deeper than hunger. He is told he is too small to be a significant force in our automated society, that he is a mini-person. It is small wonder that more and more citizens are in a mood of open revolt against the machinery and the men of government, against an increasingly impersonal bureaucracy, a top-heavy Washington, a statistical model of services that dehumanize man and perpetuate a cycle of dependency.

Relieved of Incentive

Program after program aimed at "establishing domestic tranquility and securing the general welfare" has had almost the opposite effect: less tranquility and more violence, more public "welfare" and less personal well-being.

For example, urban projects and computerized programs take the incentive and personalization out of bettering one's own community. No longer can the individual contribute his services to the community structure. He is too small to be effective so he must pay taxes for outsiders to come and do the job. He becomes little more than a social security number, a life insurance policy number, a house number, and a telephone number. While the sense of community withers, the sense of per-

sonal identity and the feeling of being an active, determining force in one's own life also diminishes.

It is becoming increasingly true that those protesting students who carry signs reading, "Do not fold, bend, staple, or mutilate; this is a human being," speak for the frustrations of Americans everywhere. Through all these complaints runs a common thread: that society is losing touch with the individual; that the sense of community has crumbled; that the power to control decisions affecting one's own life is vanishing; that the precious, intangible thing—the *individual* human spirit is being neglected or injured.

Rendered Irresponsible

As the state has absorbed man's independence, our society has become more socialized. The epitome of this shift of dependence is the concept of pure communism where *all responsibility* is taken from the shoulders of the individual. He is told what to do in his work, his home, his religion, and his values. He need not care about business, church, or education because these things are no longer his responsibility; they are all controlled by the state. But what becomes of the man? Employment for all, poverty for none. Where is his incentive? So in this growing society man becomes apathetic

to his environment because Big Brother always takes care of him. Because he is powerless, he loses contact with the power structure.

In his essay, *The Cold Society*, Nat Hentoff notes, "It is that indifference of power to man — the power of the state, the power of economic forces, the power of science — that has been felt with chilling impact in this century. And the corollary of that coldness is man's estrangement from himself, and from his society."

In this estrangement man is losing a sense of personal identity and of responsibility. Our heritage was founded on the basis of individual liberty, but will surely crumble if these liberties are infringed upon by the state. We were forewarned by Thomas Jefferson when he said, "Yes, we did produce a near perfect Republic. But will they keep it, or will they, in the enjoyment of plenty, lose the memories of freedom? Material abundance without character is the surest way to destruction."

Dissect and Control

This materialism, the trademark of our modern society, has encircled the religious life of America as well. Gradually, as man's identity in the secular world becomes more and more indistinct, he finds it harder and harder to

find God, because science tells him that in time there will be no more mysteries. Our society has become secularized and materialized to a point where everything can be dissected and then controlled.

The basic axiom of the new religion of technology is that the system cannot break down. We have faith in the system. It can be proved whereas God cannot. As the image of God becomes less important, so do the other basic values of man. Science has given rise to a new breed of man. I would call it *homo technicus* because it is a man that, in the species sense, is technologically self-sufficient. Man can, by his technology, master nature and control the environment, subduing nature to his will. He has learned to cope with all questions of importance without recourse to God as a working hypothesis: everything gets along without God, and just as well as before. The supreme being of *homo technicus* is the system, and men are merely its servants. It is this lack of identity and of relating to an outer force, this existing only as an economic unit in society that makes man insufficient for the demands of life. He becomes the alienated American.

A comment that Jacques Ellul made in his observation of *homo technicus* struck a very tender spot. He said, "When the edifice

of the technological society is completed, the stains of human passion will be lost amid the chromium gleam." Man can advance materially and still lose ground if he does not also advance spiritually. He is now in the process of losing his human spirit. Can he continue to exist like this? I think not.

**A Challenge to Youth:
To Live in Dignity**

What is the answer? There is no simple solution to this dilemma, but the answer lies in today's youth. Significantly, the young adults of the present are not only fighting for an end to poverty and war, but just as urgently, for de-

centralization of decision-making, less Federal government. They are radically questioning the welfare state in its present form, and are searching for ways by which men can live in dignity as well as economic security.

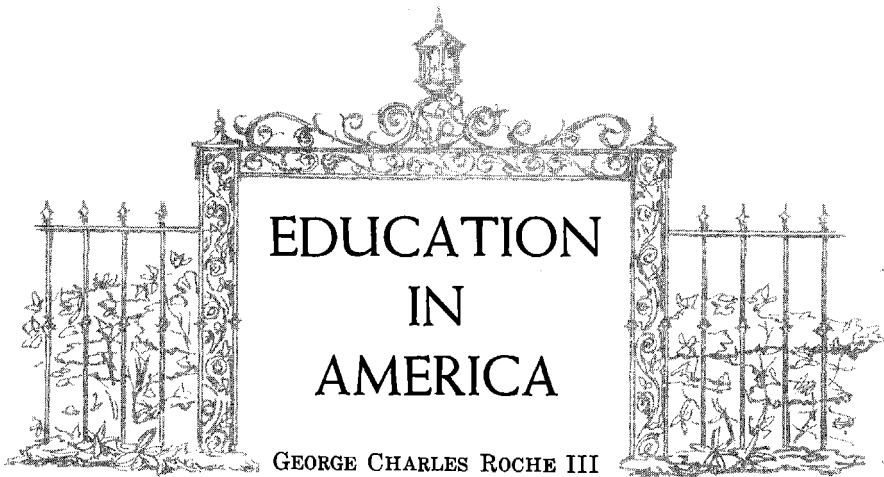
Can we succeed? I firmly believe that we can. Simply fighting for these things, dropping the mask of apathy, and becoming committed to this idea is, in itself, a victory. Self-respect can grow only out of courage; dignity can develop only from conviction. "The reward," remarks a young folk singer, "is the act of struggle itself, not what you win." In this case the stakes are high enough to merit the risk. ♦

About the Author

Miss Darling is a sixteen-year-old senior in high school and intends to major in political science in college. She has received numerous awards in writing and an American Legion medal in the Americanism and Government program. She has been active in the last two presidential elections and has been a member of Young Americans for Freedom.

This article, "The Alienated American," grew out of a civ-

ics class discussion and a strong conviction that this is one of the most urgent problems facing our nation's youth today. It is her hope that not only the experienced politician but also the youthful crusader will be motivated to take a good, hard look at the present American system and then initiate action for the preservation of a government of, by, and for the people rather than over and against the individual.



6. *The Perpetual Adolescent*

BY WAY of a decline in standards, in intellect, and in discipline, we have bred a new sort of social animal, for whom the educationist's aim is not achievement but "adjustment." That word has come to mean a number of things. To some educators, "adjustment" originally meant the provision of a modern "functional" program of high school education for those who would not receive college or vocational training beyond high school. Roughly 60 per cent of American high school children were assumed to fall into that category. But, as one of those ed-

ucators, Dr. Harl Douglass, has commented, "It is coming to be believed by more and more people that a good program for that 60 per cent might well be an excellent program for all American youth." Dr. Douglass appears to be suggesting that "adjustment" is now aimed at slowing those of college caliber to the mental pace of the majority.

Our American educational ideal is being molded more and more to that image. We now place special emphasis upon training the dropouts, upon making the curriculum so soft that no one can flunk. Thus, we are caught up in one of the fundamental "democratic" dilemmas of our age. It is no longer enough merely to pro-

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

vide schools for all; today we must determine what purpose those schools are to serve. If we make our schools sufficiently mindless to accommodate those least able, we run the grave risk of turning out a totally mindless graduate. Such a solution should be unsatisfactory, unless we wish democracy to mean the rule of the uniformly ignorant and incompetent. Perhaps we've toiled unduly over defects and weaknesses and shortcomings, to the grave neglect of talents and virtues and achievements. If we wish our schools to be only shelters for idle youth, we must recognize the frankly revolutionary premise which underlies such a system. The logic of such "democratic" pedagogy implies a total structural change of traditional American society.

The American Adolescent

The American child is famous throughout the world for having never confronted authority in his entire life. He typically is raised by parents who are permissive beyond belief, is educated in a school system in which the teacher is known to have no power to compel order, and is entertained by a television set whose programming and advertising constantly cater to the most childish of fads. Perhaps the poor parents of such children should not be held

fully accountable. Not only are they contending against the spirit of the age in any attempt to assert discipline, but in late years parents have been informed by the child psychologist that attempts to impose standards of discipline on their children will interfere with proper "development."

Not only are we bending every effort to make spoiled brats of our young people; we carefully prolong this anti-training period by keeping our children in school far longer than do most other societies. The nature of that schooling seems to aggravate further the whole situation, directly interfering with the transfer of ethical and cultural traditions from one generation to the next. The parents are told that the schools will do the job, and then the schools do nothing of the kind.

Often, the hardest working and most intelligent parents have the greatest difficulty in raising their children. Many of the most financially successful people in our industrial society are busied by virtue of their success. They have a great deal of money, but very little time to offer their children. All the advantages of work discipline, which the fathers learned so well, are denied the rising generation largely because of the affluence, success, and hurried pace of the fathers. A road without

challenges or responsibilities becomes the road too easily traveled by many of America's young people. Here, again, the temptation is to delegate the responsibility to professional educators whose underlying philosophy makes its proper discharge impossible.

Once the family was bound together through working at common tasks, often including the tasks of feeding and clothing and housing the family. What comparable experience is available to the young person of today? In the absence of meaningful moral experience and hard work, today's young are directed toward material gratification of their passing interests. The promises of our technological civilization and the philosophy of our educational system both contribute to the malady.

To pin one's hope for happiness to the fact that "the world is so full of a number of things" is an appropriate sentiment for a "Child's Garden of Verse." For the adult to maintain an exclusive Bergsonian interest in "the perpetual gushing forth of novelties" would seem to betray an inability to mature. The effect on a mature observer of an age so entirely turned from the One to the Many as that in which we are living must be that of a prodigious peripheral richness joined to a great central void.¹

¹ Irving Babbitt, *Rousseau and Romanticism*, p. 277.

That great central void to which Babbitt refers is painfully evident in the breakdown of family and the collapse of social standards. Still, we continue the "protection" of our young from any responsibility or reality. Teen-agers are not to be punished as adults, though they commit the same crimes. The open warfare between weary adults and abusive teen-agers continues on all fronts and has today been elevated into a pseudocultural movement. We bribe our children with far more money than we would ever have believed possible to spend, and then are amazed when their childish tastes, backed with these immense amounts of purchasing power, set standards of taste in entertainment at steadily lower and lower levels. We expect no responsibility in our children and all too often get what we expect.

"Adjustment"

In the name of "progressive education" we have emancipated the young from all traditional authority. We label the result "freedom," completely forgetting how difficult it is to be *responsibly* free. We have encouraged a revolt against standards and against discipline by the young people, who ultimately will be asked to pay a high price for their incapacities.

One of the worst culprits in

consigning these young people to their lifelong fate has been our system of formal education. Many educationists insist that the mediocre standards in today's schools are "set by an intellectual aristocracy" and are far too high! They regard the minimal standards of literacy imposed by industry or by higher education as unwarranted demands. Reading, writing, and arithmetic have become suspect in the minds of many. Consider, for example, the sentiments of one junior high school principal:

Through the years we've built a sort of halo around reading, writing, and arithmetic. We've said they were for everybody. . . .

We've made some progress in getting rid of that slogan. But every now and then some mother with a Phi Beta Kappa award or some employer who has hired a girl who can't spell stirs up a fuss about the schools . . . and ground is lost. . . .

When we come to the realization that not every child has to read, figure, write, and spell . . . that many of them either cannot or will not master these chores . . . then we shall be on the road to improving the junior high curriculum.

Between this day and that a lot of selling must take place. But it's coming. We shall some day accept the thought that it is just as illogical to assume that every boy must be able to read as it is that each one must be

able to perform on the violin, that it is no more reasonable to require that each girl shall spell well than it is that each shall bake a good cherry pie. . . .²

There in capsule form is standardless education carried to its logical conclusion!

Competition Unwanted

Such an attitude, at first glance, is hard to understand, that is, if one assumes that the purpose of education is to educate. But if one believes that the purpose of education is to achieve only "adjustment," then much of the educationist mumbo-jumbo begins to fall into place. Mortimer Smith also quotes a letter from a state department of education informing parents who plan to teach their children at home that under no circumstances will they be allowed to do so:

No matter how competent the parents may be, the child who obtains his schooling at home is not having an experience equivalent to that of the child who goes to an authorized school. The school program does not consist only of mastering the 3 R's and the various content subjects. Perhaps the most important part of the school program is the association in a group. . . . Practically all American living today is a cooperative af-

² As quoted by Mortimer Smith, *The Diminished Mind*, pp. 36-37.

fair. Children have to learn to take turns and to share. Group discipline and group loyalties have to be developed.³

"Adjustment" rather than learning would appear to be the wave of the future!

All self-discipline leading to independence is denied the young person in such a system. The institutions of higher learning in this country constantly complain of the quality of material they are given to "educate." It seems that the knowledge of geography, history, grammar, spelling, arithmetic, science, or what-have-you, as achieved by the products of our public school system, is so slight as to be a constant embarrassment to them and to the institutions of higher learning and business firms where the well entertained but poorly educated young people eventually go. I use the phrase "well entertained" with good reason.

On reading about the uninhibited conduct of certain grade-school classes, with free discussion, finger painting, group games, or whatever the youngsters want to do, an older man said: "That's not a new feature of education. They had that when I was a boy. They called it 'recess.'"⁴

³ *Ibid.*, pp. 49-50.

⁴ Calvin D. Linton, "Higher Education: The Solution—Or Part of the Problem?" *Christianity Today*, Feb. 16, 1968.

The "Old-Fashioned" Way

Meanwhile, some educationists insist that obeying the teacher or striving to master a difficult subject is negative in its impact upon the child. What an older society viewed as sound mental, moral, or intellectual training is today dismissed as "old-fashioned." Indeed, some of the "progressive" educators have carried their non-education to lengths that are increasingly repudiated by more and more people concerned with education. Today the term "progressive" often is held in bad repute. Yet, many educational policies stemming from the same philosophic roots continue to dominate much of our educational structure.

The same problem continues to face us. How do we lead a child toward maturity except by initiating him into the demands and standards of adult life? The old-fashioned answer to that question rested upon definite standards, enforced through definite discipline.

During my boyhood in the mountains of Colorado, I was privileged to attend a one-room, one-teacher school that met the needs of children in all eight elementary grades. Admittedly, I was fortunate to have a remarkable teacher of great character and strong personality, who was then and remains a profound influence on my life. Yet, without the benefits of

swimming pools, guidance counselors, of the 1,001 other such items now assumed to be "essential" to education, we children of that school (incidentally, a cross section of well-to-do and very poor) managed to learn our reading and writing and arithmetic, while learning to respect adults, respect one another, and finally to respect ourselves. Throughout, the standards we were expected to maintain were never in doubt. We also knew at all times who was running the school!

Such schools and such teachers have been the tradition rather than the exception in this country. In fact, much of what we now call "juvenile delinquency" would have been subject to quick solution in the woodshed of an earlier day. But then, such a system as I am describing was based upon standards and discipline, viewing children as individuals, individuals important for their own sake, individuals destined to assume a responsible place in the community. Today, we extend no such courtesy to our young people.

Necessity for Individual Discipline and Standards

The development of the individual presupposes the development of a strong capacity to judge the world around him and a genuine self-commitment moving the indi-

vidual to act on the basis of that judgment. As Nietzsche described the process, what is required is self-mastery, the individual's imposition on himself of a style, a restraint, a proper form of behavior.

When the educationists announce their intention to teach the young "adjustment to life," the first question which arises is how "life" might be defined. If by "life" the educationist means only adjustment to a pattern of political conformity in which man no longer has problems because he no longer has aspirations, then such a definition must be dismissed. A truly individual adjustment to life must reflect not mere conformity, but good and bad, tragedy and comedy. Without room for man to be a hero, to pursue an ideal, to become uniquely himself, there is no opportunity for the individual to be truly human. When men drift rather than strive, the direction of that drift is always toward barbarism, toward a decline of that sense of style and self-discipline which makes for the civilized man.

Thus, a great civilization is no more enduring than are the proper conventions among its citizens. The child in whom good habits are not inculcated becomes the child in whom bad habits have filled the void. Often, the basis for right

conduct is less a reasoned position than it is a matter of habit. Habit in this sense is a reflection of the wide experience of the race, passed on by disciplined and demanding standards to each generation as they grow toward maturity.

**Not Power Over Others,
but Self-Control**

The acquisition of such habits is never easy, since it demands much from both pupil and teacher. In fact, many men never seem to learn the lesson. "Experience keeps a hard school, but fools will learn in no other." Yet, most of us have a hard time learning from self-experience, let alone the experience of others. The business of being human is never easy, and our young deserve all the help they can get as they strive for maturity and the formation of civilized habits. What that striving has taught the Western world is that the really valuable power in this universe is not the power over other men, but the power over oneself. This power reflects not only knowledge, but restraint; not only energy, but will. To maintain standards means to develop the capacity to choose and reject, to have so disciplined one's attitudes as to have established an ethical center uniquely oriented to self, producing right conduct in the individual no matter what the con-

duct of the world around him might be.

If the child is to grow toward such self-discipline, the formation of proper habits must, as Aristotle says, precede reason. No child is truly free to choose until he has become sufficiently disciplined to see the full implications of his choice. When we limit the formation of proper habit, we blunt the power of discrimination in the young, thus binding rather than freeing. It becomes clear that genuine learning and civilization of our young is a process which takes place only when the proper exercise of authority, the authority of standards and discipline, is present in education.

The necessity for such discipline is especially apparent when we consider the unique attribute which human beings call *mind*. The word "mind" implies far more than the human brain. All patterns of thought, all moral and aesthetic judgments, are the work of this amazingly individual quality possessed by each of us. All value judgments, all civilized behavior, stem from the individual's mind within which symbols are understood, evaluated, and applied in one's behavior. The idea of education is to enlarge that process, not merely by the passive reception of ideas, but by the mind's development of the capacity to

sort out, choose between, and evaluate those symbols and ideas. In short, all meaningful knowledge is knowledge which we have "made our own"; until the individual acquires the necessary discipline of mind to do so, he has not been truly educated.

Disciplined Teaching and Learning Essential to Self-Mastery

Some authority must be present in education in which the superior capacity of the teacher demonstrates subtle distinctions to the relatively untrained and undisciplined mentality of the student. In this sense, values are constantly *recreated* in the mind of each individual. That process of re-creation is education, and demands that the teacher be sufficiently disciplined to have mastered the concepts and the processes, also demanding that the student be sufficiently disciplined to achieve the same ultimate self-mastery.

In the old academic term for various subjects, "disciplines," the idea is implicit that the mind must be sufficiently developed and trained to *think* before it can recognize what is of value and what is valueless. True development of the individual rests on that capacity to distinguish and choose within his mind and heart. It is that capacity to choose which makes us human. It is the removal

of that disciplined capacity to choose, as fostered by modern education, which would make of us mere "adjusted" automatons.

Such choice is never easy. Life itself is never easy, demanding obedience, renunciation, and the expenditure of great effort if it is to be truly meaningful. Throughout the ages philosophers have demonstrated the necessity for sacrifice, for self-mastery. Yet, we are now told that man need not master himself to be "happy." Apparently more material goods and politically controlled "security" are to make self-discipline no longer necessary. True happiness lies upon a different path. We must learn to put ourselves into our work, to master ourselves, if we will be truly civilized.

It must not be the business of the teacher to teach the young only what the young wish to learn. Instead the experience of the human race must be offered to the young while proper habits are developed, allowing these young individuals to assume their own self-disciplined place in civilized society. In this connection, we are all the teachers of the young. The churches as well as the schools have an obligation in this regard, and the primary obligation must rest with the parent and the home. The idea must be conveyed that good hard work is preferable to

"getting by," that people receive from life exactly what they put in, that privileges and obligations go hand in hand.

As the schools pursue this general disciplinary function, they also must pursue the disciplines of form, number, and language. Reading, writing, and arithmetic are far from out-dated, no matter what the opinions of the professional educationists. When these disciplines are set aside in favor of "personality development" or "group adjustment," the school

is no longer serving its function. The school must be far more than an elaborately contrived and terribly expensive baby-sitting facility. It must first and foremost be an institution designed to impart sound moral and intellectual discipline to the citizens of tomorrow. Such discipline must be a discipline of both mind and heart, reflecting an external discipline leading to more important, internal, *self-imposed* discipline. Such a system would produce true individuals, complete human beings. ♦

*The next article of this series will ask,
"Why Institutionalize Our Errors?"*

IDEAS ON LIBERTY

Self-Reliance

THE TIME has come for us to re-establish the rights for which we stand — to reassert our inalienable rights to human dignity, self-respect, self-reliance — to be again the kind of people who once made America great.

Such a crusade for renewed independence will require a succession of inspired leaders — leaders in spirit and in knowledge of the problem, not just men with political power who are opposed to communism, or to diluted communism, but men who are militantly for the distinctive way of life that was America. We are likely to find such leaders only among those persons who teach self-reliance and who practice it with the strict devotion of belief and understanding.

Tenure

THOMAS L. JOHNSON

LIFE, by its very nature is ever changing. From one moment to the next there is always alteration in the chemical and physical structure of all living matter. The fact of change applies to every level of organic organization, from the atomic to the organismic. Man, an organism, is not and cannot be an exception to this law of nature. Since organisms do change with time, the interrelationships among organisms also change, but there are those who, by mere wishing, hope to avoid their nature and the reality of change which must occur in social circumstances and thus seek to establish a static situation.

In the attempt to avoid possible change relating to employment, certain men have succeeded in establishing an artificial system which allows the human to be un-

naturally "protected" (actually harmed) by the gaining of "job security." The mania for security has gripped the human imagination, particularly in this century, and has caused many to pursue a goal, the achievement of which can only result in mental degeneration and intellectual stagnation.

In the field of education this mania for security is exemplified by the system known as tenure: the granting of a permanent position to an individual who has satisfactorily completed a trial period of a number of years. Once tenure is granted, the individual receiving tenure can only be removed from his position due to gross misconduct in the performance of professional tasks or immoral behavior of a serious nature.

There can be no rational argument presented to justify granting a permanent position to anyone in any type of profession or

Dr. Johnson is Associate Professor of Biology at Mary Washington College of the University of Virginia.

field of work. Just because a man has performed well in his work for a number of years (whether it be two or twenty) cannot be a guarantee that he will continue to perform well the next year, or for that matter, the next week or day. Man does alter his behavior constantly and there can be no assurance, no matter how stable an individual may appear to be, that he will continue to function well in a particular type of work.

In a profit-making business no sane employer could ever afford to guarantee a job to a man for any lengthy period of time, and certainly not for life (up to age 65). An employee must always be subject to evaluation by an employer if any business is to survive. If an employee did not perform his tasks well, it would mean a loss of revenue for the business; and if this behavior persisted, and an employer were not free to remove the individual from his post, the result could be the collapse of the enterprise. An employer must always be free to replace an employee who, in his judgment, is not contributing to the beneficial activities of the business or who cannot perform his tasks as well as another.

To guarantee a life-time job to one man would be to deny the possibility of a job to another man who may have superior ability. The number of positions in any

business is not unlimited; therefore, if individuals are given permanent positions in a particular business, they could not be replaced by others of superior talent and intellectual caliber until such a time as the tenured individuals completed their careers. With business expansion new people are brought into a particular business, but there would still exist a large number of tenured employees who would have to be retained until their retirement occurred which would inevitably prevent more highly qualified individuals from obtaining these occupied jobs.

Business-like Education

The business of education is not, with rare exceptions, a profit-making business, although it must become one if the quality of education is ever to be raised to the level of its real potential. This regrettable circumstance clouds the academic scene and prevents one from seeing the actual losses which must result in any circumstance which rewards mediocrity and suppresses superiority.

In her superb political treatise, *The God of the Machine*, Isabel Paterson writes: "One of the early 'cases' by which 'security of tenure' was made to seem plausible for teachers indicates the utter confusion of thought on the subject, arising from failure to rec-

ognize the political power in operation. A teacher in California, of excellent character and teaching ability, was dismissed by a corrupt school board for no good reason. The case was taken to court. The teacher was reinstated, on the proper grounds that she had a contract for the term and had not defaulted on it. This was thought a sufficient reason for urging measures by which a teacher must be considered as engaged indefinitely, for that is the only meaning for 'security of tenure'; though this is absolutely irrelevant to the original issue (enforcement of contract), and nullifies the contractual right of the employer."

No one can ever guarantee that an employer will always use rational criteria in judging the qualifications of an employee, but when there is a contractual agreement involved, one can always turn to the courts if one party fails to comply with the stipulations of the contract. No one can ever guarantee that an employee will continue to function in an advantageous manner in a particular position and so it would be foolish for an employer to engage in a lifetime contract with an employee. Change is always with us, no matter how diligently some may attempt to hold it back.

Tenured teachers and professors

realize that they do not have to broaden their intellectual scope in order to retain their positions. Consequently, many, having obtained "job security," cease to pursue knowledge in their particular discipline and become progressively outdated with every passing year.

Tenure is a practice which naturally follows from the philosophy of collectivists. It is a technique to deny individual ability for the sake of the "security" of the masses. It is a means of rewarding mediocrity and allowing it to degenerate into stagnant parasitism. Academic tenure creates scholastic somnambulism.

Security Impedes Progress

In any dynamic system (and all businesses are dynamic systems) the alternation of circumstances must not be impeded, for if they are, this can only result in a disruption of the system and a slowing down or cessation of activity. To grant any man a permanent position simply on the basis of performance during a trial period, is to introduce a possible disruptive element into a dynamic system which could, and often does, drastically impede progress.

If an employee is efficient and performs his tasks well, it is to the advantage of the employer to retain the services of this individual. If an employee finds the em-

ployer and the job to his liking, it is to his advantage to remain in his present position. An employer-employee relationship is mutually advantageous as long as both parties are satisfied with the circumstances. Whenever either party determines that the conditions have changed and the relationship is no longer desirable, both should be free to release each other from a short-term contract.

A tenured employee is now free to seek employment elsewhere, but the employer of a tenured employee is *not* free to replace that employee with another man. Such a circumstance of necessity places a major obstacle in the dynamic situation which must exist in an employer-employee relationship, and we can now witness the results of this blockage by noting the intellectual inactivity of many tenured teachers and professors. The tragic consequences for students who study under these individuals cannot be estimated.

Long-Term Employment Contracts Lead to Stagnation

To advocate the prevention of freedom of action on the part of either the employer or the employee is to deny the existence of

individual rights. Every man must be free to choose the activities of his life which will best suit his needs. No man can, in reason, be required to maintain relationships over an extended period of time in an employer-employee situation. An employee should not be forced to remain in a particular position for life (a practice of medieval times) and an employer should not be forced to grant a life-long position to an employee (a practice of the twentieth century). In either case freedom of action is prevented and the inevitable consequence is a degree of stagnation.

The concept of tenure is incompatible with reality. It is an idea which developed out of an irrational evaluation of circumstances and has been maintained because of the lack of intellectuals who would or could support and rationally defend the basic principle of freedom which is individual rights.

Tenure, a collectivist concept, and individual rights, a capitalist concept, are mutually antagonistic. The former is an attempt to deny the reality of change, while the latter is fully compatible with the nature of life and the interrelationships among organisms. ♦

Training in Trust

HAROLD O. J. BROWN

A NUMBER of years ago the German theologian and philosopher, Karl Heim, a man who also knew a good deal about the natural sciences, wrote a book on the question of certitude, which he called "the life-and-death question for religion."¹ He soon makes it clear that the question of certitude — how we can be certain of anything — is vitally important not only for religion but for the whole of human life and society.

He begins by making a distinction between two kinds of certitude: one is based on calculation

¹ Karl Heim (1874-1958), *Glaubensgewissheit. Eine Untersuchung über die Lebensfrage der Religion*, 3rd edition (Leipzig: J. Hinrichs'sche Buchhandlung, 1923).

The Reverend Dr. Brown is Secretary for students of theology at the Union Internationale des Groupes Bibliques Universitaires (I.F.E.S.) in Lausanne, Switzerland.

(*Berechnung*), the other on trust (*Vertrauen*).

It is not only in mathematics, engineering, and the sciences that we seek to arrive at certitude by means of calculation. When a businessman, for example, considers introducing a new product, he wants to have some certitude or assurance that it will move well. Therefore, he makes a calculation of the soundness of this project, taking into consideration what he knows about his customers, their tastes and requirements, the market situation, the quality of the new product, and as many other relevant factors as he can identify and evaluate. The degree of certitude which he can obtain in this manner concerning the success of his venture is less than that obtained by an engineer calculating the weight of a bridge section, but

the kind is the same: it is based on calculation, but the calculation of less tangible and certain factors.

When it is a question not of investing in a product but a person, in other words, of taking on a partner and giving him a share of responsibility and authority, a businessman will also make calculations. He will attempt to evaluate his prospective partner's know-how, experience, initiative, ability to get along with people, several other factors — and his financial and personal integrity.

However, when one is dealing with human beings as opposed to merchandise, there is always needed something more than mere calculation, no matter how complex and careful. A partnership can be an unhappy proposition — and many are — if one partner's confidence in the other is based on nothing more than the *calculation* that the other is unlikely to try to cheat him. For a better relationship, in business as in marriage, something deeper is necessary. Mere calculation on the basis of past performance does not give a man much real confidence in his business partner or in his wife: he has to know something about his or her character. Character cannot be computed.

It is at this point that Karl Heim points to our need for the

second kind of certitude, for the kind that is based not on calculation but on trust. If we cannot trust at least some of our fellow human beings, our life becomes a savage jungle. Much of Heim's book is an attempt to prove that there can be a sound basis for personal trust — that trust need not be just wishful thinking. Rather than follow him in this detailed argument, let us consider some of the implications of his basic conviction that trust is essential to truly human life.

Trust Implies Mutuality

The certitude which is based on calculation depends only on the data which can be ascertained and on the accuracy of one's calculations. If I want to be certain how much a man owes me, I have only to add the amounts of the notes he has signed plus any unpaid interest. The certainty of this knowledge depends on me only to the extent that I can locate all the necessary figures and add them up correctly.

But when it comes to the question, "Will he pay me back?" the situation is different. To make the case clear, let us suppose that the loans are unsecured. In giving a man an unsecured loan, I have expressed confidence in him as a man of a certain integrity. My certainty that he will repay me

depends on his character, or rather on my evaluation of it; that is to say, it depends on my ability and inclination to trust him, and that involves something more within me than merely my ability to add.

As Heim observes, trust is a *mutual* thing. My ability to trust you depends not only on my knowledge of you, but on my knowledge of myself. He writes: "Thus I can only trust another human being if I myself deserve to be trusted. If I, in my own life, always go after the strongest attraction, then I will be unable to believe that any other man is different. Only if I myself am determined not to be diverted from my course by enticements or by threats will I be able to think that another man can possess the same determination. Thus, when I come to trust another man, to do so makes me feel obligated to a very definite attitude of the will myself. From this perspective we understand the influence which every relationship of trust has on the people involved. We understand why many people only become able to believe in goodness again when they find a man whom they can trust. Nothing has a more ennobling effect on us than to find another human being in whose love we can believe. . . . Thus the trust which another person confides in us produces a power which lifts

us up and carries us beyond our own limits. As often as a relationship of trust arises between two human beings, it is like closing an electrical contact. A current of living forces begins to flow."²

Professor Heim does not add, as well he might, how much a breach of trust can hurt the individuals involved — not only may my whole world collapse if a trusted friend betrays me, the same or even worse can happen if I betray my friend. How difficult it is for us to believe in the forgiveness of a friend whom we have betrayed, or to trust him once again! He may remain perfectly trustworthy, but our betrayal of him has destroyed our own ability to trust!

The Centrality of Trust for the Individual

Does Professor Heim correctly evaluate the fundamental importance of being able to give and receive trust? Even without examining his evidence, most of us will sense that he is right. Each of us has had the experience of which he speaks. Even the trust of a dog or a horse has an effect upon us, making it harder to betray the animal by neglect or ill-treatment. How many of us have gone ahead and fulfilled an unpleasant obligation without compulsion or the

² *Ibid.*, p. 27.

threat of untoward consequences, simply because we knew that someone we respected was trusting us to do it?

As long as a certain fundamental minimum of integrity is present in the person being trusted, our trust influences him and strengthens him in his resolution to be trustworthy. The father who trusts his son not to lie to him does more to help him grow into an honest man than the father who always checks up on his son's veracity.

On the other hand, if a trustworthy individual is put into a position where all those around him constantly betray him and each other, it is all but impossible for him to preserve his integrity. (This problem is faced often enough and in a very tangible way by an honest businessman forced to do business in a country in which the tax authorities take it for granted that all tax returns are fraudulent. How can you remain honest when the authorities assume, as a matter of course, that you will lie about your income, and therefore tax you on twice what you declare? In some cases, the only alternatives are to go out of business or to give up one's integrity.)

The ability to trust and to merit trust depends on the habit of trust, and trust is something that can be

trained and developed. Just as no good coach will break an athlete's self-confidence by trying to force him to do something he simply cannot do, but will gradually build him up by pushing him each day to a slightly higher performance, so no good teacher will entice a pupil to dishonesty by trusting him at once with something which is beyond his capacity. On the other hand, just as no athlete ever becomes good unless he takes the risk of pushing himself harder than he thinks he can go, so no pupil becomes trustworthy unless he is trusted in some situations in which he could get away with cheating.

Over the years, and varying with the location, the kind of school, and other factors, our educational systems have built up ways of trusting their pupils and of exercising them in trustworthiness—the teacher may let the pupils grade their own tests; he may go out of the room during a written quiz, and so on. One of the great things about certain sports is that they force the teammates to trust each other, and teach them to trust themselves as well.

There is, however, one limiting factor. We mentioned it a few paragraphs earlier: there must be a certain fundamental minimum of integrity in the person to be trusted. Without this minimum,

all trust is misplaced, and it results only in deceitful dealing and disillusionment. It is precisely this minimum which is increasingly at stake today.

The Centrality of Trust for Society

An individual who cannot be trusted will eventually and inevitably make moral and spiritual shipwreck of his life. Even if he should succeed in amassing wealth and power, he could have no true friend, no one who truly loved him. But the same is true of society as a whole. Many people are blissfully unaware of the degree to which the very functioning of industry and commerce as we know them today depends on a certain fundamental minimum of integrity in most of the individuals who make up a society.

Even the commonplace example of cashing a check at a bank, such as happens countless times a minute throughout the United States, immediately confronts us with the implications of a substantial minimum of personal trustworthiness for the conduct of any kind of business. What if I gave the teller a check for one hundred dollars and he counted out to me nine ten-dollar bills in such a way that they looked like ten? It is easy enough to do, and many of us do not count the money ourselves if the teller has counted it out in front of us.

But even if I recounted it at the window and discovered the shortage, who is to prove that I did not palm the ten-dollar bill myself in order to get one hundred and ten dollars for a one-hundred-dollar check? Imagine a situation in which every such transaction had to be performed before witnesses, with prompt and immediate sanctions for subterfuge. Such situations have existed, and they can exist again. There is no substitute for trust other than compulsion.

What happens when a lender cannot trust a borrower? He demands that the security be brought physically into his house and left there. The borrower, in turn, certainly will not accept a check, much less a credit in his bank account. He will demand that the loan be counted out to him in solid, metal money. In the extreme case he will even bring his own balance and weigh it before accepting it.

Our Western civilization, based on several thousand years of Jewish and Christian religion, has given its citizens a long training in honesty and trustworthiness. All too often they have not learned their lesson well, but more often they have. Otherwise, the present system of commercial relations would never have arisen. The God of Israel demanded truth even "in the inward parts" (Psalm 51:6),

and praised the man who kept his word even when it cost him something to do so (Psalm 15:4). Jesus told His followers that their speech must be such as to render oath-taking superfluous: their simple "Yes" or "No" should be its own guarantee of truthfulness (Matthew 5:37). We all know plenty of examples of Christian and Jewish failure to live by these principles; in fact, we doubtless do not need to look beyond our own record for examples. But we have all profited by the fact that these principles do exist, and have been so clearly set forth by our religious tradition, and have, even though imperfectly, been honored by generations.

The Paralysis of Untrustworthiness

That these principles, and the value-system built up around them, are breaking down, is hardly open to question. What the long-range effect of such a decline in personal trustworthiness will be on our society is easy enough for the reader to project. As long as there is a certain widely-accepted and honored minimum of personal integrity, individual responsibility will bear many of the burdens for the functioning of society. The alternatives are chaos or compulsion. Leaving aside what will happen within society as individual relationships of trust become unre-

liable and disappear, let us look at the kind of major policy decisions which will be made by leaders of a society in which personal integrity is being replaced by personal gratification.

Karl Heim pointed out that people who do not have firm ideals from which neither enticements nor threats can move them simply cannot believe that anyone else could have firm ideals. This might explain why leaders of the United States, over a prolonged period, have seemed unable to believe that communists in general or Russians in particular will pursue their long-range goals despite their short-range convenience. How better explain the persistent conviction, or delusion, held in spite of all the evidence, that "the Russians are mellowing"? If we have lost the habit, individually and nationally, of following our ideals despite our immediate self-interest, how can we believe that anyone else will do so? And what terrible mistakes we will make through our inability to believe!

The Power of Faith

A number of economic papers and books have been published recently showing that if certain trends continue and certain policies are pursued, the dollar will collapse. This is not a moral judgment, but a simple fact which will

inevitably follow if certain factors continue to work. In the same way, despite the evident moral and religious implications of what has been said here, the conclusion that Western free-enterprise society *must collapse* — or turn into something unrecognizable and horrible — is not a moral judgment. It is a simple conclusion drawn from the evidence.

Fortunately, there is a variable factor. That factor is man himself. Man cannot turn himself from a sinner into a saint by an act of the will, any more than he can make himself run a four-minute-mile by willing to do so. Apart from a genuine and spectacular conversion, no scoundrel can turn himself into an honest man, worthy of trust, by simply willing to be trusted. But fortunately, no one starts off in life as a perfect scoundrel.

Without wishing to deny the *divine* factor, or to fail to say that at a crucial point it becomes essential — for that would be irresponsible and dishonest for a Christian and a theologian — it is

possible, and fully consistent with our biblical heritage and with the experience of Judaeo-Christian civilization, to say that there is a *human* factor, and that it is substantial. We have had the experiences of which Karl Heim speaks, all of us, unless our human lives have been impoverished beyond all reckoning. We know the ennobling power in our own life of a friend's trust, even if imperfect and incompletely merited by us. We have all seen the power of our trust to make another fulfill an unpleasant obligation, not because he must, but because we trust him.

These are realities of human life and experience. They can be built upon, just as a coach can build upon the present strength and endurance of an athlete to make of him a champion in the future. We can build them in our own lives, and in the lives of those around us. The man who trains himself and others in trust and trustworthiness can have a certitude, an assurance which the mere calculator can never know. ◆

THOSE who are demanding freedom from responsibility have yet to discover there is only freedom for the responsible.

Distinguished Everybodies

ARCHIE PEACE

“WHAT’S it all about, my life, my world?” I assume the question is as perplexing and inescapable to others as to me. And for what they are worth, here are two premises I find helpful in examining the questions of life.

1. For all practical purposes, we are living in an unfinished world, a world in process of being completed and understood by man.
2. Each person is uniquely equipped to participate in this ongoing process of completion and understanding.

That each of us lives out his years in an incompletely understood world is all too obvious. We are still seeking answers to fill in the gaps in all areas of our knowledge of the world and of ourselves, and each answer we find poses new questions.

But the incompleteness of our knowledge appears, to our limited understanding, to be compounded by the added element that we are actually living in a world which is incomplete — one that is still being “worked out.”

To speak of an unfinished world may shock some. The fact of the matter is not subject to scientific proof or disproof, for it is of the nature of an expectant extension of the mind in an attempt to adequately comprehend the involvements of our life in this world. But, fact or faith, we humans are scarcely in a position to set limiting boundaries when accounting for the energies operating in this world.

Use any term you wish to denote the basic energies operating in this world, the gradual expansion of our knowledge only makes plain that each advance produces more unknowns and unexplainables to be pursued. Principles which seemed to be unshakeable

one day must be revised soon after in the light of new discoveries which suddenly become evident as parts of our world.

Truly, the concept of a "developing world" may call for a slight re-alignment of our thinking, but even if it does it will serve as a more practical and dynamic basis for personal adjustment to the everyday experiences of our living.

It certainly enables us to slice through many of the tight limitations which have restricted our outlook upon the world. It opens up a better basis for understanding the many seemingly impossible experiences and questions which have been associated with the "once and for all" fixed structural conception of our world. For, to cite just one troublesome area, the difficult problems of understanding unmerited suffering and hardship may be found to be simply rooted in the imperfect, incompleteness of our world and its peoples at the present stage of the building process.

If, then, the world in which we live is still under construction, we who live in it are definitely parts of the ongoing process. Imperfect as we are, we are nonetheless integral parts of the present stage of the whole. We are "in," "of," and

"by" the completing process. The abilities and personal equipment which we have are ours to be used, used up to the limit of our individual skills and situations.

As in any productive process, we may work for its success, "go off," or, with a distorted sense of personal importance, impede and sabotage the process. Every one of us has a stake in the whole, and every individual counts, for only through individual initiative and action will some small part of the process be satisfactorily aided as, and if, it advances. We have the options of choice inherent in our freedom. Within the rules every person has the right to freely choose and freely pursue his goals. This dangerous harmony in diversity is essential to the ongoing process.

Like the little boy delivering an address at a school exercise in the Philippines, who after greeting the honored guests, turned to the audience and greeted them, "Distinguished Everybodies," we need to recognize that we are just that, "distinguished everybodies": everybody who are here to help inch our world and mankind along nearer to the next higher level of completion. ♦

The Rise and Fall of England



13. REFORM IDEAS INTO POLITICAL ACTION

JUST when government intervention in England had been introduced on a scale sufficient to mark the turn from the liberal state to the interventionist welfare state is problematical and conjectural. There never was a time when there was not some government intervention, of course. Probably the high tide of liberty generally was from the late 1840's to the late 1860's, though the tendency had been in that direction for more than a century and a half preceding the mid-nineteenth century. Some measures smacking of the new intervention were passed in

the 1830's and 1840's, even before the repeal of the last of the major mercantilist measures. And there should be no doubt that intervention gained headway once more from the 1860's onward.

Writing in 1884, Herbert Spencer perceived already the oppressive character of the trend:

Dictatorial measures, rapidly multiplied, have tended continually to narrow the liberties of individuals; and have done this in a double way. Regulations have been made in yearly-growing numbers, restraining the citizen in directions where his actions were previously unchecked, and compelling actions which previously he might perform or not as he liked; and at the same time heavier public-burdens, chiefly local, have

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

further restricted his freedom, by lessening that portion of his earnings which he can spend as he pleases, and augmenting the portion taken from him to be spent as public agents please.¹

Spencer gives such examples as the following: an act passed in 1860 providing for the inspection of gas works, establishing quality controls and controlling prices; an act of 1863 requiring compulsory vaccination in Scotland and Ireland; an act of 1866 regulating cattle sheds and allowing local authorities power to inspect sanitary conditions; the establishment in 1869 of a state telegraph system; an act of 1873 requiring merchant vessels to show the draught of the boat by a scale and making it necessary for ships to carry certain life-saving equipment. "Again, there is the Act which . . . forbids the payment of wages to workmen at or within public-houses; there is another Factory and Workshops Act, commanding inspection of white lead works . . . and of bakehouses, regulating times of employment in both, and prescribing in detail some constructions for the last, which are to be kept in a condition satisfactory to the inspectors."²

¹ Herbert Spencer, *The Man Versus the State*, Albert Jay Nock, intro. (Caldwell, Idaho: Caxton, 1940), p. xii.

² *Ibid.*, pp. 10-14.

On the other hand, one historian holds that the fabric of English liberty had hardly been rent as late as 1914:

Until August 1914 a sensible, law-abiding Englishman could pass through life and hardly notice the existence of the state, beyond the post office and the policeman. He could live where he liked and as he liked. He had no official number or identity card. He could travel abroad or leave his country for ever without a passport or any sort of official permission. He could exchange his money for any other currency without restriction or limit. He could buy goods from any country in the world on the same terms as he bought goods at home. . . . An Englishman could enlist, if he chose, in the regular army, the navy, or the territorials. He could also ignore, if he chose, the demands of national defence. Substantial householders were occasionally called on for jury service. Otherwise, only those helped the state who wished to do so. The Englishman paid taxes on a modest scale. . . .

Even so, he notes that the "tendency towards more state action was increasing."³

The Turning Point

Actually, though, most historians are inclined to fix the date of

³ A. J. P. Taylor, *English History: 1914-1945* (New York: Oxford University Press, 1965), p. 1.

the turning point toward government intervention and welfare state in the year 1906. Better still, that year may be taken as the consolidation of the turning, for the turn to a new direction had been building for a goodly number of years. Intervention had been increasing; both major parties had come to champion various sorts of intervention; the thrust to socialism was making an ever stronger impact. Within the next 15 years following 1906 major changes would be made — by legislative acts, within the constitution, by the concentration of power, and changes within party strength — which would set England firmly on its road toward socialism.

Nineteen hundred six was the signal year because of the results of the general election which was held. The Liberals came to power with 377 members in the House of Commons to only 157 for the Conservatives. In itself, the return of the Liberals to power would hardly have been remarkable, for they had many times controlled the government in the nineteenth century. But they were not the Liberals that had once held power. One historian described the change in this way: "Nineteenth-century liberalism . . . did not win in 1906. In domestic affairs the real significance of the election is in its impetus to social democracy: the

rising demand for better standards of living for the workingmen, for greater equality of opportunity, for limitations of economic privilege and for security against sickness, unemployment and old age."⁴ Reformist ideas had made deep inroads into this old party. Of great importance, too, 53 Labour Party men were elected to the House, the first time that party had any representation to speak of. Moreover, their victory and subsequent activity indicates the way the Liberals were moving.

Labour-Liberal Coalition

In 1903, Liberal and Labour representatives had worked out an agreement to concert their efforts against the common Conservative enemy.⁵ In payment for this, for the next several years Labour members usually voted with the Liberals. In addition, as the result of the election of 1906 there were 83 Irish Nationalists in the House. "The Liberals had thus a majority of 84 over all the other parties combined, and on the natural assumption that they would for most purposes be supported by the Labour men and the Nationalists they could expect a majority of something like 400. There had

⁴ Alfred E. Havighurst, *Twentieth Century Britain* (New York: Harper and Row, 1962, 2nd ed.), p. 85.

⁵ *Ibid.*, p. 83.

never been anything like it before. . . ."⁶

There followed a spate of legislation which began to turn England into a welfare state. In 1906, a Workmen's Compensation Act was passed, greatly extending the coverage of an earlier act. An Education Act was passed which provided for the provision of meals for needy school children. While the act only permitted such action, it did acknowledge the principle of government responsibility, a considerable breakthrough.⁷ The Fabians had, of course, advanced the idea for such a measure.

Privileges to Unions;

Social Security Measures

Of somewhat different character — though generally reckoned to be of greater significance — was the passage of the Trade Disputes Act. This legislation was passed to alter the effects of the Taff Vale Decision made by the House of Lords in 1901. The Lords had held that a union was financially responsible for damages it had done by a strike against a railroad. The Liberal ministry introduced a measure in 1906 to deal with the mat-

ter. However, it was unsatisfactory to Labour members, and one of them submitted a simple measure which was then passed. It provided that labor unions were not financially responsible for damage occurring during strikes. It also authorized peaceful picketing, or, in effect, trespass.⁸

Further legislation was passed in 1908-1909 taking England toward the welfare state. Of considerable importance as a step was the Old Age Pensions Act. This act provided that everyone, with a few exceptions, who had an annual income of less than 21 pounds would receive a pension of five shillings per week at the age of seventy. Protective legislation was passed for workers in the coal mines, limiting the hours of work for adult male workers to 8 hours per day. Earlier legislation had regulated such employment for women and children, but this was the first for adult males. The Labor Exchange Act provided for employment offices to be set up over the country. Another act set up Trade Boards for certain of the so-called "sweated" industries. These gained the power to establish minimum wages for certain trades. This "established the revolutionary principle of fixing by law 'a

⁶ D. C. Somervell, *British Politics Since 1900* (London: Andrew Dakens, 1953, rev. ed.), p. 55.

⁷ Carl F. Brand, *The British Labor Party* (Stanford: Stanford University Press, 1964), pp. 20-21.

⁸ Stephen B. Baxter, ed., *Basic Documents of English History* (Boston: Houghton Mifflin, 1968), pp. 250-51.

decent wage' in industries not protected by unions."⁹

The National Insurance Act of 1911 was another major step. This was compulsory contributory health insurance for a large portion of the populace of England. It applied mainly to people remuneratively employed, and covered such things as medical treatment, hospital care, and compensation during incapacity. There was also attached to this act a provision for unemployment compensation.¹⁰

But before the passage of this last act, important constitutional changes had been initiated from the House of Commons. The House of Lords had been reduced to a virtual nonentity in the Parliament. What was involved was the destruction of the centuries old balance of power in the English government. This action was preceded, however, by a long-term decline in the powers of the monarch. Before telling the story of the assault upon the House of Lords, then, it is in order to survey the power situation and call attention to the decline of monarchical powers.

Disturbing the Balance

Since the late seventeenth century, England had a precariously balanced system of power disposi-

tions. The executive power was vested in the monarch, though it came increasingly to be exercised through Parliament. The legislative authority belonged to Parliament, with much of the initiative located in the House of Commons because that body only could originate money bills. Even so, the negative power of the Lords was great, for that body could not only amend and veto bills but was also the highest court in the land. The independence of the courts was fully established in the latter part of the eighteenth century.

The powers of the constitutionally limited monarch reached their peak under George III (1760-1820). That stubborn ruler was able to bend Parliament to his will in the latter part of the eighteenth century by various expedients, not least of which was the buying of members by astute dispensation of privileges and incomes. Neither of the two dissolute monarchs who followed him for brief reigns — George IV (1820-1830) nor William IV (1830-1837) — were such as would build the power of the office or endear the people to the institution. Queen Victoria (1837-1901) did re-establish monarchy in the affections of the people and stamp the age with her name, but the power continued to slip away. By a series of acts the franchise was extended to more and more of

⁹ Havighurst, *op. cit.*, pp. 99-100.

¹⁰ See Baxter, *op. cit.*, pp. 257-58.

the populace, and the democratic ethos that came increasingly to prevail made it appear unseemly for hereditary authority to be exercised. One historian notes that between "1874 and 1914, while the person of the monarch may even have gained importance as a figure-head, it steadily lost power as a factor in government."¹¹

Twisting the Lion's Tail

Just how low monarchy had sunk can be illustrated by the following occurrence. The Liberals thought that it might be necessary to have the King appoint hundreds of new Lords in order to get a bill to reduce their power through that House. In any case, Prime Minister Asquith wanted to be able to use this possibility as a threat, so he approached the new king, George V, about the matter in secret in 1910. The exchange went something like this. Mr. Asquith asked:

If he took the responsibility of advising another election and if he then retained his majority, would the King agree to create peers?

The King . . . asked if that was the advice which would have been tendered to his father. "Yes, sir," said Mr. Asquith, "and your father would have consented." So George V

agreed that there seemed to be no alternative.¹²

The natural affinity of the monarch was with the House of Lords. It was largely an hereditary institution, and its members at one time or another resulted from his appointment. Yet so tenuous had the position become that the King dare not resist the request of the leader of the Commons, though that request be for an action that would lead to the diminution of the powers of the Lords.

The House of Lords

By the early twentieth century, then, there remained only one major check on the power of Commons — the ancient House of Lords. To say that the Constitution checked Commons was little more than to say that the Lords checked them, for without the Lords to interpret that tradition, the Constitution would become what Commons would make of it. Undoubtedly, too, power had been gravitating toward the Commons for a long time. Lord Salisbury resigned as Prime Minister in 1902, and he was the last Peer to head a government.¹³

However unideal some of its members might be as individuals,

¹¹ R. C. K. Ensor, *England: 1870-1914* (Oxford: Oxford University Press, 1936), p. 31.

¹² George Dangerfield, *The Strange Death of Liberal England* (New York: Capricorn Books, 1961), p. 40.

¹³ Havighurst, *op. cit.*, p. 69.

the House of Lords was in many respects an ideal body to check the Commons. It did not depend upon the populace for selection. On the other hand, it posed virtually no threat to the liberties of Englishmen, for it was unlikely to originate any legislation. But because of its independence it could serve to limit government to protect the traditional liberties of Englishmen.

There is considerable evidence that many of the Lords were intent on doing just that in the early twentieth century. Their overwhelming victory in 1906 had placed unprecedented power in the hands of Liberals in Commons. The opposition party was reduced to an ineffectual minority. There was, however, a potential counterbalance to overweening partisan action in the Lords. Though the Lords were not technically members of a political party, in their inclinations they lined up this way, according to one tabulation: 355 Conservatives, 88 Liberals, 124 Liberal Unionists (who had lately been inclined to vote with Conservatives).¹⁴

While the Lords did not prevent some reform measures from passing, they did tend to place restraints on the reformers. The Liberals in Commons found a number of their measures rejected

by the Lords. An Education Bill was greatly altered in the hereditary House. That body rejected a Plural Voting Bill, and vetoed, in effect, a Licensing Bill aimed at curtailing the number of Public Houses.¹⁵ And though historians have not generally made much of the fact in this context, the House of Lords ruled in 1909 that labor unions could not use compulsorily collected dues for political purposes.

The Budget Bill of 1909

The event which precipitated the crisis, however, was the Budget Bill of 1909. There are indications that the Liberals in Commons were ready to reduce the power of the Lords almost from the moment they came to power, but the budget affair gave them the occasion. Some of the provisions of the budget were startling enough.

Its unusual features were these: (1) sharp increases in death duties (inheritance taxes); for example, estates of £1,000,000 and over were to be taxed at about 25 per cent; (2) increases in income tax schedules which continued the distinction between earned and unearned income first made in 1907; on incomes of £5,000 or more there was to be an additional super-tax, an innovation; (3) land taxes, of which the most significant was a 20 per cent tax on the unearned increment in value

¹⁴ *Ibid.*, p. 94.

¹⁵ See Dangerfield, *op. cit.*, pp. 14-15.

when land changed hands; (4) higher levies on tobacco and spirits.¹⁶

The House of Lords rejected the budget by a vote of 350 against to 75 for.

This budget reads as if it might have been the result of a collaboration between Karl Marx of the time of *The Communist Manifesto* and Henry George of the somewhat later *Progress and Poverty*, with bemused Fabians peering over their shoulder. Actually, of course, it was the work of David Lloyd George. Lloyd George played such a significant role in these years in the centralization of power in the Commons, in its concentration in the Prime Minister, and in the demise of the Liberal Party that he deserves a little closer look. In 1909, he was a member of the House, a Liberal, and Chancellor of the Exchequer in the government of Asquith. He was of obscure Welsh parentage, and came to the fore in the late 1890's as a Welsh nationalist, radical, and outspoken critic of the Conservatives.

Lloyd George was indeed influenced by Henry George,¹⁷ had obviously adopted some of his central terminology, and would off and on devote himself to schemes

for land reform for the rest of his political career. He was a socialist, too, in all but name. His budget was a "war budget," he said, a budget for a war on poverty; as a result of which he hoped that poverty would become "as remote to the people of this country as the wolves which once infested its forests."¹⁸ One writer describes him in this way:

If his convictions had been otherwise than emotional, he would have been a Socialist by this time. . . . He was less a Liberal than a Welshman on the loose. He wanted the poor to inherit the earth, particularly if it was the earth of rich English landlords. . . .¹⁹

Whether chosen for the spot or not, he was to spearhead the movement to destroy the older British order and set the stage for full-fledged socialism.

Parliament Act of 1911

Following the rejection of the budget in 1909, the movement to reduce the powers of the Lords accelerated. It did not reach its fruition, however, until two elections had been held, and a new monarch had come to the throne. The House of Lords was shorn of most of its powers by the Parlia-

¹⁶ Havhurst, *op. cit.*, p. 102.

¹⁷ See Carlton J. H. Hayes, *Contemporary Europe Since 1870* (New York: Macmillan, 1958, rev. ed.), p. 319.

¹⁸ Quoted in *Encyclopaedia Britannica*, XIV (1955), 251.

¹⁹ Dangerfield, *op. cit.*, pp. 18-19.

ment Act of 1911. It provided that, in the case of money bills, if they are not passed without amendment by the upper house within one month, they become law without the assent of that body. In the case of most other bills, if they are passed by the House of Commons once in each of three successive sessions, they can become law if the Lords refuse their assent.²⁰ The Lords could now delay legislation temporarily, but they could no longer prevent its passage. All governmental power was now centered in the House of Commons. The forms by which power had been balanced were outwardly preserved in the institutions of monarchy and an upper house, but the content was gone from them.

Lloyd George's War Cabinet

The concentration of executive power in the hands of the Prime Minister occurred during World War I. The man who did it was, once again, David Lloyd George. H. H. Asquith had formed a coalition government in 1915, with the Liberals preponderating in it. But he gave way in 1916 to new leadership headed by Lloyd George. The latter proceeded as quickly as possible to concentrate effective power in his own hands. One historian described the development this way: "Lloyd George's accession to

power in December 1916 was more than a change of government. It was a revolution British-style. The party magnates and the whips had been defied. The backbenchers and the newspapers combined in a sort of unconscious plebiscite and made Lloyd George dictator for the duration of the war."²¹

The traditional cabinet was subordinated, its members losing most of their historic independence. Most of the governmental functions were directed by a "war cabinet" made up of five members who were chosen primarily to execute the will of Lloyd George. "Lloyd George's war cabinet was a committee of public safety, exercising supreme command under his direction. . . . The holders of the other great historic offices merely received their marching orders."²²

In effect, the government took over the direction of many facets of the lives of Englishmen during World War I. Military conscription was instituted; the merchant marine was appropriated; the mines were taken over. The whole paraphernalia of controls, with which peoples have become familiar in wartime, were introduced: price controls, rent controls, rationing, allocation of materials, manipulation of the money supply,

²¹ Taylor, *op. cit.*, p. 73.

²² *Ibid.*, pp. 74-75.

²⁰ See Baxter, *op. cit.*, pp. 256-57.

confiscatory taxation, and so on. Some British historians call this development "war socialism." The phrase is apt, for socialism is the generic term to describe the large role that government assumed in the lives of the people during the war.

Military Conscription

It is a commonplace of historical generalization that this development was born of wartime expediency. This judgment should not be casually accepted. Undoubtedly, socialists have discovered grist for their mills in the methods employed during wars. But have they not also helped to shape those methods? There is no doubt that England was being bent toward socialism before the war came. Lloyd George was full of plans for accomplishing what should certainly be called socialistic, at the least. Given the occasion of the war, he would think in such terms to deal with it. So would many another.

An inkling of the nonexpedient character of much compulsion may be gained from the matter of military conscription. A Military Service Act was passed in January 1916 introducing such conscription. Yet one historian points out: "The army had more men than it could equip, and voluntary recruitment would more than fill

the gap, at any rate until the end of 1916. Auckland Geddes, who was in the best position to know, later pronounced this verdict: "The imposition of military conscription added little if anything to the effective sum of our war efforts.'"²³ David Lloyd George wanted it, and much of the country had apparently come to favor such compulsion.

The Decline of Liberals

One other major development needs to be told here: the decline of the Liberal Party and the rise of the Labour Party. The election of 1922 foreshadowed the downfall of the Liberals. The Conservatives won with 347 members elected; the Labourites came in second with 142; the Liberals were a poor third with 117, and these were divided about equally between followers of Asquith and Lloyd George. The Liberals gained a few members in the election of 1923, but they were still the third party. A new election in 1924 returned only 42 Liberals, and a one-time major party had fallen from the national councils.

It can be argued that the Liberal Party was on the way out, in any case. The party had been increasingly abandoning the historic principles of liberalism. In the nineteenth century, the Lib-

²³ *Ibid.*, p. 53.

erals had championed free trade and generally worked for the removal of governmental restrictions by which liberty might be extended. By the twentieth century, they were turning more and more to reforms which restricted liberty. As ameliorative reformers, they were doing little more and not much different from what the Conservatives would do. The Labourites, on the other hand, pre-empted the position at the forefront of the movement for more radical change.

Even so, David Lloyd George played a major role in the division and destruction of his party. He undermined its leadership at the outset of World War I. He formed a coalition government which relied mainly on the Conservative opposition. He gave short shrift to what remained of the historic liberal principles in the conduct of the war effort. In 1918, he fostered an election which was aimed at continuing his personal leadership of a coalition rather than the victory of his party, and he succeeded. The Liberal Party was then divided between followers of Asquith and himself. Probably, Lloyd George did not intend these results, but his actions contributed much to them.

There was no longer a major party in England devoted to the protection and extension of lib-

erty. The Conservatives were trimmers in such matters, as they had ever been.

The Rise of Labour

The rise of the Labour Party parallels that of the decline of the Liberal Party. One is reminded of the limerick of the lady and the tiger. Labour had become a factor in English politics largely by the tacit aid of Liberals. When the Liberal majority dwindled in 1910, the Liberals governed with the support of Labour. The latter had provided support for reducing the Lords. During the war years, Labour Party leaders had served in the coalition government, most prominently under David Lloyd George. (It is interesting to note, once again, the role of Lloyd George. He wooed Labour members astutely to bring them into the government. "He promised state control of the mines and of shipping, and the introduction of an effective system of food rationing."²⁴ "War socialism" was perhaps politically "expedient." The Liberal Lady had ridden the Labour Tiger for a number of years. But at the end of the ride, the Lady was inside.

Even while it was being ridden, however, the Labour Party could

²⁴ Henry Pelling, *A Short History of the Labour Party* (London: Macmillan, 1961), p. 39.

and did occasionally get a quid pro quo. Most notably did it do so in the Trade Union Act of 1913. A few years before, as has been noted, a decision was rendered making it illegal for union funds to be used for political purposes. These funds were, of course, the potential life blood of the party. The Trade Union Act permitted the union funds to be used for party purposes. It required that they be kept separate from other funds so that union members who did not wish to contribute to the political fund could refuse to do so by making a written statement to that effect. Obviously, they would have been much more effectively deterred in gaining such funds if union members had to sign an authorization for them to be so used. But the Labour Party overrode such objections in the Commons.²⁵ Thereafter, the Labour Party had an assured source of income.

Infiltration of the Unions by Fabian Socialism

In the early years, the Labour Party was not clearly a socialist party. A considerable portion of the men who represented it in Parliament were trade union men advancing what they conceived to be the interest of trade unions. The party drew its members from

the trade unions and from socialist societies, the former providing most of the numbers. It was transformed into a thoroughgoing socialist party at the end of World War I, at about the time that it separated clearly from the Liberals.

A new constitution for the party was adopted in 1918, and a general statement of policy soon followed it. These were the work of the Fabian Sidney Webb primarily who, according to his wife, had become "the intellectual leader of the Labour Party" by this time.²⁶ The constitution opened the way for those not associated with the societies or trade union members to become members of the party. More importantly, it committed the party to socialism. It read, in part:

To secure for the producers by hand and brain the full fruits of their industry, and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production and the best obtainable system of popular administration and control of each industry or service.²⁷

Shortly thereafter, a statement of Labour's aims was set forth in *Labour and the New Social Order*, the work again of Sidney Webb.

²⁶ *Ibid.*, p. 42.

²⁷ Quoted in *ibid.*, p. 44.

²⁵ See *ibid.*, p. 28.

It called for the establishment of a general national minimum, for the political control of industry, for heavy taxes, and a more general appropriation of private wealth for the general populace. One writer describes its importance in this way:

Labour and the New Social Order was a significant document. Its socialist objective clearly distinguished the new party from its older rivals. . . . The Fabian gradualism of the program and the reliance upon parliamentary democracy enabled Labour to win support where its new Communist competitor failed dismally. It outlined the policies to which Labour has consistently adhered.²⁸

In 1924, Ramsay MacDonald, a Labourite, became Prime Minister of England. Socialism was not yet in power — his ministry

²⁸ Brand, *op. cit.*, pp. 56-57.

lasted only months, but that one of its spokesmen had risen so high was surely a portent of things to come.

Within fifteen years or so, great changes had occurred in England. In 1906, England still afforded a good example of the liberal state with limited government, protections of private property, and extensive liberties for the inhabitants. After 1906, England made lengthy strides toward the welfare state, had its constitution altered so that power was centered in the House of Commons, experienced "war socialism" and the concentration of power in the hands of the Prime Minister, witnessed the decline of the Liberal Party and the rise of the Labour Party, and the transformation of the latter party into a socialist one. Nor would the effects of all this be long in making themselves felt. ♦

*The next article of this series will discuss
"The Decline of England"*

The Flight from Reality, the series by Dr. Carson which first appeared in THE FREEMAN (October 1964 through November 1966), will soon be available in book form.

Paper \$2.50 Cloth \$5.00

Order from: The Foundation for Economic Education, Inc.
Irvington-on-Hudson, New York 10533

A housing policy for **GREAT BRITAIN**



THE RT. HON. J. ENOCH POWELL, M.P.

*Addressing the House-Builders Conference in Kensington, England,
November 28, 1968.*

THE TITLE is yours, not mine. My proposition is that there ought not to be a housing policy, any more than there is a food policy, a clothing policy, a furniture and carpets policy, a passenger cars policy, and so on. The same mechanism which provides food, clothing, furniture, carpets, cars, and the like, and has done so on an ever-rising standard for everybody, could provide houses, too. Why doesn't it, then? Because we, the politicians, by the laws we make and maintain, prevent it. We use the law to keep the price of housing down to levels at which the mechanism cannot work, or at best, malfunctions. For fifty years we have practiced in regard to housing the oldest and the cruelest of all the deceptions which politicians practice upon their victims — to persuade them that we will

make a thing cheap and plentiful for them by holding down the price of it by force.

The only price at which the mechanism will work properly is the best price that can be obtained. There is only one "right" rent for a house or flat: that is the best rent the owner can command. To the extent that houses or flats are let for a lower rent than that, either because of rent control or because of public subsidy, the general interest suffers. If there is shortage and squalor in housing, if people would like to have more housing rather than other things, the reason for it is what I have long since been accustomed to describe, in public and in private, in speeches and in writing, at elections and between elections, as the Two Giant Evils: rent control and subsidy. Your Federation in its

evidence to the Prices and Incomes Board, though a shade less flamboyant, was no less outspoken: "a combination," you said, "of private rent restriction and subsidized municipal housing to let has proved fatal to the private market for rent and has been a root cause of slumdom and decay."

Few of the nine million rented houses in Great Britain are let at the market rent, the best rent that could be obtained for them if none were controlled or subsidized. What the gap between present rents and market rents is, nobody knows, because, in the nature of things, when an open market does not exist, one cannot know the market price. In 1967, the 5.2 million municipal houses in Britain were subsidized from taxes and rates to the tune of about £130 million or, on average overall, £25 per annum. But we do not know if that represents the gap between actual and market rents. Some municipal houses and flats probably could not be let at their present high rents if there were a free market all round. Others, probably the great majority, would command a somewhat higher rent than that which would enable the housing authority to cover, without subsidy, its outgoings in respect of them. Nevertheless, that figure of £25 a year probably does give us a useful approximate notion of the

sort of gap — something, perhaps, between 10s. and 12s. a week — which exists on average overall. As to the 3½ million privately-owned rented houses, we are even more in the dark. There must, too, be large variations, from place to place and from house to house, in what would prove in fact to be the gap between the actual and the open market rent, owing to the vagaries and chance effects of subsidy policy and the rent laws.

Escapist Policies

So, we find ourselves in a situation not without parallels elsewhere in politics. Politicians and public alike are standing on the brink of a gulf between common sense and things as they are, which is so wide and frightening that with one accord they shut their eyes and turn the other way. The politicians all think that if they tell the truth and try to bridge the gap, they will make themselves so unpopular as never to be elected again. The public, on their side, not unreasonably, feel that it is not incumbent upon them to push the politicians into unpleasant measures, however wise and necessary. So the conspiracy of pretense continues, and we keep producing new and ever new "housing policies," and making new and ever new promises to "solve the housing problem." The

occasional politician here and there goes about denouncing the Two Giant Evils and appears to take no harm thereby, though if his colleagues could find a way to muzzle him, no doubt they would. Otherwise, nothing happens. You yourselves say: "that policy [of market rents] is presumably unacceptable over a short-term period" but "it is clearly essential that some attempt be made to rationalize the present situation."

Well, let us give ourselves a treat this morning. Let us just imagine that the will existed to return to common sense in housing — to "rationalize the present situation," as you put it — and set out what it would involve. At least, they can't take our dreams away from us.

A Return to Common Sense

First, we must act both generally and rapidly. The easiest way to get from an unnatural to a natural situation is to do it suddenly. There are equally good political and practical reasons for that. If, as we believe, people would soon begin to see and feel the benefit of open market rents, in terms of more housing and the disappearance of the phenomena of shortage, then it is best to get the painful part and the period of confusion over as quickly as possible so that people have time to

leave it behind them and grow accustomed to the "brave new world." If subsidies are reduced gradually and control removed bit by bit, the agony is protracted. The practical reason is that, if only a part of the whole is allowed to go free, prices and rents there rise above what would be the ultimate market level all round, because all the scarcity from other parts is concentrated on that one. If everybody is put into the market at the same time, nobody can for long get more than the true market price or rent. So the first thing to aim at is to get all the subsidies and controls off in a matter of months rather than years.

Secondly, while we can safely leave the private owner to aim at the best rent, if he is allowed to, something more has to be done in the case of the municipal owner, who, for close on fifty years, has worn a triple character: not only landlord, but dispenser of charity and purchaser of tenant votes. If the sole function in the future is to be a good landlord, in the best commercial sense of the term, the elected local authority is about as bad and unsuitable a body for the purpose as can be imagined. All municipal houses should therefore be vested in a public corporation, charged with two duties: to maximize the return from them and

manage this public "estate" on the best commercial principles; and gradually to dispose of them — dare I say "denationalize them"? — to private property companies and private owner-occupiers.

There will be two financial consequences: one for the particular tenants, another for everybody. Rents generally will rise — that is essential — and therefore this element in the cost of living for over half the households in the country will undergo a once-for-all increase. For the majority of them this will be no more than they have sustained many times in recent years — though this time, as I will show in a moment, there will be solid compensations. In any case, wages will have to go up to match, because, as I wrote long ago, housing subsidies and rent control have been "Speenhamland in modern dress" — in other words, outdoor relief in supplementation of wages, a thoroughly bad thing. There will be a minority, however, who will need to have those benefits adjusted or be otherwise helped by their fellow citizens.

Taxes, Budgets, and Ideals

But now let us look at the public in their total character, as taxpayers and ratepayers rather than tenants. The rates will be relieved straight away of all housing costs — subsidy, administration, the lot

— because there will be no more municipal housing. Meanwhile, the National Housing Corporation, even after lowering some of the present very high rents, which are only obtainable in conditions of subsidy and control, ought to turn in to the Exchequer a substantial surplus on its operations, while the Exchequer itself will benefit by the abolition of the tax-borne subsidies — in all, perhaps £150 million toward reduction of taxes and increase of social benefits for the persons affected by the higher rents.

That, however, is not the end of it. There is more still to come; for the Budget at the moment is carrying between £300 million and £400 million a year for the capital which is lent to local housing authorities to build new houses and flats but has to be raised in taxes by the Chancellor of the Exchequer because in present circumstances it cannot be borrowed by the government from the public. In future this capital will be raised by the private enterprise builders of new rental accommodation, just as the capital is raised for new owner-occupied houses, without recourse to the taxpayer. So, even if half the subsidies had to be given back in social payments, the huge sum of some £500 million would be available for relief of taxation. Most people would find

the bargain a pretty good one; and remember that I have taken no credit at all in these calculations for any increased efficiency, and therefore lower real prices, which ought to result from the substitution of private enterprise for municipal nonenterprise, and from the larger scale on which private enterprise builders would be able to plan and carry out their operations.

There now! Were we dreaming, or were we awake? "Ideally," and now I am quoting your own Feder-

ation again, "it would be desirable to sweep away the current jungle of rents in the public and private sectors by turning to a free market in rented housing which would allow to landlords a proper margin of profit and would bring investment capital back into the private rented sector." "Desirable?" Yes. "Ideally?" Well, that depends on us, whether we can make the desirable so clear to our fellow citizens that they will insist upon having it and will tell the politicians to get down to the job. ♦

IDEAS ON LIBERTY

Something Constructive!

FROM time to time, readers of *Analysis* urge upon me the espousal of some program they are pleased to call "constructive."... The reform invariably rests its case on the good will, intelligence and selflessness of men, who, invested with the power to do so, will put the reform into operation. And the lesson of history is that power is never so used. Never. I am convinced, on the other hand, that all of the evils of which these honest people complain can be traced to the misuse of power, and am therefore inclined to distrust political power of any kind. . . . The only "constructive" idea that I can in all conscience advance, then, is that the individual put his trust in himself, not in power; that he seek to better his understanding and lift his values to a higher and still higher level; that he assume responsibility for his behavior and not shift his responsibility to committees, organizations and, above all, a superpersonal State. Such reforms as are necessary will come of themselves when, or if, men act as intelligent and responsible human beings. There cannot be a "good" society until there are "good" men.



Hands off **SOUTHERN AFRICA**

ONE of the greatest moral and intellectual delusions, one of the surest roads to ultimate disillusionment, is the crusading war. This may be defined as a conflict in which a people engages for no concrete, rationally conceived purpose, but for the supposed vindication of some vague international ideal. For even the worthiest ideals are seldom realized by resort to arms. As a dissenter in World War I, Randolph Bourne remarked: "War is like a wild elephant. It carries the rider where it wants, not where *he* wants to go."

Consider in retrospect Woodrow Wilson's message, calling for a declaration of war against Germany in April, 1917: "Make the world safe for democracy."

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

The actual sequel to America's participation in World War I was the emergence and spread of two systems which were an utter negation of democratic principles as understood by Wilson and practiced in those countries of North America and Western Europe where democracy took firm root. These systems were fascism and communism, both products of the psychological aftermath of the destruction of human life on an unprecedented scale and the uprooting of old institutions and loyalties. Who remembers the Four Freedoms, the Atlantic Charter, or other professed aims of World War II, except to mark the complete contradiction between these objectives and the much less pleasant realities of the postwar settlement?

The crusading spirit that leads Americans periodically to plunge into wars or to take steps likely

to provoke wars, in pursuit of moralistic and often quite impractical goals, is a compound of several elements. There is an element of naive arrogance, expressed in the assumption that, by means of war, we can make what is perhaps an unsatisfactory situation better, not worse. There is the equally naive and arrogant assumption that a political system which has served us well is automatically best suited to the needs and requirements of peoples with different historical, political, economic, and social backgrounds.

There is also in a crusading war the illusion, dangerous to a nation as to an individual, of omnipotence, of ability to control to our liking the many new, sometimes unforeseeable, forces that will come to the surface as a by-product of war. Woodrow Wilson was a scholar and a student of history. But how much he overlooked, perhaps inevitably, when he envisaged a peace based on his fourteen points and guaranteed by a new institution, the League of Nations. The inability, for instance, to obtain just postwar boundaries and a reasonable financial settlement against the desire of the European allies for annexations and indemnities and the inflamed state of American public opinion. Or the violent revolutionary impulses that would be un-

leashed by the rancor of defeat and the disruption of familiar boundaries and institutions, to say nothing of the individual and social distress caused by the prolonged slaughter. Or the unwillingness of sovereign states to turn over the responsibilities of their own defense and the issue of whether or not to participate in future hostilities to an untried organization like the League of Nations.

In retrospect it seems evident that the best promise of a lasting peace, once World War I had begun, would have been a compromise settlement in 1915 or 1916 which would have been accepted by all participants, not with full satisfaction for any, but without leaving a sense of intolerable political and economic wrong. This was what President Wilson himself thought before the United States became a belligerent. The best critic of Wilson, the unsuccessful peacemaker of Paris, was Wilson on January 22, 1917, pleading for a "peace without victory" in an address to the United States Senate:

"Victory would mean peace forced upon the loser, a victor's terms imposed upon the vanquished. It would be accepted in humiliation, under duress, at an intolerable sacrifice, and would leave a sting, a resentment, a bit-

ter memory upon which terms of peace would rest, not permanently, but only as upon quicksand. Only a peace between equals can last, only a peace the very principle of which is equality and a common participation in a common benefit."

Not the least of the advantages of a peace by negotiation — before the final breaking point came in 1918 — would have been that such a settlement would most probably have averted the victories of communism in Russia and fascism in Italy and national socialism in Germany, thus averting new causes of new wars.

The U. N. Road to War

The grave and disillusioning consequences of crusading wars are now written large for all to see. Yet, the United States currently risks being drawn into just this type of harmful and unnecessary conflict. The place is southern Africa; the instrumentality is the United Nations, or, more specifically, its Afro-Asian bloc; the cause, the willingness of the United States representatives at the UN to vote for resolutions which may seem innocuous on the surface, but which have explosive implications.

The section of Africa which lies between the Zambesi River and the Cape of Good Hope has not set

up native nationalist administrations. This is because the Union of South Africa, the largest and richest of the four territories of southern Africa, and its northern neighbor, Rhodesia, are under the government of people with a strong pioneering tradition who are unwilling to trust their prospects under the black racist regimes that would be in prospect if a system of "one man, one vote" were introduced. This attitude is understandable because the majority of the African natives live under tribal conditions, isolated from modern life, and quite unfamiliar with Western political ideas and institutions.

The remainder of southern Africa consists of two large Portuguese colonies, Angola on the west coast and Mozambique on the east. Feeling that they stand or fall together, the governments of South Africa and Rhodesia and the Portuguese administrations in Angola and Mozambique maintain close contact in fighting subversion.

Approaches to Racial Problems

Each of the states and administrations of southern Africa has its own distinctive approach to the African native problem. The Union of South Africa is committed to a policy of apartheid or separate development for its vari-

ous racial groups: the whites, who are mostly of Dutch or British descent, the various native African tribes, the East Indians and the "coloreds," some of them people of mixed blood, some descendants of indentured Malays. This implies separate facilities in schools, public accommodations, and political life. It is defended by most white South Africans and by some natives on the ground that a racially amalgamated society in South Africa is neither possible nor desirable, that the various races are happiest if given separate opportunities. (Curiously enough, some of the extreme black nationalists in the United States seem to have reached a very similar conclusion.)

To the South Africans — especially those who speak Afrikaans, a modified Dutch, and are of Dutch descent — apartheid is not mentioned apologetically, but is avowed and defended as a sincere effort to solve a difficult and complicated racial problem. As compensation for the denial of equal political, economic, and social rights to nonwhites in white areas of settlement, South Africans point to the separate colleges for the Bantus and other ethnic groups and especially to the government policy of setting up native administrative areas, sometimes called Bantustans, with

elected native parliaments and governments, where whites are being squeezed out of existing shops and factories so that the Bantus may manage their own affairs.

One of these states, the Trans-Kei, is in existence and others are projected for the future. I visited the Trans-Kei in the spring of 1968 and came away with the feeling that the government was sincere in its ideal of racial separate development; but there are formidable economic obstacles in the way of its realization. The land at the disposal of the present and future Bantustans cannot support the African native population. Those who seek work in urban areas encounter a good many regulations and restrictions.

The white governing regime in Rhodesia has a somewhat different approach. Apartheid, in its more extreme forms, does not exist in Rhodesia, where one is impressed by the numbers of native policemen and by the integration in most hotels and the use of African units in the small Rhodesian army. Incidentally, these African units showed no sense of divided loyalty when called on to combat incursions of communist- or nationalist-trained guerrilla bands operating from bases in Zambia. There are no African natives in the South African par-

liament in Capetown; but there are fifteen Africans among the sixty-five members of the Rhodesian parliament in Salisbury.

Portuguese policy in Angola and Mozambique is something else again. There is no official color bar for those natives who, by education and habits, have acquired the status of *assimilados*, or civilized people. The number of these *assimilados*, however, is still quite small.

South Africa is completely free from any signs of native unrest, and the Rhodesian military and police forces have experienced little difficulty in dealing with guerrilla incursions. There has been more serious fighting, the extent of which is hard to gauge, in Angola and Mozambique, although the principal towns and routes of communication have been securely held.

The Afro-Asian Bloc

From the beginning, the newly independent African states have waged an unceasing vendetta against the southern part of the African continent that remains under white rule. As a matter of principle, they have been joined by most of the Asian members of the United Nations. It is through this institution that the danger of United States involvement in this foreign quarrel arises. The Afro-

Asian bloc that always votes against anything that may be construed as imperialism (although selectively indifferent to Soviet demonstrations of this tendency) is weak in real political, military, and economic power. But it disposes of disproportionate voting strength in the UN General Assembly.

The Afro-Asian bloc in the UN has proved repeatedly that it has enough voting power to carry any resolution, however extreme, committing the UN members to hostile and punitive actions against the nations of southern Africa. These resolutions have no binding force; but they create a constant element of tension and strain in the relations of the United States with the Union of South Africa, Rhodesia, and Portugal. In view of the fact that these countries have been uniformly friendly in their attitude toward the United States (they have paid their debts, extended a friendly welcome to United States tourists, and provided profitable fields for trade and investment) there is no reason for a U. S. policy of hostile pinpricks.

Yet the United States has associated itself with many hostile resolutions inspired by the Afro-Asian bloc and in some cases has proceeded from words to deeds. For instance, it is associated with

an arms boycott of the Union of South Africa, although the arms which South Africa wishes to purchase abroad are sophisticated weapons which would be useless in civil disturbances. When I visited South Africa in the spring of 1968, Admiral Biermann, commander of the small South African navy, put to me a question that puzzles many of his countrymen: "Why do the Americans and British expect us, in the event of war, to keep the sea route around the Cape of Good Hope open and refuse to sell us submarines and other naval equipment we need?" It was not an easy question to answer.

The United States has gone still further in the case of Rhodesia, and in plain violation of its own national interest. This former British colony, where Britain has exercised no control over internal affairs for decades, declared its independence three years ago. It has maintained this status despite feeble harassing inroads of communist or black nationalist terrorists across the frontier from Zambia (formerly Northern Rhodesia) and despite sanctions against its exports and imports initiated by Great Britain with the support of the UN and the participation of the United States. American trade with Rhodesia (with its 225,000 whites and four

million natives) has been necessarily on a small scale. But that country has been an important source of a strategic material, chrome, which the United States does not produce itself. The principal other source is the Soviet Union.

On the record of the two, which is the greater threat to peace, the Soviet Union or Rhodesia? Every reasonably intelligent person knows the answer. Yet the United States, by refusing to buy Rhodesian chrome, has seemed to proceed on the theory that it is more endangered by Rhodesia than by the Soviet Union.

U. S. Meddling in Africa

The United States has taken up a wholly unnecessary attitude of meddling partisanship on another African issue: South Africa's administration of the huge, sparsely populated, former German colony of Southwest Africa. This area, acquired by South Africa as a mandate from the long-deceased League of Nations, has been virtually incorporated in that country for more than half a century. It could not be detached without a difficult military expedition in forbidding and difficult terrain, a task which no one has the apparent force or desire to undertake.

It is always unwise to threaten

by implication measures which there is no intention to implement. Yet former U.S. Ambassador Arthur Goldberg went out of his way at the UN to assert that South Africa had forfeited its mandate and had no other authority to administer this territory.

The United States also gave its assent to one of the most futile and ridiculous projects ever spawned by the United Nations. This was the establishment of a "United Nations Council for Southwest Africa," with an assigned function of administering the territory until independence, a goal which the Council was instructed to do all in its power to achieve by June, 1968. June, 1968 has come and gone, and what this phantom Council has achieved has been precisely zero. It is futile and undignified for the United States to take part in such silly games.

Leave Them Alone

In the light of the unhappy results of crusading wars in the past, a rethinking of American policy toward southern Africa seems clearly in order. As individuals, Americans may be convinced or unconvinced by the arguments for and against the present situation in the Portuguese colonies, in South Africa, and in

Rhodesia. One point that should not be overlooked in considering denunciations of the present regimes in the Union of South Africa and Rhodesia is that hundreds of thousands of African natives have "voted with their feet" by voluntarily leaving other parts of Africa to seek higher wages and better opportunities in these two countries.

The wise course for a country which, like the United States, has not made a conspicuous success of its own race relations would be to adopt a strictly "hands off" policy toward southern Africa, to abstain from voting on provocative UN resolutions, to withdraw the arms embargo on South Africa, and to dissociate itself from sanctions against Rhodesia. (Many of the Britons who are best informed on Rhodesian realities would breathe a sigh of relief if we would pull the rug from under a sanctions policy that has been getting nowhere fast.) If the present regimes in southern Africa are doomed by the course of history, as some of their critics believe, we assume no obligation to save them. But why, in the name of realism and common sense, should we play the role of Che Guevaras and Mao Tse-tungs and help to let loose the horrors of racial strife over an area with whose peoples we have no quarrel? ♦

Dynamics

of the FREE MARKET

ROBERT H. EAGLE

SOCIAL and economic changes, changes in tastes and technology, appear inevitable. Many of yesterday's products and processes have passed from the scene, replaced today by countless goods and services unheard of a few years ago.

Recognizing this fact, entrepreneurs attempt to anticipate or initiate change in order to secure a profit. In an active, relatively free market, they are constantly searching for new products and services which they hope will have widespread appeal and consequently produce the profit which successful innovations bring. Some of these attempts succeed; others fail. But the public as a whole is satisfied with the result of the free market mechanism, powered by the profit motive.

The conditions of supply and

demand which pace economic changes are simply the expressed desires of willing buyers and sellers. The resources for production thus are attracted into business ventures that are potentially profitable.

However, when the source of investment is heavy taxation, the criterion of profit potentiality is lacking; and the size and impact of projects, thus financed, must inevitably bring about undesired changes. Had the general public's desire for such undertakings been at all discernible, entrepreneurs would have banded together to take advantage of the obvious profit potential.

Many economists have long recognized the role of profit (positive and negative) in directing economic activity out of certain lines and into others, but the fact that the profit motive *paces*

Dr. Eagle is a free-lance writer and management scientist in Chapel Hill, North Carolina.

change, bringing it about but at the same time keeping it within manageable and tolerable limits, has seldom, if ever, been recognized.

Yet the second role of profit — causing tolerable, relatively gradual change, in contrast to the social and economic upheavals which are apparently becoming more drastic and frequent — may be as important as the role of directing economic activity.

The movement into or out of certain economic activities is directed by the consuming public which by its voluntary purchases or nonpurchases bestows positive or negative profits on the entrepreneurs involved. Similarly, the public, in a free market society in which government plays only a minor economic role, would control the *pace* of change.

A Sense of Stability Midst the Winds of Change

Both a desire for change and a resistance to change are built into human nature, in different proportions among different human beings. Very few people enjoy living in a society of constant and drastic changes. Human nature demands some sense of stability, some assurance that life is not going to be drastically different every day. It is widely believed that the pace of modern industrial

society is having deleterious effects on the population, socially and psychologically. On the other hand, not many people wish to live out their lives without any prospect for change. The great mass of Americans fall into the middle ground, desiring change leavened with a certain amount of stability. And this is the kind and pace of change generally afforded as entrepreneurs cater to the general public in open competition.

However, when the government becomes the single largest customer in the economy, dwarfing the world's largest corporation, matters are far from the ideal described above. With its virtually unlimited access to resources (gained with the use of compulsion via its taxing powers), catering to powerful special interests (all of whom want the public treasure spent on their own behalf), the government is in a position to bring about vast and widespread changes that are undesirable so far as the general public is concerned.

An example of the disruptions brought about by coercive government intervention is the "diverted-acres program." Under this program, the Federal government pays large landowners handsomely to retire land from production.

Senator Abraham Ribicoff reports in the September, 1968, *Reader's Digest* that the average

corn acreage has been cut by 15 per cent since 1961, but the corn harvest went *up* by 376 million bushels. The large operators retired their poorest land and "spent their government checks on more fertilizer and high-yield technology for their remaining acres." Such a program adversely affected "the small farmer who did not have enough land to participate in the diverted acres program." The report continues, "to collect Washington's cash for diverting acres into growing pulpwood, for example, many landowners have dispossessed tenants and laborers by the thousands. . . . The net effect . . . has been to eject 100,000 more farm people per year."

Shifting Populations

The population movement from farms to industrialized centers goes on in any economy as it changes from predominantly agricultural to predominantly industrial. In the absence of government intervention, this movement tends to be spread out over time rather than to occur in sudden spurts. When farm workers, unprepared by skill or background for city life, move gradually into

urban centers, they can be more readily absorbed into the new environment than when they abruptly arrive in large numbers.

The farm program, as Senator Ribicoff explains, is one of "the forces moving poor farm people into urban ghettos." Such environmental wrenchings add to the overall problem of crime and delinquency.

The letting of large government contracts, giant public works, space and national defense programs (as when military bases are located, opened, and shut down for political considerations) such actions, based on compulsion, have a monumental impact on the economy and the disposition of men, money, and materials. In addition, fiscal and monetary policies, usually involving the expansion of money and credit, overstimulate the economy and bring about drastic coerced changes that no combination of entrepreneurs, big and small, could ever accomplish.

If these intolerable dislocations of people and resources are to be avoided, the responsibility must be withdrawn from government and re-assumed by the private sector of the economy. ♦

Tribalism in Africa

NOTHING is simple. The good libertarian, if he follows his theory to the end, must be for the free movement of people, goods, gold, information, and ideas over the surface of the earth. He must be for the unrestrained immigration of Indians into Great Britain, or Chinese and Negroes into Australia, or Arabs into Israel, and Israeli into Egypt or Tunis. He must be for applying the principle of "one man, one vote" to Rhodesia and South Africa. But in the practical world, the free movement of men who do not care for freedom can be destructive of all the individual liberties that have been painfully wrung from governments over twenty centuries of intensive struggle.

The paradoxical results of supporting the idea of freedom for people who don't in the least care to preserve it are spelled out in great detail in Dr. Franco No-

gueira's remarkable little book, *The Third World* (Johnson Publications, London, England), which comes to us with an enthusiastic foreword by former U.S. Secretary of State, Dean Acheson. Dr. Nogueira is the Portuguese Foreign Minister, a job to which he succeeded after a scarifying experience as a delegate for his country at the UN General Assembly. In the UN the nations of the "third world" form what is known as the Afro-Asian bloc. The Afro-Asian nations are loud in praise of democracy, liberalism, and other Western concepts, but in Dr. Nogueira's experience they don't understand anything they say.

As a Portuguese Dr. Nogueira had, of course, to defend the record of his countrymen in Africa, where Portugal retains its hold on Angola and Mozambique. Unlike the white Rhodesians and the Boers of South Africa, the Portu-

guese are champions of a real multiracialism. They don't care who marries whom. They extend the same liberties to everybody, whether white, black, brown, or yellow; and they consider their African soil to be part of the grand cosmopolitan nation of Greater Portugal. Yet, in spite of practicing the sort of liberalism which the nations of the "third world" say they want to see restored all over Africa, the Portuguese find themselves denounced in the UN as "reactionary colonialists."

Myth of Democratic Development

Dr. Nogueira makes his points about Portugal's record in Africa succinctly. He believes his country is still in Africa precisely because it has had a policy that does justice to the concept of multiracialism. But this book is not an apology. It is mainly devoted to an exposure of the myths that control "almost all aspects of life" on the African continent outside of the Portuguese territories.

When Britain, France, and Belgium decided to withdraw from Africa, the theory was that new multiracial states would respect the individual, leaving him in possession of his vote, his right to a representative political party, his civil rights, and his property. In Western Europe, the individual

had increased his liberties in direct relation to his ability to make a living for himself by dependence on his unhampered skills and his own means of production. But in the new Africa of recent years, nationalist freedoms have been linked with the cause of socialism (African socialism in the sub-Saharan region, Arab socialism in the North along the Mediterranean). Not surprisingly to libertarians, the socialism of the new governments has proved incompatible with everything the leaders say they want for their people.

There is the myth of democratic development. In Africa, the tribe was always more important than the individual. Parliamentary freedom in the new African countries has invariably succumbed to tribal strife, with the big tribe setting up a despotism on the basis of a single mass party. The Ibos of Nigeria weren't strong enough to maintain themselves as a separate bloc in a democratic state; hence, the necessity of recourse to tribal warfare to preserve their very existence. In the Congo, Moise Tshombe's tribe wasn't powerful enough to establish a separate statehood for Katanga. And in Kenya and Tanzania, the cattle-herding Masai are clearly an anachronistic element, doomed to eventual extinction as the more settled tribes such as the Kikuyu

learn to work the levers of a centralized government.

Rapid Industrialization

Another African myth is that of rapid industrialization. The idea was that if the West were to pour in external aid, there could be a quick movement to what Walt Rostow has described as the "take-off point." But, as Dr. Nogueira points out, industrialization depends on a healthy agriculture, a strong middle class to supply the "appropriate cadres" to operate industry, and an efficient and uncorrupt government. There is no sense giving Gabon, say, a factory to make television sets when there is no local market for them, and no technical intelligentsia to supply repairmen.

What particularly amuses Dr. Nogueira is the myth of land reform. The idea that land is monopolized in Africa "is demagoguery pure and simple," for there is no scarcity of land in the African countries, there is only a scarcity of people. The extent of African underpopulation is apparent when one considers that with only 250 million inhabitants, the African continent controls almost one-third of the votes in the United Nations. In another few years the U.S. will be more populous than all of Africa.

Another African myth concerns

higher education. The theory is that if universities are created by government fiat, an effective intelligentsia will be produced in due course. But before you can have a university you have to have primary, rural, and technical schools. Africa is turning out doctors and engineers who are only so in name and in the diplomas they receive.

In an Africa so controlled by myth it is hardly strange that what we are seeing is the re-emergence of the tribal chief. The coming of "uhuru," or freedom, has deprived Africans of the "moderating" power of the colonial administrator. When the state is taken over by the dominant tribe, the government exercises its new dominance with a harshness and despotism that may very well end with the enslavement of minorities. Opposition to the dominant tribe becomes a form of treason, to be punished as such.

On the world scale, the new tribal nations of Africa become pawns in the struggle between Moscow and the West. They are promised much, but actually get very little that they can use. Ironically, the small-scale agricultural missions sent to Africa by the Free Chinese of Taiwan have done more good for the new African nations than all the money poured in by the big powers that pretend

to have African interests at heart.

Dean Acheson, in his pungent and lucid foreword, wonders why his own country, the United States, should lecture Portugal about her role in Africa when Angola is so much more peaceful than the Congo. It is a legitimate wonder. ◆

OTHER BOOKS

- ▶ **DAGGER IN THE HEART: AMERICAN POLICY FAILURES IN CUBA** by Mario Lazo (New York: Funk & Wagnalls, 1968), 426 pp., \$5.95.

Reviewed by Bettina Bien

TO DEMONSTRATE that even disinterested eye-witnesses to an event may disagree as to what really happened, a professor of journalism stages this incident for his classes: A neighboring professor is loudly accused of indiscretion; he and his "attacker," brandishing weapons, dash out into the hall within sight of the future journalists. When the commotion subsides, the students are asked to report what took place and the differences in their accounts make the point for the teacher.

The writing of history, like the art of journalism, involves reporting events as accurately as possible. But it also calls for selection,

interpretation, and evaluation. It is difficult enough to describe a simple, witnessed incident; it is even more difficult, if not impossible, to learn precisely what happened when witnesses and reporters of complex historical events are personally involved and when reputations and lives may be in jeopardy. Lincoln's assassination has never been completely explained, nor has John F. Kennedy's; historians still debate the significance of events leading to World Wars I and II; and the assignment of blame with respect to U. S. intervention in Cuba is one of many matters now in active dispute. Several associates of John F. Kennedy have published versions justifying his actions; and now we have the views of a close observer not responsible in any way for U. S. diplomatic decisions.

Mario Lazo, author of *Dagger in the Heart*, is a man of two nations. A noted Cuban lawyer, born and educated in this country, a U. S. Army officer in World War I, he has close ties to both countries. Although he recognizes that every historian has a national "bias," reports on Cuba since the late 1950's contain what Mr. Lazo considers "planned distortion" — in Castro's favor. Mr. Lazo traces Cuban history briefly from the Spanish-American War. No lover of Batista, he was nevertheless

deeply concerned at the prospects of a Castro takeover. There were other potential leaders available. But one by one they were effectively eliminated by U. S. action, or inaction. Finally, when Batista was deliberately ousted, nothing stood between Castro and his seizure of power.

Mr. Lazo names names and places blame — principally on *New York Times* correspondent, Herbert Matthews, and U. S. State Department officials, Roy R. Rubottom, Jr. and William A. Wieland — for concealing the true situation in Cuba and for issuing reports obviously contrary to fact. U. S. diplomacy, based on such misinformation, led to decisions, delays, and sudden policy changes that proved antagonistic to both Cuban and U. S. interests. In spite of Castro's communist ties, his verbal attacks on this country, his confiscation and nationalization of properties, reports biased in his favor led the U. S. government to trust him and his "socialist regime" for several years. The tentative decision to turn against him and to help anti-Castro Cubans was Eisenhower's in early 1960; John F. Kennedy expanded and elaborated the plans in 1961, until they called for large-scale invasion by U. S. trained Cuban patriots with U. S. supplies and U. S. air cover. Knowledge of the scheme

was widespread. But one man — Adlai Stevenson — raised strong objections after the plans were well advanced. Kennedy then backed down, and withdrew support of the invasion even after Cuban patriots had started landing at the "Bay of Pigs." Mr. Lazo paints a similar picture of delayed decisions and sudden last-minute reversals in the case of the 1962 Cuban Missile Crisis. U. S. policy has in effect strengthened communism in Cuba making it a veritable "dagger in the heart" of the Western hemisphere.

Recent Cuban history has hung at times on such a slender thread as a misdirected letter that might have led to the election of anti-Batista forces in 1952. More often it has been shaped, as Mr. Lazo shows, by the political decisions of indecisive men on the basis of false reports and perhaps even deliberate misrepresentations, by diplomatic procedures that were surely remiss, by little men in high office. This book presents facts and interpretations which serious future historians *must* take into consideration when dealing with this phase of U. S. diplomacy. Although not a participant in U. S.-Cuban diplomacy himself, Mr. Lazo has long been a knowledgeable bystander and a friend of many who were involved. His analysis, amply supported by foot-

notes, often to the effect that the persons named have read and agreed with his interpretation, is an important chapter in the revisionist version of history which is so very much needed to counterbalance the many apologies being written and published on behalf of the political administrations involved. ♦

- ▶ **THE AMERICAN UNIVERSITY – HOW IT RUNS, WHERE IT IS GOING** by Jacques Barzun (New York: Harper & Row), 319 pp., \$7.95.

Reviewed by Robert M. Thornton and Edmund A. Opitz

A LOT of things are happening on campus this season including, one presumes, some instruction. But today's educational crisis has little to do, seemingly, with the content of the courses or the tools of learning; it concerns, rather, the sabotage of the educational process by the kind of institutions the giant universities have become.

It is imperative, if we desire to know what has happened to education, that we find a trustworthy expositor. Jacques Barzun has been associated with Columbia University for more than forty years, first as a student, then as teacher, and finally as administrator. He has a brilliant and far-

ranging mind, as attested by the fine books he has authored during the past quarter century. He enlists our sympathy by first taking us behind the scenes and giving the reader some sense of the awesome task of just keeping a university going as a physical entity – in addition to the smooth provisioning of all the equipment, books, assistants, and other perquisites now deemed so essential to the task of teaching. Then he tells us what has gone wrong, and why. Finally, he outlines the remedial action.

Today's university is expected to be all things to all people. Governments subsidize it to solve social problems, industry pays it to conduct research, and communities demand programs of adult education, so-called. Spreading itself too thin, more and more of the university's time, talent, money, buildings, and equipment is used for purposes not consonant with its proper functioning, which is teaching and learning. The university, declares Barzun, under the load of demand and complaint and the corresponding loss of will to maintain its form, has abdicated from several provinces:

The unity of knowledge; the desire and power to teach; the authority and skill to pass judgment on what claims to be knowledge, to

be a university, to be a scholar, to be a basic scientist; finally, the consciousness of what is properly academic — a consciousness which implies the right to decline alike: commercial opportunities, service assignments for industry, the administering of social welfare, and the bribes, flattery, or dictation of any self-seeking group.

Another problem is money. There is so much for impedimenta that the university strangles in its own affluence while the essentials starve for want of funds. Gifts from individuals or grants from governments and corporations have strings attached so that the funds cannot be internally directed in terms of a coherent university policy. A generous alumnus, for instance, donates a million dollars for a new building. This is very nice, except that the university will have to tap other resources to furnish, staff, and maintain the new building. Grants for government research may play havoc with university staffs, luring men from this school to that, paying them for nonteaching positions and incurring costs not paid for by the grants. Barzun notes, too, that in our inflationary economy the university is constantly

faced with the challenge of meeting rising costs without increasing tuitions too much. And high taxes push up costs while discouraging potential donors.

Barzun lays about him unmercifully, sparing none who deserve criticism. He chastizes the university leaders who will not change their ways, as well as professors who do not or cannot teach. He scoffs at the idea of students running the schools and refutes this nonsense in short order, although sympathizing with many student complaints.

The final chapter, entitled "The Choice Ahead," lists no less than sixty-eight suggestions, and assumes sufficient health in our society to stand the cure — provided we have the will. Barzun ends his book on a note of quiet optimism:

I have tried to sketch, the latest and least interpreter in an ancient line, what choosing to have a university entails and what a great nation may expect from it — indeed must require. I do not doubt that the United States today still possesses the makings of a university, as I do not doubt that if circumstances send the institution into eclipse, the idea of it will survive into another day.



the Freeman

VOL. 19, NO. 4 • APRIL 1969

- Uruguay: Welfare State Gone Wild** **Henry Hazlitt** 195
A prime example of the course from intervention through inflation to disorder and dictatorship — if we could but learn from others.
- A Defeat on the Home Front** **James E. McAdoo** 203
How freedom may be surrendered in exchange for a mess of pottage.
- The Rise and Fall of England:**
14. The Decline of England **Clarence B. Carson** 205
Within the broad setting of the disintegration of the European order, England declined economically, morally, politically during and following World War II.
- Why Have an Electoral College?** **Bertel M. Sparks** 219
Can we honestly say that we're now prepared to write a better Constitution than the Founding Fathers did?
- Repressed Depression** **Gary North** 224
Concerning the process by which the monetary and credit policies that cause inflation eventuate in depression.
- Medical Care Is Not a Right** **Charles W. Johnson** 234
Some helpful guidelines concerning a concept much confused in our time.
- Our Totalitarian Radicals** **William Henry Chamberlin** 236
"A cow is a very good animal in a field; but you do not turn her into a garden."
- Education in America:**
7. Why Institutionalize Our Errors? **George Charles Roche III** 243
How the basic structure of the educational system reflects the new methods of mass education.
- Peace or Politics** **Frank Chodorov** 251
Much of the friction in society stems from government intervention with the market.
- Book Reviews** 253
"The Southern Tradition at Bay" by Richard M. Weaver
"Res Republica" by Thomas O. McWhorter

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.



Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "Uruguay: Welfare State Gone Wild," "The Rise and Fall of England," and "Medical Care Is Not a Right."



URUGUAY: Welfare State Gone Wild

HENRY HAZLITT

If there were a Nobel prize for the most extreme or worst example of the welfare state (and if such outright communist states as Russia and China were made ineligible), which country has done most to earn it?

The decision would be a hard one. Among the outstanding candidates would be Britain, France, Sweden, and India. But the British case, though the most familiar, is certainly not the worst; it is the most discussed and most deplored because of the former eminence of Britain in the world.

The tragedy certainly reaches its greatest dimensions in India, with much of its 500 million population always on the verge of

famine, and kept there by an incredible mixture of economic controls, planning, welfarism, and socialism, imposed by its central and state governments. Moreover, India has always been a poverty-stricken country, periodically swept by drought or floods resulting in human misery on a catastrophic scale, and it is often difficult to calculate just how much worse off its governmental policies have made it.

Perhaps the most dramatic example of a country needlessly ruined by "welfare" policies is Uruguay. Here is a country only about a third larger than the state of Wisconsin, with a population of just under 3 million. Yet that population is predominantly of European origin, with a literacy rate estimated at 90 per cent. This country once was distinguished

Mr. Hazlitt is the well-known economic and financial analyst, columnist, lecturer, and author of numerous books.

This article will appear as a chapter in a forthcoming book, *Man vs. the Welfare State*, to be published by Arlington House.

among the nations of Latin America for its high living standards and good management.

Uruguay adopted an elaborate state pension system as early as 1919. But its major troubles seem to have begun after March, 1952, when the office of president was abolished, and Uruguay was governed by a nine-man national council elected for a four-year term, six members of which belonged to the majority party and three to the leading minority party. All nine were given equal power.

What is so discouraging about the example of Uruguay is not only that its welfare programs persisted, but that they became more extreme in spite of the successive disasters to which they led. The story seems so incredible that instead of telling it in my own words, I prefer to present it as a series of snapshots taken by different firsthand observers at intervals over the years.

* * *

The first snapshot I present is one taken by Karel Norsky in *The Manchester Guardian Weekly* of July 12, 1956:

"Uruguay today offers the sad spectacle of a sick Welfare State. It is living in a Korean boom-day dream. . . . No politician comes out with the home truth that this

country's wide range of welfare services has to be paid for with funds which have to be earned. Demagoguery is used as a sedative. The result is that the foreign payments deficit is increasing, internal debt soaring, wage demands accumulating, prices rising, and the Uruguayan peso rapidly depreciating. Nepotism is rife. Now one in every three citizens in Montevideo, which accounts for a third of the country's 3 million inhabitants, is a public servant, draws a small salary, is supposed to work half a day in a Government office, and more often than not spends the rest of his time doing at least one other job in a private enterprise. . . . Corruption is by no means absent. . . .

"The foreign payments deficit has been running at a monthly rate of about 5 million pesos. The public servants are asking for a substantial increase in salaries. The meat-packing workers are on strike for higher pay and a 'guaranteed' amount of a daily ration of four pounds of meat well below market price. . . .

"No politician here can hope to get a majority by advocating austerity, harder work, and the sacrifice of even some of the Welfare State features."

I should like to pause here to underline this last paragraph, for it illustrates what is perhaps the

most ominous aspect of the welfare state everywhere. This is that once a subsidy, pension, or benefit payment is extended to any group, it is immediately regarded as a "right." No matter what the crisis facing the budget or the currency, it becomes "politically impossible" to discontinue or reduce it. We will find this repeatedly illustrated in Uruguay.

* * *

The next snapshot I present was taken by S. J. Rundt & Associates of New York nearly seven years later, in April, 1963:

"In one of his first statements the new President of the National Council admitted that Uruguay is practically bankrupt. . . . He made it pretty clear, however, that the country's welfare system of long standing will remain more or less unchanged.

"The 'social laboratory of the Americas,' Uruguay has launched a legislative program which goes much further toward the complete 'welfare state' than any similar plan in this hemisphere. . . . The government grants family allowances based on the number of children; employees cannot be dismissed without proper indemnification; both men and women vote at the age of 18. . . .

"An elaborate and all-encompassing state pension system was

introduced as early as 1919. Financed by payroll deductions of 14 to 17 per cent, which must be matched by employers, a pension is available to any Uruguayan at the age of 55 after 30 years of work, or at 60 after ten years. At retirement, the worker draws his highest salary, plus what has been deducted for pensions. . . . Employees obtain free medical service and are entitled to 20 days of annual vacation with pay. The government takes care of expectant and nursing mothers.

"The overwhelming expenses of a super-welfare state (where nearly one-fifth of the population is dependent on government salaries) and the uncertain income from a predominantly livestock and agricultural economy have left their marks. Today, Uruguay is in severe financial and fiscal stress. . . .

"Inflation is rampant. . . . Local production has declined sharply. Unemployment has risen. There are many severe strikes. Income from tourism has fallen off markedly. . . .

"So far as exchange controls and import restrictions are concerned, Uruguay has tried them all. . . .

"In an effort to prevent another buying spree in 1963, the new Administration decreed an import ban for 90 days on a wide

array of goods considered non-essential. . . . All told, the ban applies to about one-third of all Uruguayan importations. . . . The smuggling of goods, mainly from Brazil and Argentina, has become one of the foremost headaches of Montevideo planners. . . .

"Capital flight during 1963 is estimated at between \$40 million and \$50 million. . . .

"The budget deficit in 1961 nearly doubled to 210 million pesos. The situation turned from bad to worse in 1962 when the Treasury recorded the largest deficit in 30 years. . . . Press reports cite a red figure of 807 million pesos. The Treasury is said to owe by now nearly 700 million pesos to the pension funds and roughly a billion pesos to Banco de la Republica. The salaries of public officials are at least one month behind schedule. . . .

"Labor costs in Uruguay, the Western Hemisphere's foremost welfare state, are high. The many contributions toward various social benefits—retirement, family allotments, sickness, maternity, accident, and unemployment insurance—vary from industry to industry, but the general average for industry as a whole is at least 50 per cent of the payroll. In some sectors, the percentage is much higher. . . .

"Social unrest is rising. . . .

Widespread and costly strikes have become the order of the day. As a rule, they involve demands for pay hikes, sometimes as high as 50 per cent."

* * *

Our third snapshot was taken by Sterling G. Slappey in *Nation's Business* magazine four years later, in April, 1967:

"Montevideo, — Two hundred imported buses are rusting away on an open dock while Uruguayan government bureaucrats bicker with each other over payment of port charges. The buses have not moved in nearly four years.

"Scores of men listed under false female names receive regular government handouts through Uruguay's socialized hospitals. They are listed as 'wet nurses.'

"At many government offices there are twice as many public servants as there are desks and chairs. The trick is to get to work early so you won't have to stand during the four to six hour work-day that Uruguayan bureaucrats enjoy.

"It is rather common for government workers to retire on full pay at 45. It is equally common to collect on one retirement while holding a second job or to hold a job while collecting unemployment compensation. These are a few of the facts of life in Uruguay — a na-

tion gone wild over the welfare state. . . .

"Between 40 and 45 per cent of the 2.6 million people in this once affluent land are now dependent on the government for their total income. These include youthful 'pensioners' who have no great problem getting themselves fired or declared redundant, thereby qualifying for large retirement benefits. . . .

"At any given moment eight to ten strikes are going on, in a nation which until fifteen years ago called itself 'the Switzerland of Latin America' because its people were so industrious, busy, and neat. Montevideo is now one of the world's filthiest cities outside the Orient. The people have so little pride left they litter their streets with paper and dump their nastiest garbage on the curb. . . .

"Besides controlling meat and wool production and supplying meat to Montevideo, the government also entirely operates:

"Fishing; seal catching; alcohol production; life and accident insurance; the PTT—post office, telephone and telegraph; petroleum and kerosene industry; airlines; railroads; tug boats; gambling casinos; lotteries; theaters; most hospitals; television and radio channels; three official banks; the largest transit company. . . .

"In 1950 the Uruguayan peso, South America's most solid coin, was worth 50 cents. During a six-day period last February, the value of the peso slumped from 72 to the \$1 to 77.

"Cost of living went up 88 per cent in 1965. During 1966 the increase was something like 40 to 50 per cent.

"To keep pace the government has increased its spending, ground out more paper money and lavishly passed out huge pay raises—some as high as 60 per cent a year. . . .

"One fiscal expert diagnoses Uruguay's troubles as 'English sickness' which, he says, means trying to get as much as possible out of the community while contributing as little as possible towards it.

"Until President Gestido took over, Uruguay had been ruled for fifteen years by a nine-member council in a collegiate system of government. It was idealistic, unworkable, and rather silly from the start. It quickly fragmented, making the government a coalition of seven different groups. Every year a different member of the council took over as president, or council chief.

"The collegiate system was a Tammany Hall patronage-type of group. Instead of each party watching the opposition, all took

care of their friends and got their cousins government sinecures.

"The western world has rarely seen such patronage, nepotism, favoritism."

* * *

The return to a Presidential system brought hopes that Uruguay's extreme welfarism could now be mitigated. But here is our fourth snapshot, taken by C. L. Sulzberger for *The New York Times* of October 11, 1967:

"Montevideo, — Contemporary England or Scandinavia might well take a long southwesterly look at Uruguay while murmuring: 'There but for the grace of God go I.' For Uruguay is the welfare state gone wild, and this fact, at last acknowledged by the government, brought about today's political crisis and the declaration of a state of emergency.

"This is the only country in the Western Hemisphere where the kind of democratic socialism practiced in Norway, Labor Britain, or New Zealand has been attempted. Alas, thanks to warped conceptions and biased application, the entire social and economic structure has been set askew. Here charity begins at home. One out of three adults receives some kind of pension. Forty per cent of the labor force is employed by the state. Political parties compete to expand a ridic-

ulously swollen bureaucracy which only works a thirty-hour week. . . .

"The cost of living has multiplied 32 times in the past decade. Gross national production has actually declined 9 per cent and this year will take a nose dive. . . .

"Instead of having one President, like the Swiss they elected a committee and, not being Swiss, the Uruguayans saw to it the committee couldn't run the country. The result was a system of self-paralysis. . . .

"Anyone can retire on full salary after thirty years on the job, but with full salary worth one thirty-second of its worth ten years ago, the pension isn't very helpful. To compound the confusion, trade unions make a habit of striking. Right now the bank employes refuse to handle government checks so neither wage-earners nor pension-receivers get paid. . . .

"This was a needless tragedy. Uruguay has proportionately more literacy and more doctors than the United States. It is underpopulated and has a well-developed middle class. . . .

"Uruguay should serve as a warning to other welfare states."

* * *

Our fifth snapshot was taken by S. J. Rundt & Associates on August 6, 1968:

"The mess continues . . . and seems to perpetuate itself. . . . The government is getting tougher and Uruguayans more obstreperous. The powerful and sharply leftist, communist-led 400,000 member CNT (National Workers Convention) is on and off 24-hour work stoppages in protest against the lid clamped on pay boosts by the price, wage, and dividend freeze decreed on June 28. . . . The currently severe six-month drought has brought a gloomy brownout, after a 50 per cent reduction in electric power use was decreed. . . . The near-darkness helps sporadic anti-government rioting and terrorist activities. A leading pro-government radio transmitter was destroyed by bombs. . . . Train service has been severely curtailed and at times no newspapers are published. . . . Last year there were 500 strikes; the dismal record will surely be broken in 1968. . . .

"Of a population of around 2.6 million, the number of gainfully active Uruguayans is at the most 900,000. Pensioners number in excess of 300,000. Months ago the unemployed came to 250,000, or almost 28 per cent of the work force, and the figure must now be higher. . . .

"The government closed at least three supermarkets and many stores for having upped prices, as

well as such institutions as private hospitals that had violated the wage-price freeze decree. But despite rigid press censorship and Draconian anti-riot and anti-strike ukases, threatening punishment by military tribunals, calm fails to return."

* * *

Our sixth and final snapshot of a continuing crisis is from a *New York Times* dispatch of January 21, 1969:

"Striking Government employes rioted in downtown Montevideo today, smashing windows, setting up flaming barricades and sending tourists fleeing in panic. The police reported that one person had been killed and 32 injured.

"The demonstrators acted in groups of 30 to 50, in racing through a 30-block area, snarling traffic with their barricades, and attacking buses and automobiles. The police fought back with tear gas, high-pressure water hoses and clubs. . . .

"The striking civil servants were demanding payment of monthly salary bonuses of \$24, which they say are two months overdue."

* * *

These six snapshots, taken at different intervals over a period of twelve years, involve considerable repetition; but the repetition is

part of the point. The obvious reforms were never made.

Here are a few salient statistics to show what was happening between the snapshots:

In 1965 consumer prices increased 88 per cent over those in the preceding year. In 1966 they increased 49 per cent over 1965. In 1967 they increased 136 per cent over 1966. By August, 1968 they had increased 61 per cent over 1967.

The average annual commercial rate of interest was 36 per cent in 1965. In 1966, 1967, and August, 1968 it ranged between 32 and 50 per cent.

The volume of money increased from 2,924 million pesos in 1961 to 10,509 in 1965, 13,458 in 1966, and 27,490 in 1967.

In 1961 there were 11 pesos to the American dollar. In 1965 there were 60; in 1966, there were 70; in early 1967 there were 86; at the end of 1967 there were 200, and after April 1968 there were 250.

Uruguay's warning to the United States, and to the world, is that governmental welfarism, with its ever-increasing army of pensioners and other beneficiaries, is fatally easy to launch and fatally easy to extend, but almost impossible to bring to a halt — and quite impossible politically to reverse, no matter how obvious and catastrophic its consequences become. It leads to runaway inflation, to state bankruptcy, to political disorder and disintegration, and finally to suppressive dictatorship. Yet no country ever seems to learn from the example of another. ♦

IDEAS ON LIBERTY

What Is Capitalism?

AMERICAN CAPITALISM is "private ownership of the means of production and distribution." This is the very simplest of definitions, but it gets to the heart of the question with the two words, "private ownership." There are other facets, however. American capitalism has three great pillars which support it: private property, the profit motive, and the open market where all are free to compete in the production and sale of goods and services.



A Defeat on the Home Front • JAMES E. MCADOO

DURING the development of the area in which I live, one of the selling points was the privacy of our streets. Each property owner, through an annual assessment, would share in the costs of street lighting, repairs, and maintenance. In return for this small expense, we would benefit by enjoying the advantages of streets closed to all but the owners and their guests. Among other things, we would be spared the annoyances of heavy traffic, door-to-door salesmen, and an invasion of fishermen who might otherwise crowd our private docks and seawalls.

All property owners became members of an Association, and an elected Board of Directors has seen to the mechanics of collecting assessments and paying bills. Every lot has been sold, and nearly every lot now has a house upon it. While privacy may not have been the foremost advantage of our location, those who bought and built here demonstrated a willingness to accept the responsibilities

associated with private streets.

Recently, however, members of our Association were urged by the Board of Directors to vote for a proposal to dedicate our streets to the town. The argument advanced for doing so was to "eliminate" the responsibility of members for any future street repairs and repaving. The anticipated expense, rather than being met by an assessment of members, would thus fall to the town.

Our Board, prior to the vote, pointed out that the Town Commission had no plans to remove certain attractive banyan trees that grace the centers of two streets. By implication, however, they would have the right to do so if the dedication carried. To that extent, the surrender of our rights, along with our responsibilities, was clear to all.

The vote was 90 "yes" and one "no."

If the Town Commissioners had marched upon our private domain and demanded our streets by threats of force, they almost certainly would have encountered vigorous, and even unanimous, re-

Mr. McAdoo is an Investment Counselor and free lance writer in Florida.

sistance. Under such unlikely circumstances, the threat to our freedom would have been clear: an abridgment of our rights with respect to private property. Without a doubt, most of our residents would have defended not only the right to share in the ownership of private streets, but the right to maintain them as we saw fit.

The members of our Association are all freedom-loving Americans. They are intelligent, friendly neighbors. Many have defended our nation's freedom in the World Wars, Korea, or Viet Nam. Of the 90 who voted "yes," not one could have regarded his vote as a willing surrender of his freedom.

Yet, a change has taken place: the responsibility for our streets, along with the rights inherent in that responsibility, has been shifted from a voluntary Association of a few families, to a unit of government. The nature of that change is not altered by the eagerness of our members to eliminate a responsibility, nor by our willingness to relinquish our rights. The character of our loss would be the same if our rights had been taken by force. Only our attitude would have differed.

The Declaration of Independence, at least that part we have memorized, makes no reference to responsibilities. Still, upon reflection, we might conclude that if we

truly are endowed by our Creator with certain unalienable rights, it must be because we are at the same time charged by our Creator with certain inescapable responsibilities. To the degree we transfer our responsibilities to others, to the same degree we surrender the rights which are intrinsic to them. One important way in which we can defend our rights, as a nation and as individuals, is to hold tenaciously to our personal responsibilities.

No headlines will lament the loss of our few private streets. Huntley and Brinkley will not report this transfer as a blow to our country's freedom. Even our own Association membership will not feel a whit less free. But small as the import may appear, we have given up some of our rights by retreating from a personal responsibility. The same freedom we would be willing to die for, we have just given away on Main Street.

It was a minor skirmish, and no real contest. Freedom lost. Hopefully, a consideration of this encounter might stir some thought as to the subtle connections between rights, responsibilities, and freedom. The connections are there, and we can profit by them. If we do, then at some other time, in some other place, freedom might win. ♦

CLARENCE B. CARSON

The Rise and Fall of England



14. THE DECLINE OF ENGLAND

ENGLAND'S DECLINE began in the interwar years between World War I and World War II. To all appearances, England was still a great world power. The sun never set on the British flag; indeed, it had less chance of doing so in the interwar years than before. The British navy no longer quite ruled the seas, but no other did either. In the gatherings of great powers, England must still be present or consulted. Yet the inner strength which had given England power and influence around the world was decaying. The decline was political, economic, moral, religious, and social. Before exploring the signs of decline, it needs to

be placed in a broader context. England's decline occurred within the framework of the disintegration of the European order, a disintegration which had ramifications around the world.

"To think," Kaiser Wilhelm lamented at the outbreak of World War I, "that George and Nicky should have played me false! If my grandmother had been alive, she would never have allowed it."¹ "George" was George V of England, and "Nicky" was Nicholas II of Russia. "Grandmother" was, of course, Queen Victoria of England. She was not only the Kaiser's grandmother but also Czar Nicholas' grandmother by marriage. Moreover, it was not

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

¹ Walter L. Arnstein, *Britain: Yesterday and Today* (Boston: D. C. Heath, 1966), p. 237.

simply a felicitous phrase to refer to her as "Grandmother of Europe."² In view of the heavy tomes since written on the "causes" of World War I, historians are inclined to rate the Kaiser's remark as highly naive. Yet, it should not be casually dismissed. Grandmother Victoria might not have prevented World War I, most likely could not have. But monarchy had provided balance and continuity for nations and empires between the Congress of Vienna and World War I—that century of peace. It had come generally to be limited monarchy in which the monarchs' powers for abuse were shorn but in which sufficient power was retained to counterbalance legislatures. Moreover, the intertwining of royal families by kinship and marriage did tend to make for good relations among the countries of Europe. The spirit of nationalism had distinguished peoples from peoples, but they were still linked to one another in royal families.

The disintegration of the European order was twofold during or after World War I. On the one hand, monarchy was abandoned by major countries: Germany and Russia most notably. Secondly, the

empires of Central and Eastern Europe were broken up: German, Austro-Hungarian, Russian, and Ottoman. In their place, new nations were brought into being and old ones revived: Poland, Czechoslovakia, Yugoslavia, Latvia, Lithuania, and so forth. New as well as old nations were highly nationalistic, jealous of one another, and no longer generally linked with one another by royal families, though some monarchs were retained or restored.

The New Mercantilism: Return to Self-Sufficiency

The disintegration was both signaled and fostered by attempts of each country to become economically self-sufficient—by economic nationalism or neo-mercantilism, whatever term may be preferred. One history gives an example of this for one group of countries:

As an expression of their sovereignty and independence each of the states in Danubian Europe erected its own tariff system. . . . In general the tariffs ascended in this order: Austria, Czechoslovakia, Yugoslavia, Hungary, Bulgaria, and Rumania. . . . Recourse was also made to quota and licensing systems.

It adds: "The small states of Central Europe cannot be censured for trying to create a rounded national economy when the whole

² See *ibid.*, pp. 372-73 for a simplified chart of the relationship of Queen Victoria to the other monarchs in Europe.

world was doing the same thing."³

In many respects, this economic nationalism was a continuation and extension to new states of developments which were becoming general in the last decades of the nineteenth century. Country after country had erected tariff barriers: the United States, Germany, and so forth. These had set the stage for the new surge to get colonies and dominate territories in various places on the globe. The roots of World War I can be found in this expansionism which grew out of protectionism. England grasped for colonies while holding out against the protectionist measures.

This new mercantilism differed significantly in the animus behind it from the mercantilism of the sixteenth, seventeenth, and eighteenth centuries. It was spurred by the trend toward socialism and the welfare state. Countries found it expedient to erect "trade curtains" to protect themselves from the world market in order to control and regulate domestic economies. Black and Helmreich point up the connection in their discussion of the bills of rights in the new constitutions of the Danubian governments in the 1920's: "The government must assure the right

to work; the health of the citizens, particularly the laboring man, must be safeguarded; the aged must be cared for; the family protected, etc. To implement all these 'rights' the government would of necessity have to provide a far-reaching social service program, regulate trade and industry, and become in truth the very nurturer of the whole population..."⁴ England held out longer than other nations against the interior logic, or illogic, of the requirements of the welfare state, but, as we shall see, eventually succumbed.

The League of Nations

The League of Nations was supposed to bring about and maintain order and peace during the interwar years. It did not do so; indeed, it could not do so. That organization was to promote international cooperation and provide collective security. Yet nation was pitted against nation economically; manipulated currencies made movement of goods and peoples from one land to another increasingly difficult; ideology and action severed the natural bonds of one people with another. Nations cannot use the power of their governments against one another in trade and collaborate to maintain peace politically. They cannot establish national socialism, on the one

³ C. E. Black and E. C. Helmreich. *Twentieth Century Europe* (New York: Alfred A. Knopf, 1960), pp. 293-94.

⁴ *Ibid.*, p. 291.

hand, and international collective action, on the other. The notion that if the United States had joined the League matters would have turned out differently pays too high a compliment to the colossus of the New World. The vaunted inventiveness of Americans would not have sufficed to overcome the interior contradictions of disintegrating Europe.

At any rate, the old order in Europe was not replaced by a new order in the interwar years. Instead, disorder spread, became more violent, and threatened the peace of the world. Governments made that variety of internal war upon their own populations which is implicit in socialist ideology and attempted to forge a new unity by preaching class and race hatred. Governmental power was totalized, first in the Soviet Union, then in other lands. Power was concentrated in the hands of dictators or would-be dictators in land after land—in the hands of Stalin, Mussolini, Hitler, Marshall Pilsudski, Salazar, and so forth—in the absence of the old monarchical and aristocratic restraints and under the guise of the thrust toward socialism. Dictators consolidated their power by turning to aggression in the 1930's. Word of new horrors began to spread, suggested by such phrases as concentration camps, Siberia, secret police, dos-

siers, travel permit, shot in the back of the neck, Gestapo, liquidation of kulaks, and so forth. Intellectuals in France, Great Britain, and the United States—themselves bent toward socialism—disavowed the misbegotten step-children of socialism known as Italian fascism and German nazism, but were generally unrepentant in the face of Soviet purges and the Nazi-Soviet Pact.

Decline in Foreign Trade and Domestic Production

Such was the setting of England's decline.

That decline is most readily measurable in foreign trade and economic production. In some areas, the decline was relative; in others, it was absolute. The United Kingdom's relative share of world trade—exports and imports—is indicated by these figures: in 1840, it was 32 per cent; 1913, 17 per cent; 1938, 13 per cent.⁵ More important, British imports accounted for an increasing proportion of the trade, while exports decreased.⁶ The United Kingdom's portion of world manufacturing production was 31.8 per cent in 1870; 14 per cent in 1913; and 9.2

⁵ Shepard B. Clough, *European Economic History* (New York: McGraw-Hill, 1968, 2nd ed.), p. 419.

⁶ See Charles Loch Mowat, *Britain Between the Wars* (Chicago: University of Chicago Press, 1955), p. 262.

per cent in the 1936-1938 period.⁷

Britain's decline was most notable in the older basic industries, those industries which the British had dominated in the nineteenth century: coal, iron and steel, shipbuilding, shipping, cotton goods, and so forth. The decline in coal mined was absolute. A record 287 million tons were mined in 1913; in the 1920's, annual production averaged about 253 million tons.⁸ A decreasing proportion of this was sold in foreign trade.⁹ "Until 1937, pig-iron production declined steadily from its absolute peak of 10¼ million tons in 1913."¹⁰ In general, iron and steel production fell during the interwar years until it began to rise in the late 1930's. What happened to the cotton goods industry is probably most important, for it had accounted for a large portion of exports in the nineteenth century. Piece goods production fell from a little over 8 billion square yards in 1912 to 3½ billion square yards in 1930 to only a little over 3 billion yards in 1938. Exports of piece goods declined even more drastically: from nearly 7 billion square yards in 1912 to less than

1½ billion square yards in 1938.¹¹ British shipbuilding fell off badly between the wars.

From 1920 onwards the tonnage under construction fell, though the years 1927-30 were relatively good years, British launchings then running at about 75% of the level of 1911-13. In the slump, with millions of tons of shipping laid up, the building of new tonnage virtually came to a standstill: in 1933 the launchings from British yards fell to 7% of the pre-war figure. Throughout the early 1930's a large part of the industry was idle. . . .¹²

Some new industries did grow and develop during the interwar years, such as electrical goods, automobiles, aircraft, silk and rayon goods, and chemical products,¹³ but these did not alter the fact of the general decline.

British agriculture did not fare well during the period either. There were just over 11 million acres in cultivation in 1914 (in England and Wales). It had fallen to 9,833,000 acres in 1930. Acreage under wheat in 1931 reached the lowest point ever recorded. There were some increases in production in some categories, but the English were producing far less than they consumed of agricul-

⁷ Clough, *op. cit.*, p. 397.

⁸ Loch Mowat, *op. cit.*, p. 276.

⁹ Sidney Pollard, *The Development of the British Economy: 1914-1950* (London: Edward Arnold, 1962), pp. 110-11.

¹⁰ *Ibid.*, p. 114.

¹¹ *Ibid.*, p. 121.

¹² *Ibid.*, p. 117.

¹³ *Ibid.*, p. 98.

tural products.¹⁴ A flight from the land was characteristic of these years: "employment in agriculture and forestry in the United Kingdom fell from an average of 1,004,000 in 1920-22 to an average of 735,000 in 1927-28. . . . Workers left the industry at the rate of 10,000 a year, and the exodus of young men was particularly marked. . . ."¹⁵

British Themselves Responsible for Commercial Decline

Many historians attribute the commercial and industrial decline of England to the protectionist policies of other nations, to other countries finally catching up to an earlier lead England had gained, and to the failure of the British to modernize. Undoubtedly, the protectionist policies of other countries made trade more difficult for the British. The latter two points, however, require explanations rather than constituting them. In truth, the British were mainly responsible for their commercial decline. The reasons for that decline are not far to seek. England had risen as a great industrial and commercial nation when the energies of men had been freed, when restrictions upon land were removed or reduced, when special privileges were

struck down, when liberty and property were secured for individuals, and when they were motivated by belief to constructive achievement.

England's decline followed the onset of government intervention on a scale that could not be fully compensated for. That intervention began to take effect in the early years of the twentieth century, was temporarily vastly expanded during World War I, and in the interwar years began to mount once more. The thrust toward intervention came from Fabian socialists and other reformers, was spearheaded by the Labour Party in Parliament, and gained sway during every major cabinet administration from 1906 onward. High taxation made the accumulation of capital a forbidding task; regulation made new investments in many areas unenticing; labor unions introduced inflexibilities into the economy; and Britain became less and less competitive around the world. The determination of interventionists to regulate and control was inconsistent with free trade and the gold standard; one or the other had to go, and it was freedom that went. There is not space here to tell the story in detail, but enough must be told to show how the decline followed from the intervention.

¹⁴ Loch Mowat, *op. cit.*, pp. 250-53.

¹⁵ Pollard, *op. cit.*, p. 142.

Following World War I, there was a considerable attempt at re-conversion and restoration of the old order. "During 1919 the controls of trade and shipping were allowed to end. Rationing of food and most price controls ended by 1920. . . . Factories and stores of 'war surplus' goods were sold off. The Government made every show of its conviction . . . that Governments ought to get out of business. . . ." ¹⁶ This last sentence exaggerates somewhat, but it does indicate one tendency. The budget was balanced once again, and the inflation halted. Trade with the rest of the world was virtually freed. In 1925, Winston Churchill, as Chancellor of the Exchequer, was able to restore the gold standard. Most of this had been accomplished under governments headed by David Lloyd George, Bonar Law, and Stanley Baldwin, the latter two being Conservative Prime Ministers.

**Revival Short-Lived;
More Governmental Intervention**

These measures did not succeed fully in reviving England for two reasons mainly. In the first place, the reconversion was not that thorough; much intervention was continued, and more came. One

historian notes that during the war "departments, bureaux, committees, controllers were created and piled on top of each other. . . ." After the war, "though the flood subsided, government never returned to its old channel."¹⁷ Signs of increasing government appeared in the establishment of a Ministry of Labour in 1916, a Ministry of Health in 1919, a Ministry of Transport in 1919, a Department of Scientific and Industrial Research in 1916, a Forestry Commission in 1919, and a Medical Research Council in 1920.¹⁸ Railroad consolidation was prescribed after the war; coal mines were greatly regulated; high taxes were imposed; and some tariffs were continued. Two new welfare acts were passed shortly after the war. "The Housing and Town Planning Act of July 1919 . . . provided for government subsidies through local authorities." An unemployment insurance act was passed in 1920. "Nearly twelve million workers, including eight million not previously insured were brought within the scope of the act. . . ." ¹⁹ This last was to become very shortly a great burden on English taxpayers.

¹⁷ Loch Mowat, *op. cit.*, pp. 13-14.

¹⁸ *Ibid.*, p. 15.

¹⁹ Alfred F. Havighurst, *Twentieth Century Britain* (New York: Harper and Row, 1962, 2nd ed.), p. 171.

¹⁶ David Thomson, *England in the Twentieth Century* (Baltimore: Penguin Books, 1965), p. 67.

Trade Unions a Major Obstacle to Recovery

The other great obstacle to the revival of England in the 1920's was the labor unions. These had grown greatly during World War I, and they now had a powerful political arm in the Labour Party. Labor unions find it very difficult to survive deflation. They depend for their following to a considerable extent upon frequent increases in wages. This can only be accomplished generally by increases in the money supply or reductions in employment. When the government began balancing the budget and later returned to the gold standard, labor unions resisted any cut in wages vigorously. There were widespread strikes, this activity coming to a head with the General Strike of 1926 (an event significantly preceded by the return to the gold standard). The government came to the aid of miners by subsidizing them and prescribing the conditions that should prevail. More generally, however, those union workers with jobs continued to get high monetary wages. They did so at the expense of other workers, for unemployment became endemic in England in the 1920's, and was a fixture throughout the interwar years. By June of 1922, the registered unemployed had reached 1½ millions. The government came to

the rescue, and began its subsidization of unemployment on a large scale. The government, "by a series of Acts in 1921 and 1922 . . . extended the period during which benefits could be drawn . . . , altered the rates of benefit, and increased the contributions."²⁰ One of the major reasons for economic decline in England during the interwar years was that a considerable portion of the people were not working. The labor unions produced the situation, and the government sustained it.

Unemployment was highest in the old staple industries, and remained high during these years. These were the industries, of course, where unionization had its great impact. A further reason for decline can be seen in wages and productivity. British wages were generally higher than in other lands.²¹ On the other hand, productivity did not keep pace. In coal mining, for example, other countries in Europe were greatly increasing the output per manshift; England had only small gains. "By 1936, the peak year in every country, Britain's output per manshift was 14 per cent above that of 1927, whereas the increase in the Ruhr mines was 81 per cent, in the Polish mines 54 per cent, in the Dutch mines 118 per

²⁰ Loch Mowat, *op. cit.*, p. 127.

²¹ *Ibid.*, p. 268.

cent."²² Small wonder that Britain could not maintain its trade position.

Protectionism in the Thirties

Government intervention and labor union obstruction prevented the revival of the economy in the 1920's. With the coming of the depression of the 1930's, the government abandoned the feeble effort it had made to restore the policies which had made England great. The great symbols of these, the gold standard and free trade, were given up: the gold standard in 1931; protective tariffs and imperial preference were inaugurated in 1932. The pound sterling was no longer good as gold, and England was no longer the trading Mecca of the world.

It has been suggested that England backed into socialism in the interwar years. But this was not always the case. In the 1920's under a Conservative government there was a straightforward movement in that direction in two instances. Radio was taken over by the government as the British Broadcasting Corporation. A Central Electricity Board was created, and it was empowered to make wholesale distribution of electricity. In retrospect, though, it does look as if the stage was set for socialism by the backdoor. The

government appeared to do its best to wreck free enterprise by abolishing competition in many areas in the 1930's. Cartelization was authorized and fostered in several industries, notably coal mining, iron and steel, and shipbuilding.

The government fostered combinations, collaborations, and price setting, similar to what was undertaken under the N.R.A. in the United States. What was involved is suggested by this description: "The Government looked for the benefits of monopoly, tempered by planning in the national interest. Accordingly, the British Iron and Steel Federation was formed in April 1934. . . . In 1935-36 it took over the price-fixing functions of earlier sectional associations, and it negotiated with foreign cartels to impose quantitative restrictions on imports. . . ."²³ Nationalization was only a step away after this.

If anything, the intervention in agriculture was more massive than that in other areas in the 1930's. England had already, in the 1920's, attempted to establish sugar beet growing by giving subsidies (what were called bounties generally under the older mercantilism). In the 1930's protectionist policies for agricultural products were followed, and attempts at cartelization, of a sort, were made. Potato Marketing Boards, Milk Market-

²² *Ibid.*, p. 276.

²³ Pollard, *op. cit.*, p. 116.

ing Boards, Bacon and Pig Marketing Boards were set up to do such things as control production and prices. One historian describes the inconsistency in this way: "Viewed in the broadest possible perspective, the world was suffering from a surfeit of food, and Britain, the world's chief food market, reacted to this glut by closing her frontiers to imports and encouraging her farmers to add to the world output by expanding their high-cost production."²⁴ At any rate, the vaunted independent Englishman was independent no more; he was caught in the toils of government power by the promises of government favors.

There was a revival of the British economy in the middle and late 1930's. It did not, however, signalize the recovery to full health of the patient. Instead, it was only an instance of that deceptively healthful flush that patients sometimes develop just before they succumb.

England declined in many other ways than the economic in the interwar years. British influence and power was waning in the world at large. At the Washington Naval Conference, and then more completely at the London Naval Conference, Britain abandoned its naval pre-eminence. The United States was accorded equality, and

the Japanese acquired a leading role in the Pacific. These indicated the decline of power and of the will to be the strongest.

Waning World Influence

The waning of British influence was more subtle and probably much more significant. In the nineteenth century, British political forms and institutions had been the models for much of the world. In the interwar years, this ceased to be the case. Intellectuals began to cast admiring glances toward the Soviet Union: to its social planning, to one-party government, to the dictatorship instituted there. Italian fascism had its admirers, too, as Mussolini consolidated his power in the mid-twenties. (At least, some said, the trains run on time in Italy.)

But to look at it this way is probably to approach the matter wrong-end-to. What was there to admire and imitate about British institutions any longer? What were they? How convinced of their probity were the British themselves? Power had already been centralized in the House of Commons and concentrated in the cabinet. The balance of powers now remained largely in relics which were forms without substance. Political parties represented about all that was left of the means of balancing power. But these, too,

²⁴ *Ibid.*, p. 141.

lost vitality during the years under consideration.

The only party that managed to get a clear majority in the inter-war years was the Conservative Party. But its leadership was usually reluctant to govern. Labour got a plurality in the election of 1929, and Ramsay MacDonald, the Labourite, formed a government. It fell in 1931, and MacDonald led the movement for a National government. There was an overwhelming vote for candidates pledged to the National government. Actually, Conservatives elected 472 members to the House of Commons, a preponderant majority itself. Nonetheless, Ramsay MacDonald served as Prime Minister for a National government from 1931 to 1935, followed by two Conservatives, Stanley Baldwin and Neville Chamberlain, to 1940. This was surely the peacetime nadir of party responsibility in modern British history. Without effective party responsibility for what was done, there was little check left upon government. In short, England turned to its own variety of "one-party" government in this period — a pale imitation of what was occurring in the dictatorships.

Retreat to Munich

Britain was withdrawing from the world, retreating from competition behind tariff barriers, going

off the gold standard, pulling in to the hoped-for safety of empire. Other nations were becoming aggressively expansive: Japan, Italy, Germany, and the Soviet Union. Nobody did anything of real consequence when Japan invaded Manchuria in the early 1930's. Britain and France agreed not to intervene significantly when Mussolini's forces invaded Ethiopia in 1935. This would throw Mussolini into the arms of Hitler, it was feared, and Britain clung to the relics of a balance of power policy which, in fact, at this point meant a withdrawal of influence. When Spain became a battleground between communists, on the one hand, and fascists — assisted by Germany and Italy —, on the other, no British weight was used to prevent the intervention. Indeed, as Germany rearmed, as the Rhineland was remilitarized, as international treaties were flagrantly violated, Britain acquiesced piecemeal in virtually every measure.

The depth of the bankruptcy of British foreign policy was reached at the Munich Conference in 1938. Prior to this conference, Chamberlain had made hurried trips to meet and treat with Hitler, pleading with the arrogant dictator to moderate his claims. At Munich, Hitler refused to allow Czech representatives to be present at the

meeting of himself, Mussolini, Daladier (for France), and Chamberlain. Yet the men present agreed to the cession of Czechoslovak territory (the Sudetenland) to Germany. But if the Czechs had been present, they could have been outvoted; such are the possibilities of democratic collective agreements. Chamberlain returned to England exultant; the Munich agreement had, he proclaimed, secured "peace in our time." And the crowds cheered!

Unprincipled Behavior

That men are fallible beings is undoubtedly true. They fall short of their ideals; they do not invariably hue to the line of principle; they compromise quite often where moral questions are involved. Yet there are tides in the affairs of men, and it is not simply individual fallibility involved in these affairs. Chamberlain had not simply varied from principle; in the best of times men do this. He was confused, and his confusion was the reflex of that of a large portion of the English people. The decline of England was preceded and accompanied by moral and religious decline. It is one thing to violate the known and agreed upon principles of morality; it is quite another not to know what these principles are, to be torn between conflicting views, or to be un-

certain as to the existence of verities. It was the latter which afflicted the English, as well as people elsewhere.

One historian describes the decline of religion in the interwar years in this way:

More broadly, religious faith was losing its strength. Not only did church-going universally decline. The dogmas of revealed religion — the Incarnation and the Resurrection — were fully accepted only by a small minority. Our Lord Jesus Christ became, even for many avowed Christians, merely the supreme example of a good man. This was as great a happening as any in English history since the conversion of the Anglo-Saxons to Christianity. . . .²⁵

Another points out that by the 1930's the number of communicants in the Church of England only barely exceeded that of Roman Catholics. The well-to-do still availed themselves of the rites of the church. "But no more than socially; and Puritanism languished except in a few Dissenting congregations, and among the elderly."²⁶

For several decades, the erosion of belief in verities had proceeded apace or accelerated. Intellectuals

²⁵ A. J. P. Taylor, *English History: 1914-1945* (New York: Oxford University Press, 1965), p. 168.

²⁶ Robert Graves and Alan Hodge, *The Long Week-End* (New York: Norton, 1963), p. 113.

had swung over to relativism. Morals, people were taught, are relative to time and place, are matters of customs and mores. Moral absolutes were for Englishmen reflexes of Puritanism and Victorianism, hence, old-hat, outmoded, and increasingly despised. Rationality had been undercut by new currents of irrationality.

Ripe for Socialism

There was a close relation between these developments and the movement toward socialism. Socialists could not advance their dogmas in a framework of individual responsibility. The virtues of industry, thrift, clean living, and careful husbandry must be undermined. Traditional morality abjured violence, enjoined respect for property, taught that men should not steal but be content with the fruits of their own labor. Covetousness was enjoined by Holy Writ. These had to be, and were, denigrated for socialism to make its gains.

The point is this: When Chamberlain confronted Hitler, he brought no high moral position from England with which to oppose the Führer. The gradualist movement toward socialism in England had acclimated the English to methods analogous to those of Hitler, if not in so brutal a guise. The British had come to

accept labor union violence as a legitimate means to achieve their ends. They had been familiarized with increasing use of government force against the population to regulate trade, to confiscate wealth, to provide funds for idle men. What was right was what the majority voted for, according to an underlying ethos. If the majority voted for programs which took the profits of corporations, that was not theft; it was only social justice. If the House of Lords stood in the way of this thrust for power, it should be shorn of its effective veto. There was no high ground in all of this from which to counter Hitler's moves. Moreover, the British people did not want adventures; they wanted peace.

It must not be thought that socialists believed consistently in the protection of minorities. Which minorities? Not the Lords. Not the farmers. Not factory owners. Not the unemployed (and their right to work in struck plants). Not of women, for the labor unions had worked diligently to drive women from their employment after World War I. The Czechs were, after all, only another minority. Why should their selfish wishes stand in the way of the great goal of world peace?

It is not my point, of course, that the British were more re-

sponsible than others for these international events, or that they acted more ignobly. They did eventually stand and fight, and they did so sturdily and even heroically. In the dark days of 1940-41, they stood alone against the Axis might which bestrode the continent of Europe. Winston Churchill's promises to "wage war, by sea, land, and air" until victory was achieved rallied his people behind him. The point, rather, is that

England's decline was of its own making, that the decay of morality underlay this decline, that the British abandoned ancient principles and vitiated their system, that government intervention produced the decline, and that waning influence abroad was a logical consequence of the loss of certainty at home. Nor was the war anything more than a temporary interruption of the British on their road leading toward oblivion. ♦

*The next article of this series will pertain to
"Socialism in Power."*

IDEAS ON LIBERTY

Martin Van Buren

THOSE who look to the action of this Government for specific aid to the citizen to relieve embarrassments arising from losses by revulsions in commerce and credit lose sight of the ends for which it was created and the powers with which it is clothed. It was established to give security to us all in our lawful and honorable pursuits, under the lasting safeguard of republican institutions. It was not intended to confer special favors on individuals or on any classes of them, to create systems of agriculture, manufactures, or trade, or to engage in them either separately or in connection with individual citizens or organized associations. If its operations were to be directed for the benefit of any one class, equivalent favors must in justice be extended to the rest, and the attempt to bestow such favors with an equal hand, or even to select those who should most deserve them, would never be successful.

Message before a Special Session of Congress, September 4, 1837,
to consider monetary problems.

Why have an Electoral College?

This article is an uncle's response to a lad's question shortly after the presidential election of 1968.

BERTEL M. SPARKS, the uncle, worked his way out of "poverty stricken" Appalachia through law school and two graduate degrees in law. He served on the faculty of New York University School of Law for eighteen years and is now professor of law at Duke University. He is the author of two books and numerous articles in legal periodicals.

Dear Philip:

In reply to your question about my opinion of the Electoral College, I am in favor of retaining it. Before abolishing any institution that has been with us for such a long period, we should take time to ask why it came into existence in the first place, how it has worked in the past, and what substitute we have to offer. It is my opinion that a careful consideration of these questions will lead to the conclusion that the Electoral College is not so bad after all.

It seems that when our Founding Fathers were about the task of writing our Constitution they were almost unanimous on two basic ideas. They wanted a government strong enough to keep the peace and they feared any such government that was that

strong. They had learned from their experience under King George that unlimited power in human hands was a dangerous thing. Being a highly educated group, their knowledge and understanding of history had taught them that tyrannical power was not confined to any one form of government. It could exist whether its form was that of a monarchy, aristocracy, theocracy, or even a democracy. Their experience under the Articles of Confederation had also taught them that a government without adequate power could not protect its citizens in the exercise of their commercial and social relations with each other. It was a recognition of these diverse and somewhat conflicting policy goals that led them to the establishment of a form of

government that made possible the greatest exercise of personal freedom and the development of the highest level of material well-being that has ever been known anywhere else on the earth before or since. How did they do it?

The scheme agreed upon by that little group of men gathered in Philadelphia in 1787 was not a democracy but a republic, characterized by a separation of powers and a division of authority. To them this meant much more than a separation of the legislative, executive, and judicial departments of government. Regardless of what separation of the departments could be achieved, the men who were laying our foundation feared the consequences of having all three concentrated in one central government. That much had been tried before in various parts of the world, and under such arrangements tyranny had often been the ultimate result even where the election of the officials imposing the tyranny had been by popular choice. The added feature was a federal system where the local units of government, the states, were made independent entities and not just instrumentalities of the central power and the central government was made one of strictly limited powers.

The exercise of even such limit-

ed powers was carefully circumscribed. The Senate was to represent the states, with all states being equal for this purpose, and the House was to represent the people. The chief executive was not to be chosen by the legislative body, as is the custom in many countries of the world, but was made independent of them. Yet the power he could exercise without their approval was strictly confined. Although the judges were to be appointed by the President, they could not be removed by him and therefore it was highly unlikely that the judiciary would ever be dominated by any one President. It was no accident that the Representatives and Senators were given terms of different lengths and the election of Senators was so arranged that not more than one-third of them could be changing at any one time. And the President's term was made of different duration from that of either House or Senate. This somewhat awkward staggering of terms was to avoid the instability that could result from having the whole government change, even by popular vote, at a moment of great emotional upheaval.

The Electoral College was invented as a part, although maybe only a small part, of this general scheme of separation of powers

and division of authority. It was a scheme for letting the people choose but at the same time avoiding some of the dangers inherent in a direct choice. Not the least of the dangers they had in mind was that in a time of national turbulence, such as we might be approaching at the present time, sufficient emotional excitement might be generated to elect a popular and glamorous personality such as a Julius Caesar or a Napoleon Bonaparte. Of course, these dangers exist under any system of government. The important question is under what system can the extent of the dangers be diminished?

Any present-day student of the American government knows that this system of separation and division of powers with each department and each political unit serving as a check on every other did not work out exactly as intended by the Founding Fathers. None of the three branches of the central government has ever behaved exactly as the founders anticipated, and the powers and responsibilities of the state governments have declined to a degree that would probably frighten any delegate to the Constitutional Convention out of his wits. The Senate was never an impartial body of wise men serving to check the popular passions likely to be present in the

House. Both the chief executive and the courts quickly developed into something that would probably be unrecognizable by any but the most discerning of the Fathers. And it is doubtful if any of them anticipated the emergence of either political parties or the extensive administrative machinery that now plagues the central government. The Electoral College never became the uninstructed gathering of superior and sober men calmly deciding upon a suitable citizen to serve as the Chief Executive for the coming four years.

But the fact that the formal expectations of the Fathers were never realized should not blind us to the fact that the basic framework which they established has served us well for almost 200 years. The central core of the tradition they established is still with us and it is now our tradition. The Electoral College is part of that tradition. While it is not the representative body exercising an independent judgment as was originally intended, it does have a function to perform. It is at least an accounting device registering a summation of the will of the people on a state-by-state basis. Being on a state-by-state basis, and that not strictly according to population, it has some tendency to decrease the likelihood of a Presi-

dent winning primarily through an emotional appeal giving him an overwhelming advantage in one section but probably making him obnoxious to a majority of the voters in other parts of the country. It also makes it a little more difficult for one social or economic unit to become dominant. What is even more important in my mind, it continues to remind us that we are a federal republic whose separate political units still have vitality.

And after all these years is anyone in a position to say the Electoral College has produced any bad results? There have been a few instances when the electoral majority did not coincide with the popular majority and also two instances when the electors failed to elect anybody and the question was thrown into the House of Representatives. But can anyone rightly say that any of these instances have produced bad results? I believe not. And in each instance the matter was handled peacefully and without any substantial amount of public excitement. That within itself is no small accomplishment when it is remembered how frequently a change of administrations is accompanied by varying degrees of disorder in many foreign countries. It might even be pointed out that the two Presidents who were

chosen by the House of Representatives, Thomas Jefferson and John Q. Adams, are regarded by many as being among our more able Presidents.

Much has been made of the unfortunate things that could happen under our present system. But in view of the fact that none of the feared disasters has ever happened, I wonder if the danger isn't more imaginary than real. I find it hard to argue against almost 200 years of uninterrupted success! Even if no candidate had received an electoral majority in 1968, is there any reason to believe a peaceful and satisfactory solution could not have been reached? Let's explore the possibilities.

First of all, the electors, except in a few states, are not legally bound to vote with the party that elected them. It is possible that if no candidate had won a majority on November 5, enough electors would have switched their allegiance to give somebody a majority when the electoral votes were cast. If that had been done, is there any reason to believe the result would not have been a reasonable one or that it would not have been accepted by the public? If the electors had stood by the candidates for which they had been chosen and nobody had received a majority, is there any

reason to believe the House of Representatives would not have acted in a responsible fashion?

Even if the House had acted so irresponsibly as to fail to choose anyone, there is still another route to follow. In such a case the Vice-President is to serve as if he were President. The election of the Vice-President would be by the Senate. Would the Senate be so irresponsible as to fail to choose a Vice-President?

So it seems that in order for us to end up without a lawfully chosen President, the Electoral College, the House of Representatives, and the Senate would all have to act in an irrational and irresponsible way. And as we moved from one of these bodies to the other the failure of each would

place that much more moral pressure upon the next and would dramatize to the public the seriousness of the occasion. The period of uncertainty during which the matter was being resolved would tend to be a period of sober reflection. Tempers would cool a bit and the danger of rebellion would be lessened rather than increased. With so many safeguards in operation, it is unlikely that we would ever find ourselves without a lawfully chosen and reasonably acceptable Chief Executive. At least I haven't heard any other system proposed that holds greater promise of permanence and stability than has been demonstrated by the one we have.

Your Uncle,
Bert

IDEAS ON LIBERTY

The Clash of Opinion

IT WERE best to draw the veil of oblivion over the weakness of character which like a moral contagion afflicts this good land in these later years, except for the menace to our free institutions contained therein. Intolerance of difference of opinion is death to them. Tolerance of such difference is not enough to maintain them. Respect for it is still insufficient to secure their true development. It must be sought, invited and encouraged, for only through the clash of opinion and the attrition of thought can man press onward towards the goal of truth and the perfection of civilization.

GARY NORTH

REPR E S S E D D E P R E S S I O N

Those who wish to preserve freedom should recognize, however, that inflation is probably the most important single factor in that vicious circle wherein one kind of government action makes more and more government control necessary.

F. A. HAYEK¹

DEPRESSION is the bugaboo of most Americans, far more so than inflation. Our history textbooks from grade school through college drum the message into the heads of the readers: the depression of the 1930's was the worst disaster in American economic history. The depression proved, we are told, that laissez-faire capitalism is unworkable in practice. President Roosevelt's New Deal "saved American capitalism from itself." His administration brought into existence a whole new complex of governmental agencies that will supposedly be able to prevent another depression on such a scale. By expand-

ing their interference into the free market, the government and the quasi-governmental central banking system are able to "smooth out" the trade cycle.

Ironically, many of the optimistic statements coming out of Washington in regard to the possibility of depressions are remarkably similar to the pronouncements of statesmen and economists in the late 1920's. In 1931, Viking Press published a delightful little book, *Oh Yeah?*, which was a compilation of scores of such reassurances. In retrospect, such confidence is amusing; nevertheless, the typical graduate student in economics today is as confident of the ability of the State

Gary North is a member of the Economists' National Committee on Monetary Policy. He teaches at the University of California at Riverside while working on a doctorate in Economic History.

¹ F. A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 338.

to prevent a crisis as the graduate student was in 1928. So are his professors.

This kind of thinking is dangerous. During prosperity, it convinces men to look with favor on policies that will result in disaster. Then when a crisis comes, unsound analyses lead to erroneous solutions that will compound the problems. A failure to diagnose the true cause of depressions will generally lead to the establishment of more restrictive state controls over the economy, as bureaucrats prescribe the only cure they understand: more bureaucracy. Mises is correct when he argues that the statist "wants to think of the whole world as inhabited only by officials."² The majority of contemporary economists refuse to acknowledge that the modern business cycle is almost invariably the product of inflationary policies that have been permitted and/or actively pursued by the State and the State's licensed agencies of inflation, the fractional reserve banks.³ The problem is initiated by the State

in the first place; nevertheless, the vast majority of today's professional economists believe that the cure for depression is further inflation.

Profit and Loss

The basic outline of the cause of the business cycle was sketched by Ludwig von Mises in 1912, and it has been amplified by F. A. Hayek and others since then.⁴ The explanation hinges on three factors: the nature of free market production; the role of the rate of interest; and the inflationary policies of the State and the banking system, especially the latter. While no short summary can do justice to the intricacy of some of the issues involved, it may at least present thought for further study.

Profit is the heart of the free market's production process. Profits arise when capitalist entrepreneurs accurately forecast the state of the market at some future point in time. Entrepreneurs must organize production to meet the demand registered in the market at that point; they must also see to it that total expenditures do not exceed total revenue derived from sales. In other words,

² Ludwig von Mises, *Socialism* (New Haven, Conn.: Yale University Press, [1922] 1951), pp. 208-09.

³ On this myopia of the economists, see Gottfried Haberler, *Prosperity and Depression* (New York: Atheneum, 1962), ch. 13. Haberler no longer blames all depressions on monetary factors, and he does favor policies of repressed depression.

⁴ Ludwig von Mises, *The Theory of Money and Credit* (New Haven, Conn.: Yale University Press, 1953); cf. Haberler, pp. 33-67.

if all producers had perfect foreknowledge, profits and losses could never arise. There would be perfect competition based upon perfect foreknowledge.⁵ This situation can never arise in the real world, but it is the ultimate goal toward which capitalist competition aims, since in a perfect world of this sort, there could be no waste of scarce economic resources (given a prevailing level of technology).

It has been Mises' life work to demonstrate that the operation of the free market economy is the most efficient means of allocating scarce resources in an imperfect world. Those entrepreneurs who forecast and plan incorrectly will suffer losses; if their errors persist, they will be driven out of business. In this way, less efficient producers lose command over the scarce factors of production, thus releasing such resources for use by more efficient planners. The consumers in the economy are sovereign; their demands are best met by an economic system which permits the efficient producers to benefit and the inefficient to fail.

The whole structure rests upon a system of rational economic calculation. Profits and losses must be measured against capital ex-

penses and other costs. The heart of the competitive capitalist system is the flexible *price mechanism*. It is this which provides entrepreneurs with the data concerning the existing state of supply and demand. Only in this fashion can they compute the level of success or failure of their firms' activities.

The Rate of Interest

Economic costs are varied; they include outlays for labor, raw materials, capital equipment, rent, taxes, and interest payments. The *interest* factor is really a payment for *time*: lenders are willing to forego the use of their funds for a period of time; in return, they are to be paid back their principal plus an additional amount of money which compensates them for the consumer goods they cannot purchase now. A little thought should reveal why this is necessary. The economic actor always discounts future goods. Assuming for the moment that economic conditions will remain relatively stable, a person will take a new automobile now rather than in the future if he is offered the choice of delivery dates and the price is the same in both cases. The present good is worth more simply because it can be used immediately. Since capitalist production takes time, the capitalist must

⁵ Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), pp. 286-97.

pay interest in order to obtain the funds to be used for production. The interest payments therefore represent a cost of production: the capitalist is buying time. Time, in this perspective, is a scarce resource; therefore, it commands a price.

The actual rate of interest at any point in time is a product of many forces. Economists do not agree on all of the specific relationships involved, and the serious student would do well to consult Hayek's *The Pure Theory of Capital* (1941) for an introduction to the complexities of the issues. Nevertheless, there are some things that we can say. First, the rate of interest reflects the demand for money in relation to the supply of money. This is why inflationary policies or deflationary policies have an effect on the rate of interest: by changing the supply of money, its price is altered. Second, the rate of interest reflects the time preferences of the lenders, since it establishes just how much compensation must be provided to induce savers to part with their funds for a period of time. This is the supply side of the equation. The demand side is the demand for capital investment. Entrepreneurs need the funds to begin the production process or to continue projects already begun; how much they will be wil-

ling to pay will depend upon their expectations for future profit. In an economy where the money supply is relatively constant, the rate of interest will be primarily a reflection of the demand for capital versus the time preferences of potential lenders. Neither aspect of the rate of interest should be ignored: it reflects both the demand for and supply of *money* and the demand for and supply of *capital goods*.

Another factor is also present in the interest rate, the risk factor. There are no certain investments in this world of change. Christ's warning against excessive reliance on treasure which rusts or is subject to theft is an apt one (Matthew 6:19). High risk ventures will generally command a higher rate of interest on the market, for obvious reasons. Finally, there is the price premium paid in expectation of mass inflation, or a negative pressure on the interest rate in expectation of serious deflation. It is the inflationary price premium which we are witnessing in the United States at present. Mises' comments in this regard are important:

It is necessary to realize that the price premium is the outgrowth of speculations having regard for anticipated changes in the money relation. What induces it, in the case of the expectation that an inflation-

ary trend will keep on going, is already the first sign of that phenomenon which later, when it becomes general, is called "flight into real values" and finally produces the crack-up boom and the crash of the monetary system concerned.⁶

The Inflationary Boom

In the real world, money is never neutral (and even if it were, the economists who explain money certainly never are). The money supply is never perfectly constant: money is hoarded, or lost; new gold and silver come into circulation; the State's unbacked money is produced; deposits in banks expand or contract. These alterations affect the so-called "real" factors of the economy; the distribution of income, capital goods, and other factors of production are all influenced. Even more important, these changes affect people's expectations of the future. It is with this aspect of inflation that Mises' theory of the trade cycle is concerned.

The function of the rate of interest is to allocate goods and services between those lines of production which serve *immediate* consumer demand and those which serve consumer demand in the *future*. When people save, they forego present consumption, thus releasing goods and labor for use

in the expansion of production. These goods are used to elongate the structure of production: new techniques and more complex methods of production are added by entrepreneurs. This permits greater physical productivity at the end of the process, but it requires more capital or more time-consuming processes of production, or both extra time *and* added capital. These processes, once begun, require further inputs of materials and labor to bring the production process to completion. The *rate of interest* is supposed to act as an *equilibrating device*. Entrepreneurs can count the cost of adding new processes to the structure of production, comparing this cost with expected profit. The allocation of capital among competing uses is accomplished in a rational manner only in an economy which permits a flexible rate of interest to do its work.

Inflation upsets the equilibrium produced by the rate of interest. The new funds are injected into the economy at certain points. Gold mining companies sell their product, which in turn can be used for money; those closest to the mines get the use of the gold first, before prices rise. But gold is not a serious problem, especially in today's world of credit. Its increase is relatively slow, due to the difficulty of mining, and

⁶ *Ibid.*, p. 541.

the increase can be more readily predicted; hence, its influence on the price structure is not so radical. This cannot be said, as a general rule, for paper money and credit. Unlike gold or silver, paper is not in a highly limited supply. It is here that Mises argues that the business cycle is initiated. Here — meaning the money supply — is the one *central economic factor* which can account for a *simultaneous collapse* of so many of the various sectors of the economy. It is the *only* factor common to all branches of production.

Creation of Fiat Money

The economic boom begins when the State or the central bank initiates the creation of new money. (For the Western world in this century, the establishment of this policy can generally be dated: 1914, the outbreak of the First World War.) The central bank, or the fractional reserve banking system as a whole, can now supply credit to potential borrowers who would not have borrowed before. Had the fiat creation of new money not occurred, borrowers would have had to pay a higher rate of interest in order to obtain the additional funds. Now, however, the new funds can be loaned out at the prevailing rate, or possibly even a lower rate. Additional demand for money can therefore be

met without an increase in the price of money.

This elasticity of the money supply makes money unique among scarce economic goods. It tempts both government officials and bankers to make decisions profitable to their institutions in the short run, but disastrous for the economy as a whole in the longer run. Governments can expand expenditures by printing the money directly, or by obtaining cheap loans from the central bank, and thereby avoid the embarrassment of raising *visible* taxes. Banks can create money which will earn interest and increase profits. Mises has shown that these policies must result either in depression or mass inflation. There is no middle ground in the long run.

As we saw earlier, the interest rate reflects both the supply of and demand for money and the supply of and demand for capital goods. Inflation causes this dualism to manifest itself in the distortion of the production process. Capitalists find that they can obtain the funds they want at a price lower than they had expected. The new funds keep the interest rate from going higher, and it may even drop lower, but only *temporarily*, i.e., during the boom period. In fact, one of the signals that the boom is ending is an increase in the rate of interest.

Capitalists misinterpret this low rate of interest: what is really merely an increase in the availability of money is seen as an increase in the availability of capital goods and labor services. In reality, savers have not provided the new funds by restricting their consumption, thereby releasing capital goods that had previously been used to satisfy consumer demand more directly, i.e., more rapidly. Their patterns of time preference have not been altered; they still value present goods at a higher level than the rate of interest indicates.

Malinvestments Encouraged

Capitalists purchase goods and services with their new funds. The price of these goods and services will therefore rise in relation to the price of goods and services in the lower stages of production — those closer to the immediate production of consumer products. Labor and capital then move out of the lower stages of production (e.g., a local restaurant or a car wash) and into the higher stages of production (e.g., a steel mill's newly built branch). The process of production is *elongated*; as a result, it becomes more capital-intensive. The new money puts those who have immediate access to it at a competitive advantage: they can purchase goods with to-

day's new money at yesterday's lower prices; or, once the prices of producers' goods begin to rise, they can afford to purchase these goods, while their competitors must restrict their purchases because their incomes have not risen proportionately. Capital goods and labor are redistributed "upward," toward the new money. This is the phenomenon of "forced saving." Those capitalists at the lower stages of production are forced to forfeit their use of capital goods to those in the higher stages of production. The saving is not voluntary: it is the result of the inflation.

The result is an economic boom. More factors of production are employed than before, as capitalists with the new funds scramble to purchase them. Wages go up, especially wages in the capital goods industries. More people are hired. The incumbent political party can take credit for the "good times." Everybody seems to be prospering from the stimulating effects of the inflation. Profits appear to be easy, since capital goods seem to be more readily available than before. More capitalists therefore go to the banks for loans, and the banks are tempted to permit a new round of fiat credit expansion in order to avoid raising the interest rate and stifling the boom.

Sooner or later, however, capitalists realize that something is wrong. The costs of factors of production are rising faster than had been anticipated. The competition from the lower stages of production had slackened only temporarily. Now they compete once more, since consumer demand for present goods has risen. Higher wages are being paid and more people are receiving them. Their old time-preference patterns reassert themselves; they really did not want to restrict their consumption in order to save. They want their demands met *now*, not at some future date. Long-range projects which had seemed profitable before (due to a supposedly larger supply of capital goods released by savers for long-run investment) now are producing losses as their costs of maintenance are increasing. As consumers spend more, capitalists in the lower stages of production can now outbid the higher stages for factors of production. The production structure therefore shifts back toward the earlier, less capital-intensive patterns of consumer preference. As always, consumer sovereignty reigns on the free market. If no new inflation occurs, many of the projects in the higher stages of production must be abandoned. This is the phenomenon known as depression. It

results from the shift back to earlier patterns of consumer time-preference.⁷

The Depression

The injection of new money into the economy invariably creates a fundamental disequilibrium. It misleads entrepreneurs by distorting the rate of interest. It need not raise the nation's aggregate price level, either: the inflation distorts *relative prices* primarily, and the cost of living index and similar guides are far less relevant.⁸ The depression is the market's response to this disequilibrium. It restores the balance of true consumer preference with regard to the time preferences of people for present goods in relation to future goods. In doing so, the market makes unprofitable many of those incompleting projects which were begun during the boom.

What is the result? Men in the higher stages of production are thrown out of work, and not all are immediately rehired at lower stages, especially if these workers demand wages equivalent to those received during the inflationary boom. Yet they *do* tend to demand

⁷ Hayek, *Prices and Production* (2nd ed.; London: Routledge & Kegan Paul, 1935), chs. 2, 3.

⁸ *Ibid.*, p. 28; Hayek, *Monetary Theory and the Trade Cycle* (New York: Kelley Reprints, [1933] 1967), p. 117n.

such wages, and if governmentally protected labor union monopolies are permitted to maintain high wage levels, those who are not in the unions will be forced to work at even lower pay scales, or not at all. Relative prices shift back toward their old relationships. The demand for loans drops, and with it goes much of the banks' profit. The political party in power must take responsibility for the "hard times." Savers may even make runs on banks to retrieve their funds, and overextended banks will fail. This reduces the deposits in the economy, and results in a deflationary spiral, since the deposits function as money; the inverted pyramid of credit on the small base of specie reserves topples. Money gets "tight."

Repressed Depression⁹

The depression is an *absolutely inevitable* result of a prior inflation.¹⁰ At first, the new money kept the interest rate low; it forced up costs in certain sectors of the economy relative to others; the structure of production was elongated; those employed by the higher stages then began to spend their money on consumer goods; and the shift back to a shortened

production process was the result. Everyone liked the boom (except those on fixed incomes); no one likes the depression (except those on fixed incomes, *if* the incomes keep coming in).

There is a cry for the State to do something. Banks want to have a moratorium on all withdrawals; unions want to fix wages; businessmen want to fix prices; everyone wants more inflation. "Bring back the boom!" It can only be done now as before, with fiat money. The call for inflation ignores the fact that new maladjustments will be created. The short-run perspective dominates. If the cries are heeded, the price mechanism is again sacrificed, and with it goes the system of rational calculation which makes possible the efficiency of the free market. Mises warned a half century ago against this policy of "repressed depression" through inflation. Most governments since 1914 have ignored the warning, except during the late 1920's and early 1930's; the depression which resulted was "cured" by repressed depression, and that cure is now leading to the point predicted by Mises:

The "beneficial effects" on trade of the depreciated money only last so long as the depreciation has not affected all commodities and services. Once the adjustment is completed,

⁹ I owe this phrase to Rev. R. J. Rushdoony.

¹⁰ Hayek, *Monetary Theory*, pp. 126, 146, 179.

then these "beneficial effects" disappear. If it is desired to retain them permanently, continual resort must be had to fresh diminutions of the purchasing power of money. It is not enough to reduce the purchasing power of money by one set of measures only, as is erroneously supposed by numerous inflationist writers; only the progressive diminution of the value of money could permanently achieve the aims which they have in view.¹¹

Here is the inescapable choice for twentieth century Western civilization: will it be depression — the readjustment of the economy from the State-sponsored disequilibrium of supply and demand — or will it be mass inflation? The only way to escape the depression is for the inflation to continue at an ever-increasing rate.¹² The result is assured: "Continued inflation must finally end in the crack-up boom, the complete breakdown of the currency system."¹³ The economy will go through a period of total economic irrationality, just as the German economy did in the early 1920's.¹⁴ The German

¹¹ Mises, *Theory of Money and Credit*, p. 224.

¹² Hayek, *Prices and Production*, pp. 148-51.

¹³ Mises, *Human Action*, p. 468.

¹⁴ On the German inflation, see Constantino Bresciani-Turroni, *The Economics of Inflation* (London: Allen & Unwin, 1937).

catastrophe was mitigated by support in the form of loans from other nations; the German traditions of discipline and thrift also played a large part. But what will be the result if the monetary systems of the industrial nations are all destroyed by their policies of repressed depression? What will happen to the international trading community and its prevailing division of labor and high productivity if the foundations of that community — trustworthy monetary systems — are destroyed?¹⁵ It is questions like these that have led Jacques Rueff to conclude that the future of Western civilization hangs in the balance.¹⁶

Ours is not an age of principle. Governments would prefer to avoid both depression and mass inflation, and so we see the spectacle of the tightrope walk: tight money causing recession, which is followed by easy money policies that produce inflation and gold crises. But the trend is clear; inflation is the rule. Hayek says that it is a question of true recovery versus the inflationary spiral.¹⁷ Until we face this issue squarely, we will not find a solution.

¹⁵ Cf. Gary North, "Domestic Inflation versus International Solvency," *THE FREEMAN* (Feb., 1967).

¹⁶ Jacques Rueff, *The Age of Inflation* (Chicago: Regnery, 1964), pp. vii-xiv.

¹⁷ Hayek, *Prices and Production*, pp. 88-89.

Men, in short, must think clearly and act courageously. They must face the logic of economic reasoning, and admit that their own policies of inflation have brought on the specter of depression. They must then make a

moral decision to stop the inflation. The price system must be restored; the forced redistribution of wealth involved in all inflation must end. If men refuse to think clearly and to act with moral courage, then we face disaster. ♦



Medical Care is Not a Right

CHARLES W. JOHNSON, M.D.

RIGHTS are what stout-hearted men supposedly fight for. This muddled definition is probably as good as most people's understanding of this blood-soaked concept. Rights is a word which provokes emotion. Label something a right, play a martial tune, and the legions will march to your cause. If your opponents accept your sloppy definitions, victory is yours. Stout-hearted men might do well to identify those rights they adore.

The concept of rights has developed over several centuries. It

is a complex body of thought about the nature of man. These ideas have had consequences; they enabled man to emerge from barbarism. The concept, quite properly, has acquired an emotional value. Unfortunately, to most people, the concept is hazy, distorted by those who wish to cash in on its emotional power.

Rights, as defined by Burke and Locke, as incorporated in the Declaration of Independence, the Federalist Papers, and the writings of others, are the conditions necessary for man's survival according to his nature, as he was designed by God or nature. Man, in order to exist among the other flora and

This article is reprinted by permission from the January-February 1969 issue of *G. P. Press*, published by the Texas Academy of General Practice. Dr. Johnson practices in San Antonio.

fauna of this planet, has certain requirements. First, he must have a drive to live and continuously act to sustain his life. By his natural design, his special means of survival are: conceptual, volitional thinking; hands designed for tools; and differentiation, enabling man to specialize his productive energy and to prosper by trading with one another, each party profiting by the exchange. The conditions such social organization requires are: the free range of each man to think, choose, and act; and to own property, to hold secure the products of his mind and hands for him to consume or save or trade. Men must, to live, assert a claim to these conditions: life, liberty, and ownership. These proper claims are rights. Actions against this system, the molestation of another man's life, liberty, and property, are wrongs.

No one has a right to anything he must ask permission for or in any way take from another. In in-

terpersonal and societal relationships there are many goods and services traded and privileges granted, but there is no "right" to take these from another. In distinguishing rights from privileges one may ask, "provided by whom?" If it is provided by God or nature or by one's own self, it is a right. If it is provided by someone else, it is a voluntary exchange, a privilege — or theft.

No one has a right to food, water, shelter, money, or love if he must obtain it at the expense of the owner. Medical care is no more a right than these.

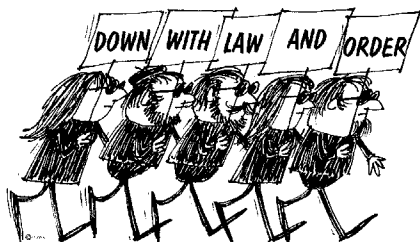
Man rightfully obtains goods and services by producing them from nature or by voluntary exchange with others. Man may exchange goods, services, and emotional values, but he must trade to obtain them. Otherwise he is a thief acting against human existence.

Medical care is a service traded or a privilege granted — or theft.

IDEAS ON LIBERTY

Abraham Lincoln

I KNOW the American People are *much* attached to their Government;- I know they would suffer *much* for its sake;- I know they would endure evils long and patiently, before they would ever think of exchanging it for another. Yet, notwithstanding all this, if the laws be continually despised and disregarded, if their rights to be secure in their persons and property, are held by no better tenure than the caprice of a mob, the alienation of their affections from the Government is the natural consequence; and to that, sooner or later, it must come.



OUR TOTALITARIAN RADICALS

WILLIAM HENRY CHAMBERLIN

A FRIGHTFUL desecration of the true values and purposes of higher education, as conceived and outlined by scholars from Plato to such modern figures as John Henry (later Cardinal) Newman and Woodrow Wilson is taking place on many university and college campuses throughout America today. The above-mentioned thinkers and many others have always envisaged the ideal university as a place aloof from the transient clamors of the day, where professors and students are partners in the search for the good, the true, and the beautiful, where debates and discussions are carried on with methods of reason and courtesy, where studies in the humanities and natural sciences

are pursued in an atmosphere of tranquility.

The perfect university has never existed; but on both sides of the Atlantic, movement is away from, not toward, its ideals. Students whose qualifications in scholarship must be extremely dubious in many cases because of the amount of time they devote to such extra-curricular activities as harassing college administrators with peremptory demands, often backed up by the crudest forms of physical coercion, are turning campuses into prize-fight arenas. The quarrelsome brawling that goes on under the most trivial pretexts, the endless demonstrations on university property, often on subjects which are quite outside the range of the university student, the general atmosphere of bedlam would be calculated to drive Socrates, St. Thomas Aquinas, Erasmus, or any

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

other great teacher to take off for the nearest available retreat in some desert, leaving behind an invitation to his most promising students to follow him.

Speaking at the dedication of a new library at Swarthmore, an excellent small liberal arts college, the diplomat-scholar, George F. Kennan, himself a liberal dissenter from many conventional positions, drew this caustic contrast between Woodrow Wilson's vision of an ideal university, shut off from the cares and clamor of the outside world, and the state of mind and behavior of the radical Left enrolled in student bodies today. To quote from Kennan's speech, which has been preserved in book form as part of an informal dialogue, with replies from dissenting students and others:

"We have people utterly absorbed in the affairs of this passing world. And instead of these affairs being discussed with knowledge and without passion, we find them treated with transports of passion and with a minimum, I fear, of knowledge. In place of slowness to take excitement, we have a readiness to react emotionally, and at once, to a great variety of issues. In place of self-possession, we have screaming tantrums and brawling in the streets. In place of the 'thorough way of talk' that Wilson envisaged, we have

banners and epithets and obscenities and virtually meaningless slogans. And in place of bright eyes 'looking to heaven for the confirmation of their hope,' we have eyes glazed with anger and passion, too often dimmed as well by artificial abuse of the psychic structure that lies behind them, and looking almost everywhere else but to heaven for the satisfaction of their aspirations.

"The world seems to be full, today, of embattled students. The public prints are seldom devoid of the record of their activities. Photographs of them may be seen daily: screaming, throwing stones, breaking windows, overturning cars, being beaten or dragged about by police, and, in the case of those on other continents, burning libraries. That these people are embattled is unquestionable. That they are really students, I must be permitted to doubt."

The acceptance of Mr. Kennan's speech by some of his audience was typical of the spirit of the "New Left," a familiar name for the present generation of collegiate radicals, in preferring abuse to argument. What happened, in Mr. Kennan's words, was as follows:

"But no sooner had I emerged from the stage door of the College's auditorium than I was made aware — by the presence there of

a group of angry young men, mostly bearded, who hissed their disagreement and resentment at me like a flock of truculent village geese — that I had stepped on some tender nerves.”

Internationally Contagious

Student unrest, often assuming violent and riotous forms, is not confined to the United States. There have been manifestations in free countries, where there is no excuse for violent lawbreaking, and in countries where the denial of all freedom explains and justifies what has happened. The most obvious and striking example is Czechoslovakia, where the timid concessions to greater freedom, political and economic, have been brutally swept away by the Soviet invasion.

Perhaps the most spectacular illustration of what can happen when student revolt takes place in an inflammable atmosphere was the paralysis of France last May. What began as a student revolt, involving clashes with the police, was followed by widespread strikes in factories and public services. The disorder was bought off by sweeping, across-the-board wage increases, out of all proportion to improved productivity. The harvest that was sowed in June was reaped in November. The wage increases, followed by ef-

forts at artificial stimulation of the economy, made French exports less competitive and a stampede from paper francs into harder currencies like the German mark and the Swiss franc and into gold set in, touching off an international financial crisis.

Results of student revolt have not always been as concrete and spectacular as in France; but disorders there have been, spreading like ripples after a stone is thrown into a pool. Characteristically, there has been the highest measure of restraint in Great Britain, although the University of London has had its taste of the American methods of sit-ins and “occupations” of university buildings.

There has been more violence, in a few cases leading to deaths, in the Federal Republic of Germany, especially in the so-called Free University of West Berlin. Apart from legitimate grievances which students have on both sides of the Atlantic — but which are not likely to be remedied by smashing windows, blocking streets and provoking fights with the police — the causes of the German disorders are rather obscure.

For example, one of the first casualties occurred in the course of clashes between police and students in Berlin who objected to a visit to the city of the Shah of Iran — certainly a trivial pretext,

especially as the Shah has proved himself more concerned with land reform and other progressive changes than the typical Oriental monarch.

There has been much windy declamation against the "System" and the "Establishment," a glorification of communist professional revolutionaries like Mao Tse-tung, Che Guevara, and Castro, and a general rejection of capitalism. The last seems a peculiar case of bad judgment on the part of young Germans.

If there is one country that owes its postwar rapid advance, quite literally, from rags to riches, to the bold, intelligent introduction of the principles of capitalism, especially the free market economy, that country is Germany. It is amazing that a younger generation separated by only a few years from this clear demonstration of the superiority of private economic enterprise both as a stimulus to industrial efficiency and as a foundation for the re-establishment, on a firm basis, of personal and political liberties, should produce so many misguided people yearning for the false gods of Oriental and Latin American communism.

A Valid Complaint

There is one justified cause of discontent for students on both

sides of the Atlantic. For reasons that are sometimes similar, sometimes different, they are not getting as good intellectual guidance and instruction as their fathers and grandfathers. Overcrowding is one problem. This is due partly to the general growth of population, which, like the weather, is something of which everyone complains without being able to do much about it.

Moreover, even allowing for the increased population, a far higher proportion of young people are going to universities and colleges. There is a belief, especially in the United States, that this is all to the good. But it is no benefit, rather an injury, to facilitate entrance into college for the intellectually unfit and unprepared. This is especially worth bearing in mind when, on many American campuses, there is a deliberate effort to recruit more students from racial minority groups, almost regardless of qualifications.

Most certainly, no qualified person should be excluded, because of race or color, from the benefits of higher education. By the same token, no one should have higher education thrust upon him if he is unable, through lack of training and preparation, to derive any benefit from it. Commonsensical Dr. Samuel Johnson rebutted criticism of the expulsion of some Ox-

ford students for creating public disturbances by engaging in loud public prayer at inconvenient times and places:

"Sir, they were examined and found to be mighty ignorant fellows."

To the comment that the hearts of the expelled students were well intentioned, Johnson offered his usual quick reply:

"Why, Sir, a cow is a very good animal in a field; but you do not turn her into a garden."

War Damaged Schools in Europe

In Europe there has been no deliberate attempt to swell the ranks of students by making room for sometimes imperfectly prepared members of a minority ethnic group. But because of the breakdown of prewar class lines and the easier conditions of access to the universities, a larger proportion of the people are going to universities; and, despite the opening of new institutions in Great Britain, Germany, and France, this makes for overcrowding. On the continent of Europe there was a good deal of wartime destruction, especially in Germany, to be made good as regards buildings, laboratories, and libraries; German students who come to the better American universities usually find the facilities far superior. Also, there is a disposition in Europe to

rebel against old-fashioned teaching methods and the slight contact between professors and students.

There was no physical destruction in the colleges and universities of the United States. But in the matter of teaching, American students have their special grievances. Too often professors with high reputations find themselves attracted to research and to government projects, with the result that actual contact with the students is in the hands of younger and less inspiring assistants. The restoration of teaching to its old and honored place may well be the Number One problem of the American university.

The students of the American "New Left" (so-called because, unlike the orthodox communists, they look to a German refugee philosopher named Herbert Marcuse, not to Karl Marx for inspiration, and profess more admiration for Red China and for Cuba than for the Soviet Union) pride themselves on being not only learners but builders of a new order in America and throughout the world. Certainly, education should widen, not constrict the student's view of the world around him.

Marcuse and the New Left

But the students of the New Left seem gravely deficient in

many of the qualities essential for forming sound judgments, in qualities which intensive study should develop. For instance, they seem strikingly devoid of humility and of humor. They are never deterred from staging demonstrations, confrontations, and whatnot, up to and including occupation of college property and provoked clashes with the police, by the reflection that they might be wrong. Insistent on free speech for themselves, they are unwilling to grant it to others.

And like their prophet Marcuse, they are intent on tearing down whatever displeases them, from college regulations to the American government and society, without giving anything but the vaguest idea of what they would put in its place. There is nothing fresh or original in their ideas; they wallow in clichés about the sins of "society" and "the Establishment" that are half-baked and very imperfectly thought out. It never seems to occur to them that in a modern industrial society of 200 million people work must be done, political and economic decisions must be made, priorities must be set, all sorts of problems of organization must be faced.

Students for a Democratic Society

The largest association of the New Left calls itself Students for

a Democratic Society. Its aspirations are voiced partly by disorderly mass demonstration with mindless slogans, partly by such cloudy gobbledygook as the following excerpts from the Port Huron Statement of the SDS:

"The political order should serve to clarify problems in a way instrumental to their solution. . . . Channels should be commonly available to relate men to knowledge and to power so that private problems from bad recreation facilities to personal alienation are formulated as general issues."

Make sense out of that if you can! At least it shows that the SDS leaders who formulated this piece of pretentious verbosity were quick to assimilate some of the worst intellectual and stylistic idiosyncracies of their less-gifted professors.

About the nearest the spokesmen for SDS come to formulating positive goals is to denounce poverty and discriminatory treatment of blacks and other racial minorities and to denounce what they portentously call the Establishment for alleged responsibility for both these ills. What they completely overlook is that there is some correlation (and this is true under any conceivable system) between individual diligence and ability and individual reward. All that is apparently necessary, in

their view, is to pull a few mysterious levers and, Presto, a society of equals will emerge.

We have surely seen enough of the fruits of totalitarian fanaticism in the records of communism and Nazism. The New Left is suffering from a bad case of this spiritual and intellectual malady. But the likelihood that they will strike deep roots in American life is fortunately slight. For they can

be fairly designated as rebels without a cause, people who don't know what they want and won't be happy until they get it. Their fulminations will have about as much effect on an American society based on the twin principles of political liberty under law and economic freedom through a consumer-oriented market economy as pea-shooters bombarding the Rock of Gibraltar. ♦

IDEAS ON LIBERTY

Mobocracy

ACCOUNTS OF OUTRAGES committed by mobs form the every-day news of the times. They have pervaded the country from New England to Louisiana. They are neither peculiar to the eternal snows of the former nor the burning sands of the latter. Whatever, then, their cause may be, it is common to the whole country.

The innocent, those who have ever set their faces against violations of law in every shape, alike with the guilty, fall victims to the ravages of mob law. And thus it goes on, step by step, till all the walls erected for the defense of the persons and property of individuals are trodden down and disregarded. . . .

Thus, then, by the operation of this mobocratic spirit, which all must admit is now abroad in the land, the strongest bulwark of any government, and particularly of those constituted like ours, may effectually be broken down and destroyed — I mean the attachment of the people. Whenever this effect shall be produced among us, whenever the vicious portion of population shall be permitted to gather in bands of hundreds and thousands and burn churches, ravage and rob provision stores, throw printing presses into rivers, shoot editors, and hang and burn obnoxious persons at pleasure and with impunity — depend on it, this Government cannot last.



EDUCATION IN AMERICA

GEORGE CHARLES ROCHE III

7. Why Institutionalize Our Errors?

WHATEVER shortcomings may be said to exist in American elementary and secondary education are largely traceable to the philosophic errors discussed earlier in these pages.

For example, the unfortunate emphasis upon *how* to teach, rather than *what* to teach, stems directly from two pernicious ideas: 1. There can be no fixed truth, no ultimate standard, thus making impossible all "knowledge" in the traditional sense. 2. The search for the latest version of truth (i.e.,

the *method* of that search) is thought to be not merely a means, but the new end itself.

Our prospective elementary and secondary teachers are often given large quantities of professional "Education" courses and courses offering only a smattering of different disciplines, leaving little time for genuine education in any discipline. The result? Much of a prospective teacher's first twelve years in school reflects the lack of intellectual standards and discipline described earlier. When he goes to college to prepare himself to be a teacher, he finds that "teacher certification" requirements largely interfere with his

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

receiving a genuine education. Should our teacher go on to graduate school, he again often finds himself surrounded by professors of education. Thus the prospective teacher finds himself submerged in the educationist bureaucracy and cut off from much of what constitutes education in any discipline. In this way the educationist mentality becomes the force which often actually controls public education. This force generally demonstrates itself to be almost totally unfamiliar with standards of genuine education, totally preoccupied with the development and maintenance of largely meaningless technical requirements and course work.

Similar pressures generated by our wrong-headed modern philosophy have undercut discipline and standards in many of our schools. Worse yet, these errors have become institutionalized through the centralization and bigness pressing so heavily upon student and teacher alike throughout much of our educational structure.

The Enlargement of Educational Responsibility

The parent can and should look beyond himself for specialized help in a proper education of his child, but neither parent nor teacher should be confused about the parent's ultimate responsibility

or the proper role of the school in the upbringing of the young. Unfortunately, such distinctions have blurred in our society. The growth of the public school system has been more than matched by a bureaucracy to regulate its workings. As the system has grown, elected officials have felt compelled to place its administration in "expert" hands, a control generally centered in state departments of education. Public school teachers through the high school level are now expected to take certain "Education" courses serving as indoctrination in the "new" philosophy and methodology of the dominant bureaucracy. Our population expansion further enlarges the role of the educationists in our society until they dominate our gigantic and expensive educational structure and assume the functions of family and church as well. We find ourselves well advanced toward a new educational structure, and a new social structure.

It is quite natural that there should be some blurring of function between the home and the school, since both should properly require discipline and both play an important role in any educational process. But tremendous new problems develop when both functions are undertaken by the school. For the educationist bureaucracy, education is no longer

a result to be achieved, but instead has become a subject to be institutionalized. Is it desirable for the school to so expand its responsibility? Even if it were desirable, can the school hope to discharge such responsibility?

The answer to both questions appears to be "no." The reason we have been able to muddle along with no more disastrous results than we have suffered from this usurpation of authority rests with the magnificent teachers in our schools whose personality and skill allow them to function in an atmosphere increasingly alien to true education. These fortunately numerous teachers have been willing to fight the battle despite the bureaucracy in which they are entombed, and the public apathy which so commonly greets them.

The Push Toward Centralization

Another result of the growing educationist bureaucracy has been that our schools have become progressively less oriented to the education of individuals and more oriented to the education of the "masses." We now seem to turn out a "socialized" product, certified as socially acceptable by the appropriate diploma. The bureaucracy has succumbed to its own propaganda to the point of encouraging centralization and consolidation according to a master

plan. Since the Second World War, a process of consolidation has taken place; small, locally-oriented school districts have been absorbed into larger and larger school systems, the better to facilitate "planning." What has actually taken place is a process whereby schools have been removed further from community and parental control, while larger "plants," larger staffs, and larger educationist blueprints have been imposed on the long-suffering taxpayer and the much-abused students. In the process, the small schools being closed were often superior to the new and larger schools taking their place.

When centralization is carried to its logical conclusion, when the educationist bureaucracy has had the fullest possible play for its ideas, what results have we experienced? New York City, a city which has given its educational bureaucracy vast authority and vast amounts of money, today offers an educational product which is frequently so inferior that people seek out private schools for their children or flee from the negative city environment altogether. Things have reached the point in which school often is not even convened, while various groups contend for bureaucratic control. The central question now seems to have become not "How

can we best educate our children?" but "Who shall rule?"

Judging from some reports coming from around the United States, the time may come when we will suffer professors' strikes in our institutions of higher learning just as today we are suffering teachers' strikes in more and more of our public elementary and secondary schools. It seems that once we allow bigness to progress beyond a certain point, the reactions stemming from such monolithic power will crop up throughout society.

Even when we manage to keep school in session, the problem of bigness haunts us. In James B. Conant's widely accepted study of the American high school, he described high schools with graduating classes of less than 100 students as "too small to allow a diversified curriculum except at exorbitant expense." Thus, these small schools were, in Conant's opinion, "one of the serious obstacles to good secondary education throughout most of the United States." Mr. Conant's solution? More bigness, more centralization.

It is true that a larger school provides more specialized teaching and more staff specialists. Each student finds himself more counseled and tested. But it is also true that in the process the individual teacher steadily loses his personal

contact with the students as more and more of his functions are taken over by outside "specialists." Students and teachers alike are involved in more and more activities outside the classroom while less of what has been traditionally called "teaching," the close pupil-teacher relationship, seems possible in our super-enlarged modern educational structure.

In the Hands of Revolutionaries

As teacher and student alike have suffered in the new educational environment, the bureaucracy has prospered. Federal aid to education has further accelerated the whole process, helping to produce an increasingly dangerous situation:

It is not too much to say that in the past fifty years public education in the United States has been in the hands of revolutionaries. To grasp the nature of their attempted revolution, we need only realize that in the past every educational system has reflected to a great extent the social and political constitution of the society which supported it. This was assumed to be a natural and proper thing, since the young were to be trained to take places in the world that existed around them. They were "indoctrinated" with this world because its laws and relations were those by which they were expected to order their lives. In the period just

mentioned, however, we have witnessed something never before seen in the form of a systematic attempt to undermine a society's traditions and beliefs through the educational establishment which is usually employed to maintain them. There has been an extraordinary occurrence, a virtual educational coup d'état carried out by a specially inclined minority. This minority has been in essence a cabal, with objectives radically different from those of the state which employed them. An amazing feature of the situation has been how little they have cared to conceal these objectives. On more than one occasion they have issued a virtual call to arms to use publicly created facilities for the purpose of actualizing a concept of society not espoused by the people. The result has been an educational system not only intrinsically bad but increasingly at war with the aims of the community which authorizes it. . . .¹

The School as an Agency of Social Reform

The revolutionary impact of the educationist philosophy described by Richard Weaver centers on the attempt to junk the traditional standards and substitute totally new goals in their place. The process of that philosophic departure from standards has already been described at some length. Innu-

merable examples surround us on virtually every hand. The principal effect of this departure from standards has been an assault upon individual personality.

In place of teaching the young to form their own opinions, today we offer social indoctrination, enthusing endlessly about "enrichment" and "freedom" and yet in many cases offering our young people only the dullest possible conformity. The present philosophic assumptions common within higher education often deny the idea of inner personality. Listen to the new method stated most frankly by John Dewey himself, writing in *Democracy and Education*:

The idea of perfecting an "inner" personality is a sure sign of social divisions. What is called inner is simply that which does not connect with others — which is not capable of free and full communication. What is termed spiritual culture has usually been futile, with something rotten about it, just because it has been conceived as a thing which a man might have internally — and therefore exclusively. What one is as a person is what one is as associated with others, in a free give and take of intercourse.

What's wrong with society? The old and negative ideas stressing individual personality! Give us enough money and let us adjust the child. Then all will be well. To

¹ Richard M. Weaver, *Visions of Order*, pp. 260-261.

what must the child adjust? To "social democracy," to finding his values within society. In fact, the replacement of all norms and the replacement of all individual personality is to be achieved within the system because the new means of arriving at norms and standards, at truth, is through the new methodology. Society will vote, society will establish a "consensus," and from that consensus will come the new standards, the new definitions of truth, the new social man as replacement for the individual. Such a system violates both of the canons necessary for genuine education. It violates the individual's freedom to choose and the framework of standards and values within which meaningful individual choice may take place.

Action Rather than Thought

A society pursuing such educational goals is likely to become a society oriented toward action rather than thought. Such a society places a premium upon masses of humanity, upon sheer body weight rather than intellectual weight. In place of moral and intellectual standards, numbers and crowd psychology are to determine our future course. We are beginning to live through the first painful results of such a disastrous philosophy, as evidenced by the violence and mob psychology which

today is commonplace both inside and outside our academic community. Thus, violence has become our means for making decisions and solving "problems."

Emerson once remarked, "Men ride on a thought, as if each bestrode an invisible horse, which, if it became visible, all their seemingly mad plunging motions would be explained." Surely this observation could be applied to our present society. In our traditional system of higher learning, education was conceived as passing along the cardinal principles and values of civilization, but our modern assumption today is that we have no values worth passing on. If this is the idea we give our young people to ride on, can we be surprised when they act as if there were no values? If the intellectual community will no longer regard itself as primarily devoted to the pursuit of truth, can we be surprised when our young are no longer willing to listen to the members of the academic community?

When we take freedom to mean nothing more than the absence of external control, we are paving the way for the most dangerous anarchy imaginable. Meaningful freedom involves the presence of internal restraint and sound judgment. Without these restraints and that capacity for judgment, we open the door to mass action in

virtually every area of our society. This is not the achievement of freedom, it is a return to barbarism.

The extended criticisms laid at the door of American education prompt this question: "If things are so bad, why is the system still yielding so many first-rate students, so many fine young men and women?" The answer is easy: The saving grace of our educational structure is the stubborn virtue and determined excellence of many teachers who continue to function well under admittedly adverse circumstances. Students are quick to identify a good teacher when they meet one. A real teacher never stops, but continues in school and out, by precept and example, to set high standards of discipline and character. The old teacher-pupil relationship of one-to-one, the teacher and the taught, implying standards and discipline and the meeting of two distinctly individual personalities, remains the only real answer to the problem.

The Numbers Problem in Higher Education

The philosophic shortcomings of American mass education form a core of problems for higher education as well. Often the most severe criticism of American secondary education comes from the liberal arts faculties of our col-

leges and universities. They decry the intellectual material being sent them by the secondary schools and are openly contemptuous of the Education departments on their own campuses. Yet many of these critics of educationism are themselves empire builders of a sort. They are often the first to suggest that more and more young people should go to college whether qualified or not. This is to be achieved by sufficiently lowering standards so that no one need be rejected and no one need fail to measure up. The result in practice tends to be a steadily lowering rate of standards, a steady decline in the educational system's capacity to treat its students as individuals. When such college teachers criticize the anti-intellectualism of the "educationist" and complain of the spotty quality of all too many students, they may actually be criticizing the final result of the same relativist, materialist, collectivist philosophy which higher education itself often espouses.

Whatever the causes, some college classrooms seem filled with students who cannot handle solid college material, students who feel they have a "right" to be in college whether or not they are qualified or motivated. The problem is made more pressing because the total number of students, qualified or unqualified, grows steadily

greater. In 1956 there were less than 3 million students in college; ten years later the number had doubled. Some estimates suggest that the next ten years will see the number doubled again.

America has long been committed to the idea of universal education. The question today: Is having everyone in school synonymous with giving everyone an education? In actual fact, a part of our increased college enrollment has less to do with education than with the painful fact that no socially acceptable alternative to college attendance exists for an intelligent secondary school graduate. Consider the social standing of the alternatives for an 18-year-old high school grad—the army? a job?

Today America has apparently undertaken a commitment to send everyone to college, just as 40 years ago it promised a universal high school education and 40 years before that aspired to offer an eighth grade diploma to all youngsters. New colleges and universities are coming into existence at the rate of one a week. This may well be regarded as a worth-

while ambition in an era of “rising expectations,” *if the quality of the education thus offered has real value.* But if we make a college education available to all only by lowering standards and making that education meaningless, we are only deceiving ourselves.

Such “mass” oriented institutions run the risk of becoming merely custodial rather than educational. In such an environment, teaching an individual to think for himself may easily be lost in the shuffle of massive enrollments, watered-down survey courses, and the rest of the techniques which deny primacy to the individual.

If America should demand that everyone attend college and true standards be damned, and if America builds more and larger institutions of higher learning of a sort to accommodate such a process, we shall be taking the next disastrous step in the further institutionalization of our philosophic errors. Surely we do not need more institutional giantism for its own sake. We have great need to bring our existing educational structure back within the scope of the individual student. ♦

*The next article of this series will discuss
“The Multiversity.”*

PEACE

or POLITICS

FRANK CHODOROV

A people plagued by assassinations, rioting, and war do well to reconsider that "peace is the business of society." "Peace or Politics" is extracted from an article, "One Worldism," by the late Frank Chodorov in the December 1950 issue of his small monthly journal, Analysis.

PEACE is the business of Society. Society is a cooperative effort, springing spontaneously from man's urge to improve on his circumstances. It is voluntary, completely free of force. It comes because man has learned that the task of life is easier of accomplishment through the exchange of goods, services, and ideas. The greater the volume and the fluidity of such exchanges, the richer and fuller the life of every member of Society. That is the law of association; it is also the law of peace.

It is in the market place that man's peaceful ways are expressed. Here the individual vol-

untarily gives up possession of what he has in abundance to gain possession of what he lacks. It is in the market place that Society flourishes, because it is in the market place that the individual flourishes. Not only does he find here the satisfactions for which he craves, but he also learns of the desires of his fellow man so that he might the better serve him. More than that, he learns of and swaps ideas, hopes, and dreams, and comes away with values of greater worth to him than even those congealed in material things. . . .

The law of association—the supreme law of Society—is self

operating; it needs no enforcement agency. Its motor force is in the nature of man. His insatiable appetite for material, cultural, and spiritual desires drives him to join up. The compulsion is so strong that he makes an automobile out of an oxcart, a telephone system out of a drum, so as to overcome the handicaps of time and space; contact is of the essence in the market place technique. Society grows because the seed of it is in the human being; it is made of man, but not by men.

The only condition necessary for the growth of Society into One Worldism is the absence of force in the market place; which is another way of saying that politics is a hindrance to, and not an aid of, peace. Any intervention in the sphere of voluntary exchanges stunts the growth of Society and tends to its disorganization. It is significant that in war, which is the ultimate of politics, every strategic move is aimed at the disorganization of the enemy's means of production and exchange — the disruption of his market place. Likewise, when the State intervenes in the business of Society, which is production and exchange, a condition of war exists, even though open conflict is prevented by the superior physical force the State is able to employ. Politics in

the market place is like a bull in the china shop.

The essential characteristic of the State is force; it originates in force and exists by it. The rationale of the State is that conflict is inherent in the nature of man and he must be coerced into behaving, for his own good. That is a debatable doctrine, but even if we accept it the fact remains that the coercion must be exercised by men who are, by definition, as "bad" as those upon whom the coercion is exercised. The State is men. . . .

Getting down to the facts of experience, political power has never been used for the "general good," as advertised, but has always been used to further the interests of those in power or those who can support them in this purpose. To do so it must intervene in the market place. The advantages that political power confers upon its priesthood and their cohorts consists of what it skims from the abundance created by Society. Since it cannot make a single good, it lives and thrives by what it takes. What it takes deprives producers of the fruits of their labors, impoverishes them, and this causes a feeling of hurt. Intervention in the market place can do nothing else, then, than to create friction. Friction is incipient war. ◆

The Southern Tradition at Bay

AS RICHARD WEAVER has said, ideas have consequences. His *The Southern Tradition at Bay* (Arlington House, \$7.00), which comes to us with a foreword by Donald Davidson, is a magnificent study in depth of the "Southern apologia" which engaged practically every good mind below the Mason-Dixon line between the time of Appomattox and the early years of the twentieth century. Their ideas were in themselves a consequence of the fatal flaw in the U.S. Constitution, which took off from a theory of inalienable human rights yet made pragmatic allowance for the institution of slavery. Nobody could have ridden the two horses of freedom and slavery in tandem forever, and the War Between the States was definitely the consequence of an untenable idea.

But if slavery was a violation of the Western view of human nature, which recognizes the natural urge of every person to be the arbiter of his own destiny, it does

not follow that the South was wrong to defend the institution of States' Rights. The Constitution was a compact freely accepted by sovereign states, and the terms of ratification certainly did not preclude withdrawal if the powers and rights protected by the Ninth and Tenth Amendments to the basic contract were infringed. The War Between the States would never have been fought if slavery had not poisoned the atmosphere of the eighteen forties and fifties. But logic tells us that it was not treasonable for the Southern Confederacy to insist that each separate state had the right to deal with an institution (in this case the "peculiar" institution of slave holding) which had been accepted by the Founders as a given fact when the original contract of federation was being negotiated.

Richard Weaver does not defend the institution of slavery. But he most certainly deplores the centralizing tendencies that have made a mockery of individual and

States' Rights. A Southerner who dallied with socialism in his younger years, Weaver came to suspect the clichés of the collectivistic liberalism which he had originally embraced. His search for his own roots led him to the detailed exploration of practically every publicist, letter-writer, diarist, philosopher, sociologist, historian, and novelist who expressed the "mind of the South" in all those dismal years after the defeat of Lee's army. His conclusion was that much more than slavery was at issue in the convulsive struggle of 1861-65. Slavery would have withered away in any event for purely economic reasons (it was an inefficient method of organizing production), but was it also decreed in the stars that the South must give up what Weaver calls "resistance to the insidious doctrines of relativism and empiricism which the Southerner carried about with him"? Weaver quotes Edmund Burke's lament for the passing of his eighteenth century world: "The age of chivalry is gone — that of sophisters, economists, and calculators has succeeded." *The Southern Tradition at Bay* is, in essence, a comparable lament for the Southern "age of chivalry," when (again to quote Burke) there were "pleasing illusions" which "made power gentle and obedience liberal" and "incor-

porated into politics the sentiments which beautify and soften private society."

The Literature of the South

Regardless of how one feels about the possibility of restoring the eighteenth century, or of re-creating a fabric that would "make power gentle," one can only have intense admiration for Weaver's powers of analysis and synthesis. I had not realized the richness of the "Southern tradition" before reading Weaver's study of the post-bellum works of Alexander Stephens, Albert Taylor Bledsoe, Robert Lewis Dabney, Edward Albert Pollard, Bernard J. Sage, and Jefferson Davis himself, works which had the "object of confuting what they believed to be a monstrous aspersion, a 'war guilt lie'. . . ."

These were not part of Vernon Parrington's "main currents of American thought," yet they are surely a distinctive part of our literature. We had our centennial of the War Between the States only three years ago, and the outpouring of commentaries and histories that commemorated the centennial is still vivid. But we learned all too little about what motivated the Southern soldier.

Weaver corrects the emphasis by his rifling of the "virtual library" left by people like R. L.

Dabney, John Esten Cooke, and Henry Kyd Douglas on the life of Stonewall Jackson, and by the members of Lee's personal staff who left memoirs. Who among us has read Raphael Semmes's *A Memoir of Service Afloat During the War Between the States*? Semmes, a lawyer as well as a seaman, was commander of the illustrious Confederate raider, the *Alabama*, and Weaver says his memoir is "one of the really fascinating narratives in the history of adventure." Besides being "seven hundred pages of colorful incident and description," the Semmes memoir is also a "remarkably skilled" polemic that reviews in succession "the nature of the American compact, the early formative stages of the nation, and finally . . . the question of slavery as it affected secession." Surely, if we are to have a rounded view of the history of our country, a Semmes should be read in the schools along with a William Lloyd Garrison on abolition, or a Daniel Webster on the sanctity of the union, or a William Tecumseh Sherman on the futility of the Southern rebellion.

Richard Weaver explores the reach of the Southern novel in a brilliant chapter called "Fiction Across the Chasm." He does not aver that John Esten Cooke, Thomas Nelson Page, Thomas

Dixon, Augusta Jane Evans, Grace King, James Lane Allen, Opie Read, Francis Hopkinson Smith, Charles Egbert Craddock, and John Fox were great novelists or even great story tellers. He does not even claim too much for George W. Cable (*Old Creole Days*) or Joel Chandler Harris, the creator of Uncle Remus. But the Southern writers of fiction, if they were not in the same league with Mark Twain (himself a Southerner of sorts), William Dean Howells, and Henry James, did not deserve to be dismissed as dwellers in a Menckonian "Sahara of the bozart."

The Overpowering Burden

At bottom, Richard Weaver resented the War Between the States because it kept the South from working out its problems in its own way. He held to the Burkean belief that society must be a "product of organic growth" if it is not to do violence to "life's golden tree." But, since ideas must have consequences, the explosion of 1861-65 was the end result of the mistakes of 1787, when the Founding Fathers temporized with their own eighteenth century heritage of "natural law." The acceptance of slavery, which the late Isabel Paterson insisted was the flaw in the Constitution, was too great a burden. It prevented men

from seeing things in terms of a reasonable disposition to let "organic growth" have its way.

This does not mean that the successive onslaughts of the North's "liberals" on the theory of States' Rights are justified. No nation made up of distinctive regions can be successfully dominated from a single point. Reality must be restored to the Ninth and Tenth Amendments, which ostensibly uphold the powers and rights of the

states and of the individual citizens thereof, if the general propositions of the Founding Fathers are to be rescued from the centralizing trends which Weaver so eloquently deplored. *The Southern Tradition at Bay* should be read for its general philosophical sense as well as for its evocation of a part of our culture that has been conveniently forgotten and ignorantly derided in most of the country for more than a full half-century. ♦

► RES PUBLICA by Thomas O. McWhorter (Nutley, New Jersey: The Craig Press, 1966), 265 pp., \$4.50.

Reviewed by Sam R. Fisher

ONE of the important elements in our culture is the heritage of classical political thought, with its search for earthly justice and its roots in the Natural Law. Here is an excellent introduction to this tradition, tracing it from Plato through Cicero and Aquinas down to Burke and *The Federalist*. This book is a useful statement of the fundamental axioms and truths upon which republican government is based.

The author, an attorney, believes with Cicero that Justice can be understood only by reference to the

nature of man, and devotes the opening section of his book to this unique creature. The body of the text is a scholarly disquisition on law and government, amply documented. The concluding chapters show how tyranny grows up within the forms of popular government when the spirit of a people decays because of a failure in understanding and a loss of nerve. This degeneration cannot be repaired, says the author, "until the realities of life cause each to look inwardly at himself and see there . . . a human being with a will, volition, and a purpose in life, susceptible to experiencing the deep satisfaction of self-reliance, independence, and responsible liberty in a political society where he is master." ♦

the Freeman

VOL. 19, NO. 5 • MAY 1969

Speakman 100	Dean Russell	259
How the enlightened pursuit of self-interest promotes human progress.		
Urban Renewal and the Doctrine of Sunk Costs	Gary North	263
An important lesson in economics concerning when to abandon a lost cause.		
One-Sided Capital-Gains Tax	Henry Hazlitt	270
Inflation gives the illusion of capital gains; the tax is real.		
Education in America: 8. The Multiversity	George Charles Roche III	272
The problems of size when education is bent to serve the collective.		
Activist Judges and the Rule of Law	Edward F. Cummerford	280
"Government of laws and not of men" threatened by judicial activism.		
The Out-of-Bounds Dilemma	Leonard E. Read	284
How is the citizenry to keep the policing agency itself within bounds?		
The Failing Dynamo	William Henry Chamberlin	291
West German and British experiences Americans could well heed.		
Spend Now, Pay Later!	Paul L. Poirot	297
Tricks with money let us think we can consume more than we produce.		
The Rise and Fall of England:		
15. Socialism in Power	Clarence B. Carson	300
Regulations and controls under Labor government following World War II.		
Progress	IPA Facts	310
Each individual is responsible for his own development.		
As Tocqueville Saw Us	Alexander Winston	311
Not a stultifying sameness, but freedom, should be man's ruling passion.		
Book Review:		317
"Essentials of Economics" by Faustino Ballvé		

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

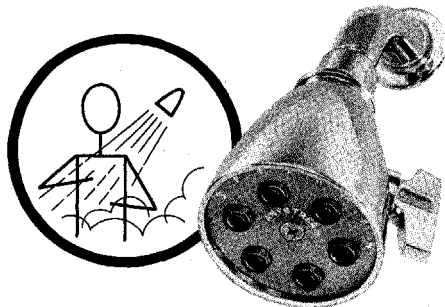
THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "One-Sided Capital-Gains Tax," "Activist Judges and the Rule of Law," and "The Rise and Fall of England."



SPEAKMAN 100

Progress: Planned and Unplanned

RUSSIAN COMMISSARS and American businessmen have two compelling objectives in common. They desire the well-being of their families and success in earning their livings. Those are *universal* incentives, deeply ingrained in the basic nature of human beings everywhere.

No lasting society can be developed on a principle that prevents, or even seriously hampers, a person from favoring *his* family (or clan or tribe) over all others, or looking first to *his* career ahead of yours.

That's why communist theory

Dr. Russell was for many years a member of the staff of the Foundation for Economic Education and currently heads the Department of Economics at Hillsdale College in Michigan.

applied as a *complete* economic and political system can never work in practice. It is based on a concept of morality that is not in harmony with human nature. The communist slogan of selfless equality, "From each according to ability; to each according to need," is simply not how human beings in general feel about other human beings. Man worries first about *his* parents and *his* children and *his* job, in Russia as elsewhere.

We continually repeat the cliché that "man is imperfect." But we don't *really* believe it. For we still follow the utopian schemers whose "perfect" plans depend upon perfect people. Actually, since man really is imperfect, no planner can

even *define* perfection. He can only express personal preferences.

In the real world, man must first be interested in himself; otherwise, he wouldn't even be alive. Success in his *own* job, whether he is a clerk in a store or a cleric in a church, comes first. But that universal characteristic of human nature is good, not bad. For if ministers and priests and rabbis were not first sincerely interested in succeeding in *their* chosen careers, they couldn't be of any real help to you and me. Unless they recognized a primary obligation to their *own* families, we would be foolish indeed to trust them with ours.

This interest in self and family (in most countries, "extended family") has been the basis of whatever civilization we have been able to develop and maintain. And this human desire to "get ahead" and to help our children do well is still the mainspring of human progress. It isn't that we emotional human beings don't love other children and want to help them — indeed we do! — it is just that our own children come first. We simply do not operate on the instinctive ant level of "one for all and all for one."

Attuned to Reality

The people who base their political and economic systems on

these fundamental motivations of man — self, family, and the accumulation of material possessions to sustain and advance them — are acting in harmony with reality. Thus, they are the people most likely to develop a government and economy (a society) wherein *every* child has the greatest possibility of developing whatever peaceful ambition he may have.

So, let us not deny man; but let us acknowledge him and his nature — and use his own selfish ambitions as the mechanism to advance society in general. How can that be done? Well, the economist and philosopher, Adam Smith, explained the procedure in his famous book that was published in 1776, *The Wealth of Nations*.

Smith observed that merchants and manufacturers try to organize production in such a manner as to create services and products which will give them high profits. "[The producer] intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which is no part of his intentions. . . . By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it." Smith was referring primarily to jobs and to mass-produced goods and services at low prices.

It is self-interest — the human

desire to secure goods and services for himself and his family—that causes the producer to go into business in the first place. If peaceful competition is preserved, and fraud is forbidden, there is only one way that producers can get the products and services (money) they want from us. They must compete with each other to supply products and services we *consumers* want. And, obviously, they must offer them at prices we can pay. In a voluntary exchange, the producer and consumer each would rather have what he is getting than what he is giving up. Thus, the position of each is automatically improved by the exchange. That procedure is firmly based on human nature, and thus it offers the most direct path to desired material progress—the building of hospitals, churches, and schools, as well as the providing of good jobs and sound medical and retirement programs.

A Century of Progress:

Family Plan

Recently, I encountered still another example of the reality of this benefit that comes to society because man is interested first in his own career and family. I was in Wilmington, Delaware, for the annual meeting of the Curran Foundation. A fellow-trustee, Willard A. Speakman, Jr., Chairman

of the Board of the Speakman Company, told me that his firm is celebrating its centennial.

I expressed interest in the story of 100 years of progress by a small family-owned company that competes with several large companies in the field of plumbing fixtures and safety equipment. Naturally, I was then invited for a quick tour of the plant!

During our tour, Bill Speakman explained that the enterprise began in 1869 when his grandfather, Allen Speakman, saw the need for skilled gasfitters and steamfitters. In due course, Allen's son, Willard Allen Speakman, became head of the company. Next, *his* son (my host) became president. And now the fourth generation, Willard A. Speakman, III, holds that position.

The traditional American dream of "going into business for oneself" has been tried by literally millions of free Americans. Most of them failed, quickly and completely. But whether any new business fails or succeeds is of no particular importance to you and me. The vital issue for us is that everyone shall be free to try; there must be no law or tradition that prevents you and me from starting a business that just might be carried forward by our children and grandchildren for a century and more.

Those were the thoughts that

filled my mind while my host was explaining to me the hydraulic principle behind the Speakman shower head. I'm not an interested student of hydraulics. I *was* interested, however, in Bill's explanation of how his company manages to survive among its large competitors.

He claims that a primary reason for the continued existence and growth of the Speakman Company is that its customers know that the firm is family-owned and that the family will go to great lengths to protect its reputation. "Some of our products are, of course, superior to those of our competitors," he said. "But our customers can still choose from several good manufacturers. That's why we stress integrity and service as much as we stress the quality of the product we sell."

The most important information I got from my tour and conversation is that the company employs 500 persons at competitive wages

and without reference to creed or color or politics.

I asked Bill why he had hired those persons. He concluded his lengthy answer by saying, "Actually, when all is said and done, we hired them because we needed them."

I know. As Adam Smith explained it long ago, the producer "intends only his own gain," but the result is that he promotes the interest of society "more effectually than when he really intends to promote it."

The Speakman Company molds brass into plumbing fixtures for a profit; it doesn't interfere in the lives of its employees. The would-be dictator deplores such "selfish" materialism; he wishes to mold human beings into a better society for the benefit of all.

Happy centennial, Bill, and I hope that the Speakman Company is still going strong when the fifth generation is ready to take over. ♦

Reprints available, 3 cents each.

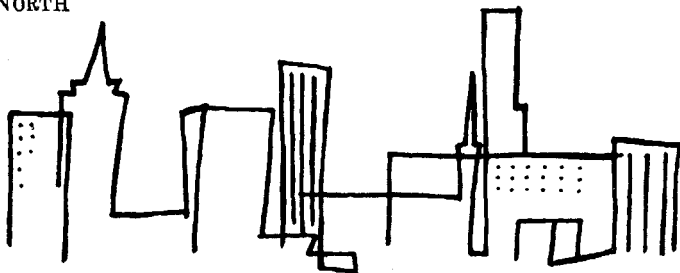
IDEAS ON LIBERTY

Achievement

THE INCREASE in per capita consumption in America as compared with conditions a quarter of a century ago is not an achievement of laws and executive orders. It is an accomplishment of businessmen who enlarged the size of their factories or built new ones.

LUDWIG VON MISES, *Planned Chaos*

GARY NORTH



URBAN RENEWAL

and the Doctrine of Sunk Costs

ONE OF THE MOST frustrating experiences in the area of economic reasoning is to explain in detail why a particular government welfare project is economically unsound and therefore wasteful of scarce resources. After giving assent to point after point of the argument, the listener refuses to accept the logical conclusion that the project should be abandoned: "But we can't stop now. We've already sunk too much into it. If we stop now, it would mean that we've lost everything!" On the face of it, this answer seems convincing. So, how does one deal with it?

Take, for example, the urban renewal program. It has been in operation for two decades, and

apparently is a permanent and expanding part of the expenses of the Federal government. Its spectacular failure to accomplish its stated goals — to provide inexpensive housing for low-income groups — has been thoroughly explored in Professor Martin Anderson's study, *The Federal Bulldozer* (M.I.T. Press, 1964). We can ignore here such aspects of the program as the destruction of community bonds which relieve the alienation of urban life, the inevitable result of tearing down old, familiar neighborhoods. We need only point to the conclusion of Professor Anderson: "Most of the new buildings constructed in urban renewal areas are high-rise apartment buildings for high income families; only 6 per cent of the construction is public hous-

ing." This fact is amply demonstrated: "The median monthly rent of the private apartments built in 1962, which mainly replaced low-rent housing, was \$195." The program has aggravated the housing shortage for these low-income groups by evicting them from their present residences, forcing them to compete for the remaining available space in other neighborhoods. Since the new accommodations are those that were passed over by these people, voluntarily, before they were forced to move, the conclusion is obvious: these people have been coerced by the Federal government to accept living conditions that are less satisfactory to them than those which they previously had occupied.

Between 1950 and 1960, over 125,000 dwellings were destroyed under the auspices of the urban renewal program. Only one-fourth of these have been replaced, and most of these are high-rent units. Professor Mises' warning that state interference into the operation of a free market is likely to produce exactly the reverse of what the planners originally expected is aptly demonstrated by the urban renewal program. It has involved a multibillion-dollar subsidy, as Anderson's book shows, to "upper income people and a few elite groups." Who paid for the

subsidy? Those of us whose taxes went to finance the projects, and those millions of urban poor who were forced to leave their homes by the administrators of the urban renewal program.

Anderson's recommendation is that we phase out the whole program. Let the projects now under construction be completed, but no more. He is aware of the reality of today's politics: the public would not tolerate the program's demise before present projects are finished. Half-completed empty buildings are a standing testimony to failure; neither the public nor Federal planners are likely to accept the implications of that failure. Yet, from the point of view of economic reasoning, those buildings should not be completed at all. At best, they will only benefit special elite groups that can afford other housing; at worst, they will result in actual economic losses, when rents fail to repay the original investment. Why should the public be unwilling to grasp this basic economic fact? Why should the public prefer to waste even more resources on projects that have proved to be unwise in the past? Why not call a halt to the waste immediately? Would it not be wise to offer these projects, as is, to the free market, accepting in payment whatever competitive private bidders would pay? The

state could at least retrieve some of its losses by doing so.

The Sunk Costs Doctrine

The policies of waste are increasingly pursued by those who are well aware of the waste. Political considerations often overshadow economic realities. But there can be no possibility of reform if people will not understand or act upon a basic economic principle: the doctrine of sunk costs. It is not a principle readily grasped through intuition. It involves a careful, systematic line of argumentation, and many people are unwilling to devote the effort to master it. Nevertheless, it is vital that we do so; failure to grasp the issue will cost us heavily.

Let us turn from urban renewal for a moment to the more familiar area of private industry. How does the private entrepreneur make his decisions? At any point in time, he must decide whether or not to continue the projects already underway and whether to begin new projects. He decides on the basis of *expected* profits. What his firm has invested in fixed capital is no longer a relevant economic consideration, amazing as it may seem. What *is* a consideration is the value of the fixed capital if it should be sold *now* or rented *now*, but not what was invested before.

Previous investments are a part of what is called "sunk costs"; that is, they are past costs which no longer enter into economic consideration. Professor Israel Kirzner, in his excellent economics textbook, *Market Theory and the Price System* (Van Nostrand, 1963), explains why and how entrepreneurs make their decisions:

In making these decisions, the entrepreneur must still consider the costs of production necessary for a continuation of production. He must, as in all entrepreneurial decision-making, balance expected revenue against expected costs. But in making this calculation, *he pays no attention whatsoever to the expenses of production that he has already paid out (or that he has irrevocably committed himself to pay)*. What has been paid has been paid.

But in comparing anticipated costs to anticipated revenues, the entrepreneur *pays no heed to those amounts that do not depend on his present decisions*. These past amounts may have been wisely or unwisely incurred, but there is nothing that can be done to alter the past. The aim must be to exploit *now* the favorable position the entrepreneur may find himself in (as a result of the past decisions that now appear to have been wise ones); or to make the best of a poor situation he may find himself in (as a result of past decisions that now appear to have been unwise ones).

The doctrine of sunk costs reminds us of the old truism: there is no use crying over spilt milk. What each planner must do, whether in private business or in government, is to make the best of the alternatives available to him now. If losses are sure to be incurred by continuing in some line of economic endeavor, then the planner should abandon it. For every minute that the project is allowed to function it is taking money out of the business. In other words, it is using up scarce resources when those resources might better be employed to satisfy some other consumer demand (or be used by a more efficient firm to satisfy a given demand more effectively).

The Balloon Analogy

A rather far-fetched analogy might be used here to clarify the meaning of the sunk costs concept. Imagine a man who is suspended from a large helium balloon by a rope. How he got there is irrelevant for our example. It seemed like a good idea at the time. He is now some fourteen feet above the ground. Naturally, he does not want to let go at this point. But the balloon carries him higher, say, to twenty feet. He is now in a worse position than before. The issue which confronts him is simple: shall he let go of the rope

now or later? His decision will be prompted by what he thinks the situation will be in the future: if the balloon is likely to climb higher, he should let go; if it will soon be slowly descending, he should hang on. This much, however, is certain: he failed to drop when he was only fourteen feet off the ground. Perhaps he should have let go then; possibly he now wishes that he had done so. But the fact remains that he did not let go then, and his decision cannot now be based upon any consideration of a fourteen-foot-drop-five-minutes-ago universe. It is the future as compared with the present, not the past, which must determine any rational decision. The past is gone, for better or worse.

Unused Capacity

Along these same lines, we are frequently confronted with the familiar socialist argument that capitalism creates unemployment and permits idle resources. "Look at the deserted steel mills. Under socialism, the government sees to it that all the capacity of the economy is fully utilized." The answer to this line of reasoning involves the concept of sunk costs.

Take the steel mill example. Many mills were built years ago. They were built under an earlier system of technology: the plants may have cost more to construct

than today (not in dollars, of course, but in comparison to the cost of living at that time); the plants were designed for processes of steel production now outdated. They were built under a certain set of assumptions about the state of the economy: the demand for steel, the nature of the competition, the alternative metals that could be substituted for steel, the costs of raw materials and labor, and so on. Some or all of those assumptions have proven erroneous with the passing of time. The plants began to produce losses because the entrepreneurs, being human, were not omniscient at the time when they drew up their plans. They made inaccurate forecasts. Their competitors, who made more accurate forecasts, will have prospered accordingly. Those who made the errors were informed of the mistakes through the operation of the price mechanism on the free market. Instead of compounding their errors by continuing to waste scarce resources in inefficient production processes, they "let go of the rope." That is, they shut down the inefficient mills. Thus, they released raw materials and laborers for the more efficient producers to use. Capitalism, in short, eliminated economic waste; it did so through the profit and loss mechanism of the market.

The socialist wants us to believe

that capitalism is wasteful *because* it permits plants to be shut down by owners. "Look at all the investment that is wasted; capitalists sank so much capital into those projects, and now it is all lost." The argument rests on a half-truth. Yes, that investment is lost. It is lost under *any* system of economics; in fact, it was lost the day the plant was built. The entrepreneurs knew full well that it was lost; the point is that they expected this loss to produce profits in the future. That is the heart of all investment, whether under socialism or capitalism. Scarce resources used for one thing cannot simultaneously be used for another. It is the rational calculation of the free market which tells us whether or not the use of the scarce resources was a wise one, but it is not capitalism as such which destroys the investment.

The fact that under capitalism plants lie empty should be seen as a blessing. Capitalism has permitted us to count the cost of continuing any given process of production. It encourages us to abandon the wasteful processes. The market is a constant reminder to us that there are such things as errors of investment. It reminds us that once a plant is built, we must make the best use of it that we can, and sometimes this means doing *nothing* with it, if doing

something with it ties up additional scarce economic resources and wastes them. The market forces us to examine the probable future results of our decisions, while it encourages us to accept the reality and inescapable finality of those decisions that we have made in the past. Capitalism demands that we make the *best* of a poor decision in the past; socialism, by keeping plants in operation which are wasting scarce resources, permits men to make the *worst* of a poor decision in the past. The "unused capacity" argument is utterly fallacious.

The Stock Market Crash

An economically irrational refusal to acknowledge the validity of the doctrine of sunk costs has led many people to personal financial disaster. Consider the stock market decline of 1929-33. Many investors saw their paper profits collapse after October of 1929 when the inflationary policies of 1922-29 were reversed by officials of the Federal Reserve System. People saw that the general level of prices in the nation was declining, especially stock prices, but they refused to acknowledge the reality of the situation. Instead of considering the possibility that prices might fall even more, they concerned themselves with the amount of money they had put

into their investments. This in turn led them to hold on; the result was financial disaster, as prices continued to skid. The man who refuses to let go of the rope at fourteen feet had better be fairly sure that the balloon is not going to carry him even higher.

The Illusion of Equity

One of the most common of all fallacies involved in the refusal to accept the sunk cost doctrine is that of "equity" in a home. During a depression, or any recession, some owners who want to sell their homes or land refuse to sell at the prevailing prices. They argue, "I have \$5,000 equity in this piece of property; if I sell now, I'll lose it." The fact is that there is nothing tangible or marketable about "equity." Once a mortgage payment is made, it is gone. It entitles one to remain the owner of the property until the next payment falls due. It entitles one to make decisions now as to the sale or retention or rental of the property. But there is nothing known as equity in economic reasoning: you may sell a house for more than you put into it, or less, or the same amount; but the market price is not determined by the amount of money sunk into the property. One cannot have something "in" the home, as if it were a refrigerator stocked with food.

We only have a title to the home which permits us to sell it for whatever we can obtain on the open market. "Equity" is a misleading concept which is stored in people's minds, not something which is in some mysterious way stored in a piece of property.

The Labor Theory of Value

The labor theory of value is a concept analogous to "equity." It assumes that an economic good is worth a given amount of money on the market because a certain quantity of human labor has been invested in producing it. This idea was basic to all economic thought until the advent of the "marginalist-subjective" economics of modern times (1870's). Karl Marx was the last major economist to hold to the position; only Marxists, among serious economists, hold it today. The concept is wrong. A buggy-whip, even if it were made by a painstaking master craftsman, is only worth in 1969 what the market will pay; the quantity of labor involved (which itself is a misapplied concept from mechanics, since there is no way to measure labor) is absolutely irrelevant. The buggy-whip does not have value because of the labor; the labor has value only because of the value the buggy-whip may have on the market. An hour's labor by a brain

surgeon commands a higher price than an hour's services of a ditch-digger (in most economic situations, anyway).

So it is with a factory. The amount of labor invested in its construction is irrelevant, once it is built; the amount of raw materials invested is irrelevant, too. Once it is built, the factory (like the buggy-whip) must be valued in terms of what it can produce on the market or by what it could be sold for, either now or in the future. Profit and loss will determine what is to be done with the factory, not the money already invested in its construction. The doctrine of sunk costs was the inevitable replacement for the labor theory of value. Today, it is only the Marxist entrepreneur or planner who ignores the doctrine of sunk costs; the inefficiency of Soviet planning is, in part, traceable to just this ignorance.

Conclusion

Thus, we should look at any government project with an eye to the present and the future. The *past*, because it is past, is *economically irrelevant*. Unfortunately, the past is *not politically irrelevant*: politicians and bureaucrats may have made specific promises concerning some project. But that is another issue as far as the economist is concerned. If it is a

question of economic waste versus economic benefit, the past must be discarded as part of our thinking. Our concern is in getting the greatest possible benefit from the resources that are available now. For economics, the words of Omar Khayyám are most relevant:

The Moving Finger writes; and,
having writ,
Moves on: nor all your Piety nor
Wit
Shall lure it back to cancel half
a Line,
Nor all your Tears wash out a
Word of it. ♦

HENRY HAZLITT

ONE-SIDED CAPITAL-GAINS TAX

FOR 35 years American taxpayers have been subjected to a cynically one-sided levy on capital gains.

Prior to the stock market collapse and depression of 1929-33, capital gains were taxed as income, and at the same rates. And capital losses were fully deductible against income. But one day J. P. Morgan revealed before a Congressional committee that he had paid no income tax for the preceding year, because his capital losses exceeded his ordinary income.

The statement caused great moral indignation. Yet if capital gains are equivalent to and should

be fully taxable as income, then by the same logic capital losses should be fully deductible against income. But Congress preferred indignation (and more revenues) to logic (and fairness) and one-sidedly "rectified" matters by refusing to allow anybody to deduct more than \$1,000 a year in short-term capital losses against income, though it continued to tax short-term capital gains in full as if they were income.

Congress and successive administrations then launched upon a career of inflation. This has paid the government handsomely at the expense of the taxpayer. The infla-

tionary rise in prices has made nominal money incomes rise. This rise in money incomes has kept putting people all along the line in higher tax brackets where they are automatically subject to higher and higher rates, whether or not their real incomes in purchasing power are any higher.

Inflation has had the further result that people since 1933 have often been paying taxes on capital "gains" that have no real existence.

Suppose you bought stock or real estate for \$10,000 in 1939 and sold it for \$25,600 today. You would be taxed on a capital gain of \$15,600. Actually, as the cost of living has also risen 156 per cent in this period, you would have achieved no real capital gain at all. Your \$25,600 would buy no more than \$10,000 bought in 1939. If you sold your real estate or stock for \$21,000, you would be taxed on a capital gain of \$11,000, though you would have suffered an actual loss in real terms.

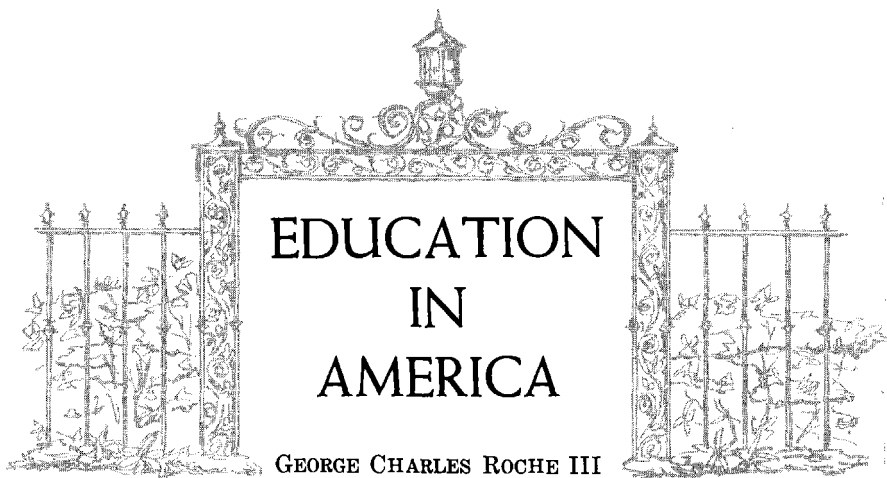
Under past and prospective inflation, the present capital-gains tax amounts to a large extent to capital confiscation.

Its harmfulness does not end there. By taxing net money gains in full, and short-term gains at rates up to 77 per cent, with loss deductions only against gains

(except for a token deduction against income) the present system of capital-gains taxation discourages investment, particularly of risk capital. It "locks in" capital. It penalizes investors heavily for transferring investments into new ventures and so retards economic growth.

There are at least a dozen different possible reforms of the capital-gains tax, any one of which would make it less one-sided. I suggest we begin with this one: When a taxpayer sells shares or a piece of property held over a long period, he should be permitted to calculate his real gain (or loss) by deflating his nominal money gain against the increase in the official consumer price index since the year in which he originally acquired the property.

The justice of this way of calculating real capital gains should be obvious. At least the advocacy of such a reform would help to make clear the injustice of the present heavy taxes on grossly inflated or nonexistent capital gains. The government might no longer be able to profiteer so flagrantly, either in capital-gains revenues or in higher income tax rates, from its own inflationary policies. ♦



8. *The Multiversity*

THE PROPER GOAL of education is the development of the individual; and the great task is to bring the educational structure back to that purpose. Unfortunately, the trend continues in the opposite direction. The multiversity, to use the term coined by Clark Kerr, would appear to be a modern hybrid with a scale of values oriented toward everything but the individual student.

Formerly, the university was regarded as a sanctuary for original and independent thinking.

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

Many centers of higher learning today seem willing to prostitute themselves in pursuit of public funds. Indeed, the race for funds goes far beyond that; it also includes the development of a curriculum featuring the vocational training demanded by the professions and the business community. In short, many of our institutions of higher learning are directing themselves not toward independent inquiry and the development of inquiring individuals, but instead are providing the institutions of our society, both public and private, with the properly "prepared" (though not necessarily educated) graduates needed to

staff our social structure. An "assembly line" is thus set in motion, as the demands of both public and private institutional giants shape the higher learning in America.

Traditionally, academicians have abandoned the market place to better pursue their work; but it has been suggested that "modern America has thrust its academicians back into the commercial arena." Clark Kerr, in *The Uses of the University*, has defined the modern university as "a mechanism . . . held together by administrative rules and powered by money." He adds that "it only pays to produce knowledge if through production it can be put into use better and faster." If everything within the academic community is for sale to the highest bidder, if concentrations of power, public and private, are allowed to establish all the criteria for what constitutes education, then we should not be surprised when bigness displaces the individual and "workability" replaces values.

Meanwhile, the multiversity grows by leaps and bounds. Administration is becoming one of the great academic problems of our times, as "specialists" are added to handle fund raising, public relations, purchasing, and the myriad other technical problems which we have insisted upon mak-

ing a part of higher education. Under the banner of "public service," the giantism of the modern multiversity is becoming the commonplace of American education.

Impersonality

The severe impact of the multiversity upon the student is described by two Berkeley professors who have faced the situation firsthand:

The architects of the multiversity simply have not solved the problem of how to build an institution which not only produces knowledge and knowledgeable people with useful skills but which also enriches and enlightens the lives of its students. . . . By any reasonable standard, the multiversity has not taken its students seriously . . . to many students the whole system seems a perversion of an educational community into a factory designed for the mass processing of men into machines.¹

Often, the impact of the multiversity is equally severe upon the professors. As massive enrollments and expenditures have necessitated a great and growing educational bureaucracy, the traditional small "community of scholars" has gradually deteriorated in many insti-

¹ Sheldon S. Wolin and John H. Schaar, "The Abuses of the Multiversity," Seymour Martin Lipset and Sheldon S. Wolin, eds., *The Berkeley Student Revolt* (New York: Doubleday Anchor, 1965).

tutions into a large group of salaried employees. The great and growing numbers which the multiversity attempts to serve impose great burdens upon student, professor, and administrator alike. And as they rush through their appointed rounds in an effort to keep the gigantic system in operation, they find that each new fall brings larger and larger crowds of students to be digested by the system. The tremendous numbers involved have forced many institutions to use IBM cards and other means of mass processing, further widening the gap between the institution and the individual. The impersonality beginning with registration is maintained in giant survey classes and concluded with anonymous graduations. In many cases students and professors never come to know one another — indeed, the products of such a system are not always worth knowing.

When any institutional framework deals with thousands of persons each day, it is not surprising if there is neither time nor resources for an individualized approach. Yet, can the development of independent judgment and a genuine insight into the human condition be accomplished without a close interaction of teacher and pupil? The answer is no. Thus, many students who are attending

the multiversity in search of an education are being deceived. They find themselves neglected in an institution primarily directed toward the procurement of Federal and foundation research grants and the development of the proper institutional "image."

College and university alike seem to suffer from the same disease. As Robert Hutchins put the case:

The reason is that the students, who have been lured to the college by its proclaimed dedication to liberal education, find on their arrival that the reality is quite different. In reality, the college is, except in size, the same as a university, devoted to training and not to education. . . . Unless the American university is completely reorganized and reoriented it can only mishandle and frustrate the students who reject the mindless mechanism of the academic assembly line; the students, in short, are looking for an education.²

No Easy Solutions

A part of the problem, of course, is due to the sheer magnitude of our institutions of higher learning. Such giantism makes adaptation to change and to individual needs especially difficult. But merely escaping from the giant university to the smaller college

² Robert M. Hutchins, *Los Angeles Times*, Oct. 31, 1966.

is no guarantee of success. The colleges are becoming in many cases little more than satellites to the great universities. Their ideas and attitudes often originate in the large universities; their teachers are usually trained there.

Some institutions are attempting a so-called "cluster-college" approach for re-establishment of faculty-student contact. But the expense involved leads administrators back toward the "greater efficiency" of centralization. They argue that the savings in planning physical facilities for large blocks of students can then be applied in procurement of more and better personnel. In their view, large size becomes a solution to educational problems rather than a problem in itself.

It is true that effective higher education requires fine intellect and scholarship in its teachers, and such teachers are difficult to attract to the small campus when all the money and most of the prestige lie in the great multiversities. In either case, it remains extremely difficult for students to contact fine teachers. Many of the small schools cannot attract such men, and many of the large schools who can attract them are so beset with vast numbers that teacher and pupil seldom have personal contact.

Size introduces a further com-

plication. Many people recognize that a proper background in the so-called "liberal arts" is essential to the development of the whole man, whatever his profession might be. Attempts have been made to mass produce such education through the use of the universal survey course. The result often is a student who knows something about everything and nothing about anything.

Each professor and each department want the whole time of the student so that he can be thoroughly trained in the professor's or the department's specialty. Since it is obviously impossible for the student's whole time to be spent in this way, the course of study is determined by a process of pulling and hauling and finally emerges as a sort of checkerboard across which the bewildered student moves, absorbing from each square, it is hoped, a little of something that each professor or department has to offer him.³

Specialization

Not all of our problems should be laid at the door of mere size and numbers. Higher education labors under other handicaps as well. The pressures of the system drive the good teacher toward such increasingly narrow specialization that the information ceases

³ Robert M. Hutchins, *The Conflict in Education*, pp. 60-61.

to be readily communicable to students. Our highly technical modern world demands specialization. But vocational specialization without understanding of the humanities and liberal arts affords a limited perspective on life. Narrow specialization tends to dehumanize. A man's work is a vital part of his life; but unless that work is kept in touch with the realities of the human condition and in contact with a higher purpose, all difference between man and automaton will have been removed.

Specialized knowledge in the Western world has accomplished miracles through increasing human control over physical environment. Man has achieved power in the process, a power being concentrated in the governmental and private institutional giants of our time. Rewards are high for the specialist. In such a process, however, we run a grave risk of losing the capacities which make us human. A young student of great ability easily may pass through his entire education without encountering the reality of the human condition or establishing his self-identity. Instead, he moves from one superficial consideration to the next, always dependent upon "expert" and "fashionable" opinion, "objectively" studying nothing but the "facts."

Superspecialization further re-

quires a seemingly infinite variety of course offerings in the curriculum. It is true that men are different, but surely there are features of the human condition which are universal and which override all specialization.

Only by maintaining a balance between our experimental bent and our loyalty to the ageless wisdom of our tradition can we hope to remain culturally in the Western orbit. The distinguishing mark of the educated man is his sense of continuity and the awareness of his heritage. As Professor Josef Pieper has the courage to affirm in an age of specialization, a man must be able to comprehend the *totality* of existence.⁴

Specialization also serves as a shield for many within the educational community who do not appear primarily concerned with education. There are some who pursue erudition for its own sake, divorced from any meaning in human existence. They conceal their lack of a philosophy of life behind an endless search for facts. Educational bureaucrats often seem to reflect the victory of the modern specialist over the universally educated man.

But this creates an extraordinarily strange type of man. . . . With a certain apparent justice he will look

⁴ Thomas Molnar, *The Future of Education*, p. 157.

upon himself as "a man who knows." And in fact there is in him a portion of something which, added to many other portions not existing in him, does really constitute knowledge. This is the true inner nature of the specialist, who in the first years of this century has reached the wildest stage of exaggeration. The specialist "knows" very well his own tiny corner of the universe; he is radically ignorant of all the rest. . . . Previously, men could be divided simply into the learned and the ignorant. . . . But your specialist cannot be brought in under either of these two categories. He is not learned, for he is formally ignorant of all that does not enter into his specialty; but neither is he ignorant, because he is "a scientist," and "knows" very well his own tiny portion of the universe. We shall have to say that he is a learned ignoramus, which is a very serious matter, as it implies that he is a person who is ignorant, not in the fashion of the ignorant man, but with all the petulance of one who is learned in his own special line.⁵

At least a portion of the excessive specialization of our time must be blamed upon the fetish of the doctoral degree. But a research degree is far from an assurance that a man is a qualified teacher. In fact, as Irving Babbitt warned forty years ago, "the work that leads to a doctor's degree is

a constant temptation to sacrifice one's growth as a man to one's growth as a specialist."

The superspecialization demanded in our times often leaves the individual, as Ortega says, so specialized that he is ignorant in many facets of human existence, so ignorant that, outside his specialty, he reacts as an unqualified mass-man. Is it possible that professors who speak with such authority in areas outside their disciplines sometimes reflect that lack of training—proving themselves unqualified to exercise leadership outside their narrow specialization?

Publish or Perish

The drive toward superspecialization and the accompanying multiversity quest for "image," serving as means for reaping the appropriate financial rewards available through conformity to the pressures of the gigantic public and private institutional structure, have one of their most unfortunate manifestations in "publish or perish," the proliferation of research and publication for its own sake. One Stanford psychologist has suggested that

. . . before the turn of the century, it will be recognized that radical action is necessary to limit the outpouring of specialized and often trivial publications that even now

⁵ José Ortega y Gasset, *The Revolt of the Masses*, pp. 111-112.

all but inundate the offices of every academician. . . . The most prestigious colleges will begin by making rules forbidding their professors to publish until they have been on the faculty five or even 10 years. They will thus create a campus culture in which publishing is considered not good form.⁶

Though the professor may have had his tongue in cheek, there can be little doubt that a mass of trivial research tends to contaminate the academic atmosphere and bring legitimate research into disrepute. It also interferes with teaching. So long as the high road to academic success is thought to lie exclusively in research, we can scarcely expect faculty members to be properly concerned with the teaching function.

Writing, to be worthwhile, should flow naturally out of scholarship, not be imposed upon it; otherwise this forced labor acquires the status of Christmas cards and is counted, not read. If university administrators were required in their purgatory to read all of the trivia which their policies have produced, they would soon crowd the Gates of Hell clamoring for surcease.⁷

⁶ "Stop Publishing or We'll All Perish," *The Stanford Observer*, March, 1968.

⁷ A. H. Hobbs, "Sociology and Scholarship," *The University Scholar* (University of Pennsylvania), January, 1960.

It is to the everlasting credit of a number of American colleges that they have not bowed to the pressures for research, but instead have kept teaching as their primary goal. Many of our multi-university complexes could profitably note the comparative lack of student unrest in the American college as compared to the American university. An important reason for that difference could be an attitude in many colleges that teaching is a legitimate function of higher education. Independent scholarly inquiry and research are vital to our society and form an important part of our educational process, but we throw out the baby with the bath when we so over-emphasize that function that we come to neglect the means for transmitting our increased knowledge to the rising generation.

Tenure and Promotion

The internal political situation surrounding tenure and promotion can also interfere with the educational process. The trustees of many educational institutions have yielded to faculty pressures until control of the institution is the prize to be won in an open contest between the professors and the administrators. Many administrative positions on campuses have fallen captive to faculty politics. Junior professors often depend for

promotions upon senior departmental members whose self-interest leaves them poorly qualified to judge the merits of another professor.

Such forays into campus and departmental politics at the expense of teaching duties often are encouraged by the tenure situation. The tradition of tenure as a guarantee that the professor can conduct his research and publish his findings without censorship or fear for his job is a vital part of our academic heritage. But tenure was never intended as a protection for the lazy professor who read his last book while a graduate student; nor was its purpose to allow professors to engage in politics while neglecting teaching responsibilities.

Collective Judgment and The Committee

Inside and outside the American academic community, the committee mentality assaults us on every hand. The highest rewards seem to go to organizers and coordinators rather than to genuinely creative and original minds. Our worship of institutions not only gives us the multiversity, but also subjects us to nonthought by committee in the everyday conduct of our affairs.

One glance at pedagogical literature reveals the collectivistic preoc-

cupation: "committee," "cooperation," "integration," "teamwork," "group-project," "majority-objectives," "peer-group," "group-process," "group-imposed regulations," "group-determined penalty," "group-acceptance," etc., etc., abound in articles, speeches, meetings, and school catalogues. Together with other ideological directives, they constitute the affirmation that God and individual man do not exist apart from the collectivity. Moreover, they imply that man's adjustment to the collectivity is the supreme guarantee that he is not in error.⁸

Needless to say, committees are no better as teachers than as administrators.

The Quality of Teaching

University teachers can be and frequently have been vigorous educational forces. The really effective professors prove to be those with a full understanding that genuinely effective college teaching involves far more than lecturing before large survey classes and then quickly disappearing to the library or the faculty club. At least one aspect of the student uprising on campuses has been the teaching failure of the multiversity. In fact, the kind of student protest that emphasizes body English and mass movements in

⁸ Thomas Molnar, *The Future of Education*, p. 134.

place of responsible individual thought and action demonstrates how little genuine education those students have received.

Students are more than great masses of IBM cards and administrative problems; they are far more than mere containers into which academic information should be dumped. Their value to society, their value to themselves,

and their capacity for education are deeply affected by the capacity of the university to deal with them as individuals. If the many well-qualified and highly motivated administrators and professors within higher education are to be given an opportunity to reach their students, we must reverse the trend toward the multiversity with all its negative effects. ♦

*The next article of this series will ask
"Academic Freedom for What?"*

Activist Judges



and the Rule of Law

EDWARD F. CUMMERFORD

THE FORMAL BOUNDARY between responsible self-government on the one side and tyranny or anarchy on the other is often termed "the rule of law." Never has that tenuous line been in such danger of obliteration in this country. The rule of law is mocked and attacked, not only by the criminal multitude but by supposedly responsi-

ble elements. Educators and clergy urge us to break laws we do not like, and eager mobs implement their ideas with destructive violence; labor unions violate laws that impinge upon their power and defy court orders usually with impunity; public officials blandly refuse to enforce the law if their political futures might suffer.

But ironically, it is within the courts themselves that the most serious threat to the rule of law has developed. This comes from a

Mr. Cummerford practices law in New York City.

Reprinted by permission of *The Wall Street Journal*, where the article first appeared under the title, "Judicial Jumble," April 22, 1968.

radically new concept of the judicial function called "activism." Judicial activism had its genesis in the Supreme Court about 25 years ago, when some of the Justices began to abandon the age-old principle of *stare decisis* upon which American and English law had been based for centuries. *Stare decisis* meant simply that the principles derived from previous decisions formed a body of controlling law for future decisions. The primary duty of the judge, after the facts of a case were determined, was to find the law applicable to such facts and decide accordingly, regardless of his personal feelings. On this system rested what Americans proudly called "a government of laws and not of men."

Judicial activism means that judges strive for what they deem a "just" result in a case in the light of their own philosophies and socio-economic values, with settled legal principles being accorded little or no weight. Thus, decisions turn more and more upon "who" is the judge than upon "what" is the law. As a result, law is rapidly losing its certainty, stability, and continuity. Jurisprudence is becoming the handmaiden of sociology.

This concept of the judicial function reaches its apogee in the doctrine, if that is what it may

be called, that even the meaning of the Constitution itself may be changed by the Supreme Court if necessary to achieve "justice" or "equality." While the power of the Court to clarify parts of the Constitution in the first instance cannot be doubted, it is no corollary that the Court may, at its pleasure, keep changing such meaning. The Constitution specifically provides for its own amendment with procedures that completely exclude the Supreme Court.

Some contemporary pseudo-scholars of the law would have us believe that judicial activism is a proper function of courts, entirely consistent with the historical development of law. This is just not true.

Will of the Law

Let us consider what some of the leading legal minds of the past, men whom proponents of activism claim as philosophical antecedents, have thought about the question. John Marshall, our greatest Chief Justice, declared bluntly in a landmark case: "Judicial power is never exercised for the purpose of giving effect to the will of the judge; always for the purpose of giving effect to the will of the legislature; or in other words, to the will of the law." Charles Evans Hughes, usually ranked second only to Marshall among Chief Jus-

tices, is often cited as an authority for the notion that the Supreme Court can change the meaning of the Constitution. This is based on a fragment from an extemporaneous speech in 1907 — “the Constitution is what the judges say it is.” Mr. Hughes angrily denied having meant any such thing, but the out-of-context words plagued him for the rest of his life and to this day are quoted in textbooks and by professors to justify a concept he abhorred.

Oliver Wendell Holmes, a most influential legal scholar and for 30 years a Supreme Court Justice, maintained that judges should keep their own social and economic views out of decision-making. Benjamin N. Cardozo, Mr. Holmes’ disciple and successor on the Court, set forth in painstaking detail the historical and philosophical criteria to be employed by judges in reaching decisions. A liberal like Justice Holmes, he did not believe that the law must be static and never change.

He would have been shocked, however, at decisions that lightly discard decades of settled law on the strength of sociological or economic theories. Justice Cardozo observed: “Lawyers who are unwilling to study the law as it is, may discover, as they think, that study is unnecessary; sentiment or benevolence or some vague notion

of social welfare becomes the only equipment needed. I hardly need to say that this is not my point of view.”

Sir Frederick Pollock, probably the chief authority in modern times on Anglo-American jurisprudence, repeatedly cautioned that judges should follow established precedents and legislative intent, not their personal views, in reaching decisions. Two other important jurist-scholars, Felix Frankfurter and Learned Hand, were extremely critical of judicial activism. Mr. Frankfurter, a protégé of Holmes, went on the Supreme Court a “liberal” in 1939 and retired a “conservative” in 1962 — but it was the Court, not Mr. Frankfurter, which had undergone the greater change. Justice Harlan speaks of the idea that all social ills can be cured by courts as having “subtle capacity for serious mischief.”

Pure Guesswork

The criticism is not confined to Olympian levels. The legal profession finds it increasingly difficult to know just what the “law” is; hence, attorneys cannot advise clients of the merits of their cases with much assurance. If the outcome of a case depends more on the personal philosophy of the judge than on any other consideration, it is pure guesswork. What

was once "Constitutional" suddenly becomes "unconstitutional." Countless Supreme Court decisions are by 5-to-4 votes, often accompanied by several different opinions and bitter, sarcastic dissents. This is the precarious state of law today.

Some activist judges go to great lengths to make sure that they will not be thought of as having unbiased minds. In speeches, articles, and letters to editors they frequently take positions on controversial questions. High-ranking judges have even publicly expressed opinions on delicate questions involved in cases awaiting decisions in their own courts — judicial behavior that a generation ago would have been considered reprehensible.

No matter what euphemisms are employed to disguise its effects, careful reflection must lead to only one conclusion: Judicial activism is not merely inconsistent with the rule of law, it is the total negation of the rule of law. If cases are decided on the personal philosophies of judges, then in reality there is no law. If the Constitution has no objective meaning but means only what judges think it ought to mean, it is not a constitution at all but an empty symbol, a sort of national totem. History shows that vague laws, subjectively interpreted and arbi-

trarily applied, are the tools of tyrants. The equation is as old as the human race — power minus responsibility equals despotism.

Out of the vast crucible of human experience and travail we have constructed a splendid system of law and courts that it is our duty to sustain and improve. The beating heart of that system is the judge. If his mind is a closed one, which recognizes no authority save his own predilections, then all the long shelves filled with lawbooks, the great marble columns and the black robes are but superficial trappings cloaking a travesty.

Judges, like other mortals, need a large measure of humility — the conviction that one human mind can embrace but a tiny particle of all wisdom and knowledge. As one of our most respected living judges, Harold R. Medina, has expressed it so well: "I don't think I have any propensity or desire to mold the law to my own views . . . if I had a question of statutory interpretation and I was convinced the statute meant, and was intended to mean, one thing, I would never decide it meant just the opposite because I thought it was desirable social or economic policy to do so. This twisting and stretching is not for me."

Nor should it be for any judge. ♦

The Out-of-Bounds Dilemma

LEONARD E. READ

THE CITIZENRY establishes and empowers government to codify the taboos and enforce their observation; certain actions are ruled out of bounds, and government is given the job of punishing transgressors. In good American theory any action by any citizen is out of bounds if it be destructive: murder, theft, misrepresentation, and the like. Stay within bounds or suffer the consequences.

Everything human is subject to corruption; situations get out of hand.

It's easy enough for the citizenry to delegate the policing task to the formal agency of society, but quite another matter for the citizenry to keep the agency itself within bounds. For, short of anything yet accomplished in history, the agency will, sooner or later, declare out of bounds not only

destructive actions but various creative and productive actions as well. Two among countless examples: It is out of bounds to raise as much wheat as you please on your own land and, in New York City, at least, to mutually agree with your tenant what rental he shall pay. In a word, government, having a monopoly of the police force, will tend to act indiscriminately in its out-of-bounds edicts. And, it has always been thus:

. . . the greatest political problem facing the world today is . . . how to curb the oppressive power of government, how to keep it within reasonable bounds. This is a problem that has engaged some of the greatest minds of the eighteenth and nineteenth centuries — Adam Smith, von Humboldt, de Tocqueville, John Stuart Mill, Herbert Spencer. They addressed themselves to this particu-

lar issue: What are the proper limits of government? And how can we hold government within those limits?¹

The dilemma seems to be that government is something we can't get along without and something we can't get along with.

Considering the great men who have attempted to resolve this dilemma, it seems unlikely that any one of us will hit upon a final solution. But we can and should entertain the hope of shedding a bit more light on the matter. My effort is no more pretentious than this.

During the last century, several of the best American academicians and statesmen — in an effort to prescribe a theory of governmental limitation — have agreed:

The government should do only those things which private citizens cannot do for themselves, or which they cannot do so well for themselves.

That this is meant to be a precise theory of limitation is conveyed by the words, "do *only* those things."

This proposal is repeated over and over again and we may therefore presume that it has a con-

siderable acceptance and is influential in shaping public opinion as to what is and is not out of bounds in governmental activity. If that be the case, in the light of what's going on, we are well advised to re-examine this proposition. For it is true that all actions are rooted in ideas.

Parenthetically, one may wonder why I choose to pick on a small flaw in what, after all, is little more than an aphorism. It is my contention that this idea of limitation "leaks," like a leak in the dike, and if not plugged, the whole countryside will be inundated. A trifle, yes, but as great oaks from little acorns grow, so do great catastrophes from little errors flow:

For the want of a nail the shoe
was lost,
For the want of a shoe a horse
was lost,
For the want of a horse a rider
was lost,
For the want of a rider the battle
was lost,
For the want of a battle the
kingdom was lost —
And all for the want of a
horseshoe-nail.

The aforementioned notion gains acceptance because it is so plausible. The government should, indeed, do some of the things which private citizens cannot do for themselves. All citizens, except

¹ Excerpted from remarks by Henry Hazlitt. See *What's Past Is Prologue* (Irvington, N. Y.: The Foundation for Economic Education, 1968), p. 14.

philosophical anarchists — those who reject a formal agency of society — are certain, in the interest of social order and common justice, that each citizen cannot write his own laws. Man is now and forever imperfect and men must now and forever differ as to what is right and just. Codifying and enforcing an observation of the taboos gives the citizenry a common body of rules which permits the game to go on; this is what a formal agency of society can do for the citizens that they cannot, one by one, do for themselves. Doubtless, this is what the libertarian subscribers to this idea have in mind. And no more! They couldn't concede more and be libertarians!

A Leak in the Dike

This proposal is right as far as it goes; but it does not go far enough. It has a loophole, a "leak," through which an authoritarian can wriggle.

One can easily conclude, from the wording, that government is warranted in doing for the citizens only those things which the citizens will not and, presumably, cannot do for themselves. What they will not do and, therefore, "cannot" do for themselves is to implement all the utopian schemes that enter the minds of men, things that such schemers think

the citizens ought to do but which the citizens do not want to do. Reform ideas are legion; and these are the things that government is obliged to do for the people, according to this proposal, as it is loosely written. That's how permissive it is; it leaves the door wide open; it's "only" is utterly meaningless!

Reflect on the veritable flood of taboos — against other than destructive actions — now imposed on the citizenry by Federal, state, and local governments. And all in the name of doing for the people what they "cannot" do for themselves. In reality, this means doing for them what they do not wish to do for themselves. Here are but a few of many examples of things now out of bounds for American citizens:

- It is against the law to grow as much wheat or cotton or peanuts or tobacco as you choose on your own land.
- It is against the law, regardless of where you live, to refuse to finance thousands upon thousands of local fancies such as the Gateway Arch in St. Louis or the Fresno Mall.
- It is against the law to refuse to finance the rebuilding of urban centers deserted in favor of new and more preferable centers.
- It is against the law to refuse to finance putting men on the moon or

tracing the meanderings of polar bears in the Arctic.²

- It is against the law to refuse to finance socialistic governments the world over.

- It is against the law to be self-responsible exclusively, that is, to refuse to be responsible for the welfare, security, and prosperity of anybody and everybody, no matter who or what they are.

How might we state this idea, then, in a way that will be understood and which, if followed, would restore government to its principled, limited role — keep it within bounds? Consider this:

The government should do only those things, *in defense of life and property*, which things private citizens cannot properly do each man for himself.

The only things private citizens cannot properly do for themselves is to codify destructive actions and enforce their observance, be the destructive actions of domestic or foreign origin.

Maintain Law and Order;

All Else Leave to Choice

Neither the individual citizen nor any number of them in private combination — vigilance committees — can properly write and enforce the law. This is a job for

government; and it means that the sole function of government is to maintain law and order, that is, to keep the peace. This in itself is an enormous undertaking, requiring rare and difficult skills, but it is a task much neglected when government steps out of bounds. When society's formal agency of coercion moves in and out of bounds, it becomes impotent to keep the peace among its own citizenry or among nations.

All else — an infinity of unimaginable activities — is properly within the realm of personal choice: individuals acting cooperatively, competitively, voluntarily, privately, as they freely choose. In a nutshell, this amended proposal charges government with the responsibility to inhibit destructive actions — its sole competency — with private citizens acting creatively in any way they please.

The objections to this latter proposal are legion; indeed, they are almost as prevalent in the U.S.A. today as in Uruguay, England, Argentina, Russia, or any other country one could mention. How, possibly, could we educate our children? Or run the railroads? Or deliver mail? Or put men on the moon? Or secure medical attention or welfare in old age? Or have a Gateway Arch? On and on! Yet, every one of these objections can be and has been answered!

² See "The Migration of Polar Bears," *Scientific American*, February, 1968.

Putting Men on the Moon

The government is engaged in countless out-of-bounds activities, according to our rewritten proposal. None of these is more favorably capturing the American imagination than putting men on the moon.³ Even many individuals otherwise sharply libertarian in their thinking are joining in the applause for this fantastic performance. And no one can reckon the enormous cost; it is running into untold billions. So, let's examine this most popular instance of government out of bounds.

It is self-evident that citizens acting privately would not, at this time, engage in this enterprise. This is an example of what private citizens will not do rather than something they cannot do.

Why is it so widely assumed that going to the moon is something private citizens cannot do for themselves?

Is it because they do not have the countless billions required for the project? No, the government gets its resources exclusively from the private citizens; none from any other source whatsoever!

Is it because the skills do not

exist among private citizens? No, every last person engaged in this project was a private citizen, many of whom are now on the government payroll.

Is it because a free-market enterprise is less efficient than a governmental operation? No, in every type of productive effort in which both are engaged, making comparisons possible, the free market is overwhelmingly superior.

We can only conclude that going to the moon is a project private citizens could undertake but will not, voluntarily.

Why? Simply because they do not want to. Nor is the explanation difficult. I have a thousand and one opportunities for the use of my income more attractive to me than sending men to the moon. This is far down on my priority list, not only as to desirability, but as to the amount I would voluntarily contribute — about the amount I would pay to see a good show. And I believe that a vast majority of private citizens — viewing the matter on this basis — substantially share my appraisal. The upshot, if left to private citizens? No trips to the moon! Not now, anyway.

How can we render a judgment as to what private citizens really favor? Surely not by yeas or nays; most of us are too distraction-prone for mere lip service to be

³ If the defense of our country required putting men on the moon, it would then qualify as a proper function of government. I am assuming that manning the moon is not of military value. At least, I am unaware of any persuasive argument that it is.

trusted. So, let us judge a man's values by the way he acts: A person favors a war if he will voluntarily risk his life in waging it; and he favors an enterprise if he will voluntarily risk his capital in financing it. Popular acclaim for a war or a moon venture or whatever, which rests on risking the lives or the capital of others, is unimpressive; it's only loose talk, detached from realism, and unworthy of serious attention. Viewed in this light, there are few, indeed, who favor putting men on the moon, their protestations to the contrary notwithstanding!

Why, then, are we in this venture? There are numerous reasons.

For one thing, people are distracted and drawn by the glamor of it. Not even the fiction of Jules Verne or Buck Rogers ever remotely approached this performance. The TV shots of men in space divert attention from the means used to produce this spectacular.

Of the millions who do not favor putting men on the moon at the risk of their own capital, many enthusiastically endorse the project when the risk seems to fall elsewhere. Why do they not see that this is, in reality, their own capital?

Again, because of distractions. Citizens are distracted from reality by the false promise that

they can spend themselves rich. They will believe such sophistry simply because they want to believe it. Doesn't the Gross National Product (GNP) go up \$1 billion with each billion spent on the moon venture!⁴

Then there is the sleight-of-hand expropriation of capital. That portion of one's capital taken for the moon venture by direct tax levies is so buried in the enormous Federal tax that identity is lost. The remaining portion is equally hidden: inflation. Inflation is a tax on savings of many types.⁵ The expropriation shows up not on a tax bill from the Internal Revenue Service but in the form of higher prices for bread, butter, and everything else. Who, when spending \$10 for groceries, instead of the \$5 he used to spend, relates the higher prices to putting men on the moon? This fiscal hocus-pocus is distracting and diverts men from reality. "We do not know what is happening to us and that is precisely the thing that is happening to us."⁶

⁴ For the fallacy of GNP, see Chapter VII, "The Measure of Growth," in my *Deeper Than You Think* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1967).

⁵ For example: cash, bank deposits, life insurance, pensions, bonds, mortgages, loans or holdings repayable in a more or less fixed number of dollars.

⁶ See *Man and Crisis* by Ortega y Gasset (New York: W. W. Norton & Company, Inc., 1962).

But our proneness to distraction, which accounts for popular acceptance of this project, is far from a complete explanation as to why we are in it. The primary reason is that we allow government coercively to commandeer resources that private citizens will not voluntarily commit to such purposes. In other words, private citizens are forced to do things they do not wish to do.

My purpose in this cursory analysis of the moon affair is not to single it out for criticism but, rather, to raise the all-important question that relates not only to this but to thousands of out-of-bounds ventures by government: Why are private citizens forced to do what they do not wish to do? After all, the formal coercive agency of society — government — is *their* agency!

We have one test, and one only, for what private citizens really wish to do: those things they will do voluntarily! It is plain that they

wish telephones, printing presses, automobiles, air service, refrigeration, houses, corn flakes, gas and electric service; indeed, a million things could be listed. And they get them — voluntarily!

But here's the rub: There are those who believe we do not know of all the things we want or, at least, are unaware of what is good for us. These "needs," invented for us — going to the moon, old-age "security," the Gateway Arch, or whatever — have no manner of implementation except by coercion. In a word, these people who would be our gods can achieve the ends they have in mind for us only as they gain control of our agency of force: government.

And the primary reason why they can force upon us those things we do not want is our lack of attention to what are the proper bounds of government.

So it is that great catastrophes from little errors flow! ♦

A Suggestion —

FREDERIC BASTIAT, the French economist, journalist, and statesman, must be ranked among the masters in presenting the rationale for limited government. His treatise, *The Law* (\$1.00), along with Dean Russell's *Frederic Bastiat: Ideas and Influence* (\$2.00), are highly commended.

Order from: The Foundation for Economic Education, Inc.
Irvington-on-Hudson, New York 10533



WILLIAM HENRY CHAMBERLIN

A MODERN ECONOMY is a complex machine that requires for smooth and efficient operation a powerful smoothly functioning dynamo. The necessary component parts of this dynamo are private property and ownership, willingness to save and invest, wage and salary incentives adjusted for work of differing degrees of skill, diligence, and efficiency and, last but by no means least, a reasonable opportunity to earn a profit. Let all those factors function and a productive, efficient economic operation is assured. Tamper with one or more of them, and trouble is in sight.

There have been many examples of this in modern times, of which the most remarkable, on the fa-

vorable constructive side, is the German recovery from the ruin and desolation of World War II. To some extent under the Nazi rule and to an increasing extent after the outbreak of war, Germany lived under a regimented economy. The evil consequences which this always brings to the consumer were, of course, aggravated by unprecedented devastation of the larger cities and towns by air bombardment.

The Germany taken over by the Allies after the surrender in the spring of 1945 was a shambles, the cities in ruins, practically no motor transport except as brought in by the occupation powers, industrial output at a standstill, the only functioning hotels or places of public accommodation being those requisitioned by the Allied authorities.

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

Most important of all, perhaps, the essential lifeblood of industry and commerce—a currency with some stability of value—had been another war casualty. Nazi finance during the war had been more and more inflationary. And the occupiers, partly by design, partly by negligence, completed what the Nazis had begun, issuing vast quantities of irredeemable and essentially worthless marks.

The result was that during the first years after the end of the war German currency had become, for all practical purposes, as worthless as it was in the great inflation of 1922-23 when a dollar could buy as much as a trillion marks. Since some medium of exchange was necessary, a lively informal substitute was found in cigarettes. A tip in paper marks was scorned, while a gift of a few cigarettes was gratefully received.

Fortunately, the Morgenthau Plan, with its underlying idea of destroying Germany's mines and heavy industries, was never put into full effect. But enough of its vindictive spirit got into early prohibitions and limitations on industrial output to discourage any reasonable hope of recovery. All the elements essential to the functioning of the industrial dynamo were destroyed; and the Germans, naturally one of the most industrious of peoples, had

no real incentive to get back to peaceful labor.

The Curative Power of Freedom Is Demonstrated

It was against this dreary and desolate background that the genius of one man, Ludwig Erhard, Minister of Economics in the reviving German Government, hit on the idea that made possible Germany's amazing advance, literally, from rags to riches. The idea was to restore the missing dynamo to the stalled economy. First, there was a currency reform, harsh but necessary and inevitable. The substance of the reform was that the one new mark was issued for every 16 old marks. But the old marks were practically worthless and the new marks were real money, good for purchases in stores.

Next came the complete scrapping of rationing and controls. Self-government was being returned gradually and the German authorities were not permitted to change any single fixed price or fixed wage. But there was a loophole; the whole system could be swept away with impunity. Probably it was felt that no German would venture to take such a drastic step. But Erhard was prepared to make this bold wager on the curative power of economic freedom.

When General Clay, military Governor of the American Zone, informed Erhard that all the American economic experts were gravely concerned about the consequences of throwing away such political crutches as price and wage control, Erhard replied: "So are mine." But the economic experiment was allowed to stand and may be largely credited for what was often called "The Economic Miracle."

In the first years, there were moments of touch-and-go; Erhard was obliged to set about promoting the reconstruction of the national economy with painfully thin reserves. A sharp rise in prices seemed to threaten the experiment; some bureaucrats began to dust off old schemes for rationing and price control. But Erhard believed that the free market carried its own cure. As prices rose, so did production. Through the 1950's, Germany maintained one of the most stable price levels in the world. One victory for the free economy followed another. The Federal Republic began to sweep ahead of the whole of prewar Germany in production and exports. From a country that was virtually bankrupt when its new currency was launched, Germany became a magnet, drawing gold from all over the world because of its consistently favorable balance of pay-

ments. The visible standard of living showed steady growth. Germany owes its postwar political stability, so different from the picture of left-wing and right-wing extremism under the Weimar Republic, to Erhard's logically applied philosophy of a capitalist market economy.

Despite these accomplishments in freedom, a noisy, violent minority of German students express their ingratitude and lack of understanding in current exaltation of primitive communists like Che Guevara and Mao Tse-tung and the denunciations of capitalism and free enterprise.

What's Wrong with Britain?

While Germany since the war has given the most convincing practical demonstration of the immense creative power of the free market and of the dynamic quality of the profit motive, other countries have moved in a different direction. On repeated visits to Britain since the war, with varying time intervals between them, I have invariably found British economists and publicists concerned with the question: "What's the matter with Britain?"

The most obvious symptom of what people on the European continent sometimes call "the British disease" is the chronic inability of this country, renowned as the

workshop of the world in the early phase of the Industrial Revolution, to square its international accounts, to equalize its balance of payments. Not only has Britain carried out a reduction in the value of the pound from \$2.80 to \$2.40, but there are frequent rumors that the devaluation dose will have to be repeated, in one form or another. The internationally respected weekly, *The Economist*, recently came out in favor of a "floating pound," not tied to a fixed rate of exchange. It is easy to imagine the direction in which the pound, in view of its persistent weakness, would almost certainly "float."

While London remains one of the liveliest of European capitals and Britain is a magnet for American and other tourists, symptoms of the "British economic disease" are evident on every hand. Two of the most obvious are the slack, indifferent tempo of work and the frequency with which work is stopped or slowed down, often for the most frivolous causes. On a recent visit I met two English couples who were settling down for residence in their native country after long periods of assignment abroad. Both had remarkably similar stories to tell of the extreme difficulty of obtaining reliable service from carpenters, repairmen, and other workers who were needed for refurbishing

houses and apartments. There is a familiar British postwar saying that seems to express the philosophy of these workers: "I couldn't care less."

An item from a British newspaper speaks for itself:

"Thieves made off one night with a pile of unwatched scaffolding. The police noted that the thieves completed the removal in half the time regular workers would have required for the job."

Strike Losses

Another feature of British industrial life is the frequency with which some service is interrupted by irregular or wildcat strikes, often called for such causes as how long the "tea break" should be, members of which union should be entitled to drive screws in a construction job, or some other local issue over which management or the proverbial innocent bystander — the public — can exercise little, if any, control. The economic loss inflicted on the national economy, including the damage to industries not directly affected, is analyzed as follows in a recent issue of *The Economist*:

"Over 90% of strikes in this country are of the genre known as 'unofficial' stoppages, which means that they are generally called without notice by whoever is at that moment the effective

holder of power on any particular factory's floor. . . . The great majority of strikes in other countries take place at the end of a union's one-year or two-year or three-year contract. . . . The industrial disruption caused by such end-of-contract strikes is a tiny fraction of the disruption caused in Britain when suddenly—because of some row about a tea break—many motor factories have no brakes to install. That is why Britain has lost more of its national income through strikes in the 1960's than other industrial countries. The familiar figures purporting to show the opposite deliberately count only man-hours directly spent on strike and not the much more important consequent loss of work through interruption of supplies; they are a blatant British exercise in national self-delusion."

Taxes Kill Incentives

Overshadowing and, indeed, accounting for many other negative aspects of the British economic scene, the low working morale, the frequent irregular interruptions of normal working hours, the slowness of labor and management alike to accept innovations calculated to speed up productivity, is the incentive-killing system of taxation which often leads to counterproductive results.

The famous British historian, Macaulay, once observed that the Puritans objected to the cruel sport of "bear-baiting" not because it gave pain to the bear, but because it gave pleasure to the spectators; and some of this alleged Puritan psychology seems to have entered into the framing of British taxation. (There is no reason for Americans to feel self-righteous on this count; the trend toward skyrocketing costs of Federal, state, and municipal government, unless checked, may shortly find taxes as burdensome in America as they are in Britain today.)

Nothing is more essential to the functioning of the economic dynamo that drives the machine to ever-higher standards of productivity than the element of incentive for all involved in the working process. Such incentives in Britain today have been diminished almost to the vanishing point. There have been cases when wealthy Britons have felt obliged to emigrate in their late years, because their death in Britain would leave their heirs only confiscatory inheritance taxes, or death duties, as the British call them.

Some British firms have been high earners of desired dollars and other foreign currencies. But so savage are the levies on high incomes that British film producers will sometimes not go to the

trouble and labor of turning out a second film. Workers in factory and mine have little interest in qualifying for more skilled jobs because this means transfer to a higher bracket in taxation. The rewards to management are too small, after taxes, to encourage the maximum effort that would vastly aid the lagging balance of payments.

Britons often express regret over the tendency of young scientists, doctors, and other professional men who contribute so much to a country's assets to seek greener pastures in the United States, Canada, and Australia. Taxes are not the whole story; superior research facilities and other considerations also play a part. But the lack of adequate material rewards, due largely to excessive taxation, is a most important factor.

Similar Problems in the U.S.

Even occasional glimpses of the sputtering British economic dynamo (further affected by continuous inflation; one British acquaintance remarked: "It would make as much sense to save last year's snow as the pound sterling.") convey the impression that a vicious circle has been created. The fierce incidence of taxation discourages the extra effort that would enormously improve nation-

al productivity and encourages the "couldn't care less" mentality, affording no help in a struggle to maintain a stable currency and an even balance of payments.

One need not look far to see a similar trend toward those twin evils — government overspending and increasing taxation — in the United States. The Federal tax rate in this country still falls short of the British, although it contains such features, weighted against the saver, as the capital gains tax, undue reliance on direct as against indirect forms of taxation, and the double taxation at the individual and corporation level of sums paid out as dividends.

But the United States taxpayer must reckon on additional pillage at the hands of state and municipal authorities. (For all practical purposes he has lost control of the right to determine the level of his own taxes, one of the primary issues of the American Revolution.) Massachusetts, the state with which I am most familiar, during the last decade has set a record of financial mismanagement which would arouse the envy of the proverbial drunken sailor; and New York and other states which specialize in extravagant "welfare" programs of subsidized idleness are little, if at all, behind.

In Massachusetts, with the

merry cooperation of Republican governors and Democratic legislatures, the cost of running the state has trebled within the last ten years. The proceeds of a new tax are exhausted as soon as the levy is imposed; there have been three tax increases in the last four years.

The financial resources of the middle class are becoming ex-

hausted; taxation increasingly removes incentives and discourages production. Unless American taxpayers find some means of curbing the monstrous extravagance of the Federal and state welfare programs, with their false promises of something for nothing, the American economic dynamo, like the British, will sputter and fail. ♦

\$pend Now, Pay Later

PAUL L. POIROT

WIDESPREAD CONFUSION concerning money and credit affords the illusion that certain burdens of government spending, such as the costs of fighting a war, can be postponed more or less indefinitely, at least, until peace again prevails.

If a man's automobile is stolen, there is no reason for him to think that the impact of his loss may be postponed, that it may be several months or even years before he actually misses his car. Or, possibly he sells his car, but then finds himself holding a worthless check while car and "buyer" have disap-

peared. Right away, he understands that he has lost a car. Or, instead of by check, he finds that he has been paid in counterfeit bills. His car is gone for nothing, and he knows it at once.

It's possible that the thief or check passer or counterfeiter may have the use of the car for some time before he is apprehended and obliged to pay. But, surely, that crooked way of postponing costs can have no widespread appeal. Nor can a durable society be founded on the principle of stealing from one another; all too soon there would be nothing to steal.

Now, suppose the government appropriates the car in the interest of national defense — simply takes it from the rightful owner. Will the man reason with himself that he won't miss the car until after the war? No one really labors under such an illusion, and well do politicians know it.

Instead of simply confiscating the man's car, the national government pays him for it — or gives him its bond or other promise to pay. There begins the illusion. Whereas, in fact, one car has been withdrawn from the market supply of goods and services available to customers, no potential buyer is aware that he then and there has lost that much purchasing power. Shortly, buyers may note that cars are becoming somewhat more expensive; indeed that goods and services generally are rising in price. But how many housewives and other shoppers will ever come to the full realization that the cars and other goods and services that the government withdraws from the market have been replaced by nothing except "national defense" and "general welfare"? Instead of cars and things, customers have "money" — of the type that only a national government with a fractional-reserve central banking system can create.

The great illusion is that all of this extra money is worth as much

as the missing car, and that it actually will be enough to pay for a car once the war or other national emergency is over. Under that illusion, a person can easily persuade himself that the cost of the war has been postponed and that the taxpayers of a future generation eventually may pay off the national debt.

Both Guns and Butter

The sad truth is that real wars are not waged with weapons and other resources to be produced or withdrawn from the market at some indefinite future date. The full cost of ammunition occurs, and the burden has to be borne, as economic resources are channeled to that purpose and before a shot can be fired. Every scarce commodity or service committed to war at that very moment diminishes the buying power of private citizens by a corresponding amount. If they have extra money in their pockets, it will be matched either by higher taxes or by higher prices — or some of both.

It's true that people may have both guns and butter if they will save enough for tools and working capital and work long and hard enough to produce all that is needed of both. And the patriotism stimulated by war may bring forth such extra effort and productivity. But it will never be true

that men can shoot guns or eat butter now that are going to be produced by a future generation. That is strictly an illusion, stemming from a person's faith that the money and credit created by government out of thin air is worth as much as the goods and services the government withdraws from the market. Upon such misplaced faith rests the sorry case for inflation.

If we will think in terms of goods and services, it is easy enough to see that the cost of things used now must be borne by us now and not later. The illusion that we can spend now and pay later, or that we can pass our

costs on to future generations, begins when we try to think in terms of money and credit and its manipulation.¹

Our debts cannot be escaped by us or be passed along to future generations. What we leave to our children, by our reckless spending, is a ruined economy! ◆

¹ It should be clear, of course, that this discussion does not pertain to private buying and selling on credit. Businessmen and their customers cannot create money and credit out of thin air. An individual may only borrow what someone else is willing and able to lend, and quickly reaches the limit of his credit if he cannot or will not meet his obligations. The point of concern, in this article as in the world of reality, is the tampering with money and credit that is perpetrated by the government and blamed upon the victims.

IDEAS ON LIBERTY

A House Divided

LIVING WITHIN our income as a government is no more complicated than it is for an individual to refrain from buying groceries and pretty clothes he cannot pay for. In many quarters this is an accepted objective of national tax policy. The trouble lies in the means of attaining this end. The difficulty of making both ends meet in governmental fiscal matters may be due partially to our setup which separates responsibility for budgets of expenditure from responsibility for budgets of income. Any family would likewise have difficulty balancing its budget if one member had full power over spending and another over income, and if each took the attitude that the other side of the account was something for the other person to worry about.

CLARENCE B. CARSON



The Rise and Fall of England

15. SOCIALISM IN POWER

IN JULY of 1945 an election was held throughout the United Kingdom. The war was over in Europe, but fighting still continued in the Pacific. Despite the fact that a National Government, headed by the Conservative, Winston Churchill, had been successful in prosecuting the war, the decision was made to have a partisan election. To the consternation of almost everyone, the Labour Party won overwhelmingly, returning 393 members to the House of Commons to 189 for the Conservatives and 58 for all other parties. For the first time in history the Labour Party came to power with a clear-

cut majority. Twice before, the party had formed ministries, but each time they had ruled with Liberal support. This time they had as clear a mandate to govern according to their ideas as they were likely to get. Socialism had come to power. In its election manifesto for 1945, the Labour Party proclaimed that it was "a socialist party and proud of it."¹

In several respects, the times had been propitious for the socialists to make their move. Clement Attlee, the Labour Party leader, must have realized this, for he had pressed for an early dissolution of the government and a new election.

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

¹ Keith Hutchison, *The Decline and Fall of British Capitalism* (London: Jonathan Cape, 1951), p. 291.

The times were right, in the first place, because the English people had become accustomed to collective efforts during the war. They were acclimated to vast undertakings by government—to large-scale evacuations, to massive mobilizations of armed forces and their deployment around the world, to collective responses to air raids and the attendant blackouts, to concentration on war production, and so forth. One writer says, “All this produced a revolution in British economic life, until in the end direction and control turned Great Britain into a country more fully socialist than anything achieved by the conscious planners of Soviet Russia.”² At any rate, they were psychologically prepared for the continuation of such undertakings in peacetime.

Moreover, during the war the government had either taken or promised measures moving in the direction of socialism. The most famous of the tacit promises was the one contained in the Beveridge Report, made public in 1942. It was comprehensive in what it called for:

. . . It covered all the known causes of the “giant” Want, by providing for unemployment benefit, sickness benefit, disability benefit,

workmen’s compensation, old age, widows’ and orphans’ pensions and benefits, funeral grants, and maternity benefits. In addition to these financial provisions, the Report was also based on the assumption that a comprehensive health and rehabilitation service was to be established, its full resources available to all. . . .³

“Its popular appeal was immense, 250,000 copies of the full report and 350,000 of an official abridgment being sold within a few months. . . .”⁴ The thrust toward socialism during the war was, to a considerable extent, bipartisan. The Beveridge Report was authorized by the government, which was predominantly Conservative. Moreover, Anthony Eden, speaking for the Conservative Party, had this to say in the House of Commons, December 2, 1944:

We have set our hands to a great social reform programme . . . and even though there be an interruption it is the intention of each one of us who are members of the Government to carry that programme through. I have no doubt that . . . if a Labour Government were returned, that Government would put through what was outstanding in this programme. And I can say, on behalf of the Prime Minister, that we, as members of the Conservative Party, would

² A. J. P. Taylor, *English History: 1914-1945* (New York: Oxford University Press, 1965), p. 507.

³ Sidney Pollard, *The Development of the British Economy: 1914-1950* (London: Edward Arnold, 1962), pp. 348-49.

⁴ *Ibid.*, p. 350.

give them support in putting through that programme. . . .⁵

Both major parties, then, had done their part to prepare the people for great changes after the war.

The times were right, too, because the long-term trend toward greater and greater government intervention and control was well established. Since the early twentieth century, the government had become more and more involved in the economy: by minimum wages, by the dole, by "insurance programs," by heavy taxation, by monetary manipulation, by ownership of certain undertakings, by control and regulation. The minds of the people were set toward intervention: by the activities of the Fabians, by the Left Book Club, by the very popular Keynesian economics, and by the tendency of most of the literary cadre to write favorably toward it. Few in positions of leadership or authority were apparently able to think in other than socialistic terms. Conservatives sometimes held back against more radical measures, but they were hardly inclined to oppose the general trend.

One other condition made it relatively easy for the socialists at the end of the war: wartime controls were still in effect, and

could be continued with less resistance than if they were introduced for the first time.

On the other hand, whichever party came to power after the war could expect some rough going. This was especially true for the Labour Party, for socialists tend to take on responsibility for all economic effort, or at any rate to claim credit for any achievements. To take on the British economy — or lack of one — at the end of the war was not an enviable task. There had been considerable physical damage in Great Britain during the war. An estimated £1,500,000,000 damage had been done to factories, railways, and docks. Some 4,000,000 houses had been either destroyed or damaged.⁶ Eighteen million tons of shipping were lost, and only two-thirds of this replaced in the course of the war.⁷ According to one writer, "A large part of her industrial equipment was desperately in need of replacement, for instead of spending, as she would normally have done over five years, £1,000,000,000 to maintain and renew plants and factories in the civilian industries, she had spent this money on munitions of war."⁸

⁶ Francis Williams, *Socialist Britain* (New York: Viking Press, 1949), p. 13.

⁷ David Thomson, *England in the Twentieth Century* (Baltimore: Penguin Books, 1965), p. 202.

⁸ Williams, *op. cit.*, p. 13.

⁵ Hutchison, *op. cit.*, p. 285.

Foreign Trade Problems

The most serious difficulty confronting the British at the end of the war was in the realm of foreign trade. They had come to depend on imports for much that they consumed. "Nearly three-quarters of all the food she ate came from abroad, 55 per cent of her meat, 75 per cent of her wheat, 85 per cent of her butter, all of her tea, cocoa, and coffee, three-quarters of her sugar. Every year more than 20,000,000 tons of imported food had to be brought across the seas and unloaded at her docks."⁹

What made this situation pressing was that the British had long since ceased to balance these imports with goods exported. The difference was increasingly made up in recent decades by income from foreign investments, services such as shipping and insurance, and payments in gold. At the end of the war, Britain was deeply in debt abroad, most of the gold supply depleted, much of foreign investments sold to defray the expenses of the war. Moreover, Britain had for the two decades preceding the war been losing out to competitors in those things for export where she had traditionally dominated. (This situation was not simply a consequence of the war, however, or even particularly

such a consequence. On the contrary, in the years between World War I and World War II, the government pursued policies which made it increasingly difficult for British industry to hold its own.)

In addition, the British as victors in the war had heavy military obligations. They undertook to occupy a zone in dismembered Germany. They had heavy commitments in other parts of the world also, and were very soon confronted with volatile situations in areas to which their hegemony had long extended.

Even so, the leadership of the Labour Party plunged into socialization with a will, even with apparent alacrity. For more than a decade they had been committed to such a course if and when they came to power. And there was no counterbalancing power now to hinder them in their surge. A working majority of the House of Commons was all they needed. The Conservative Party was supine. The House of Lords was powerless to do more than delay or make helpful amendments. The monarchy was reduced to a symbolic role in affairs. Indeed, it was the King who announced to Parliament the course it was to pursue. He said, in part: "My Government will take up with energy the tasks of reconverting industry from the purposes of war to those of peace,

⁹ *Ibid.*, p. 11.

of expanding our export trade and of securing by suitable control or by an extension of public ownership that our industries and services shall make their maximum contribution to the national well-being."¹⁰ Such power as there was in the United Kingdom rested in the hands of a socialist ministry.

There were three main facets to the domestic socialization program in England: (1) the completion of the welfare state, (2) the nationalization of certain key industries, and (3) control over those portions of the economy which remained technically in private hands.

Completion of the Welfare State

The welfare aspect of socialization has probably received more attention generally than any other, though it is not clear that socialists would consider it most important. In any case, a full-fledged welfare state was established by several acts shortly after Labour came to power. Indeed, one act was passed in 1944 which should be mentioned. It was the Education Act. This act raised the school-leaving age to fifteen, provided "free" secondary education for all children, and set up a system of separating at the age of eleven

those pupils to go to preparatory schools and those to attend terminal schools.¹¹

The two most dramatic welfarist acts, however, were passed in 1946 under the Labourites: National Insurance Act and National Health Service Act. The National Insurance Act provided protection against various vicissitudes to that large portion of the public which had not been so protected as yet. It covered "every person who on or after the appointed day, being over school-leaving age and under pensionable age, is in Great Britain and fulfills such conditions as may be prescribed as to residence in Great Britain. . . ." ¹² These would then be eligible for unemployment benefits, sickness benefits, maternity benefits, and so on and on. The expenses were to be defrayed by employer, employee, and taxpayer (government) "contributions." The National Health Service Act was much more controversial. Many physicians opposed it. Even so, it was passed, and eventually went into effect in 1948. The act provided for free medical and dental services for everyone, and for those who provided the services to be paid by the government. It was intended

¹⁰ Alfred F. Havighurst, *Twentieth-Century Britain* (New York: Harper and Row, 1962, 2nd ed.), p. 369.

¹¹ See Stephen B. Baxter, ed., *Basic Documents of English History* (Boston: Houghton Mifflin, 1968), p. 281-82.

¹² *Ibid.*, p. 288.

as a comprehensive plan for looking after the health of those living in England and Wales.

Welfarist in nature also was the massive house building program undertaken under Aneurin Bevan, Labourite Minister of Health. The program tended toward nationalization of housing also, for it encouraged the building of rental housing and discouraged building for private ownership. It "was decided that the major part of the permanent building programme should be carried out through the local authorities, who would employ builders under contract to build houses to rent and who would be given financial aid by the Government in order that . . . the houses when constructed could be let on the basis of need at fairly low standard rents." To discourage private building, "builders were to be allowed to build for sale or under contract to private purchasers only to a restricted degree and only after a license had been secured from the local authority."¹³

Nationalization of Industry

Nationalization was undertaken with considerable vigor. The broad categories of industries nationalized were banking, power and light, transport, and iron and steel. The first nationalization was au-

thorized by the Bank of England Act passed in 1946; the last major one was authorized by the Iron and Steel Act of 1949. A fairly typical nationalization measure was the Coal Industry Nationalization Act passed in 1946 to go into effect January 1, 1947. "The act provided for a National Coal Board appointed by the minister of fuel and power and consisting of nine representatives of various functions within the industry (such as finance, technology, labor, marketing), who were to operate all coal mines subject to the general supervision of the ministry. The public corporation replaced more than eight hundred private companies, which surrendered their assets for a compensation. . . ."¹⁴ The way had been prepared for further consolidation and eventual nationalization of most of these industries by the cartelization that had taken place in the 1930's by government sponsorship.

It was not simply a matter of chance that these particular industries were selected for nationalization. Socialists may not know how to plan an economy to achieve their ends. The record would indicate that they do not. And British socialists had, in effect, organized irresponsibility on a large scale in these industries, for they had placed them under the control of

¹³ Williams, *op. cit.*, p. 127.

¹⁴ Havighurst, *op. cit.*, p. 370.

boards whose members had much authority but few responsibilities — responsibilities to stockholders, responsibilities to operate efficiently, even responsibilities to Parliament. Even so, British socialists demonstrated that they knew where the main arteries of a modern economy are. They meant to bring these directly into the hands of government agencies, and did.

Before spelling out the import of nationalization and indicating the extent of much more extensive controls, it will be helpful to review briefly the vision which the socialists had in mind. One of the men who participated in the early stages of this broad effort described it as a test and an experiment. He said, in part:

... Here at last a practical test of two vast and so far unproven assumptions is taking place. The first is that a planned socialist system is economically more efficient than a private-enterprise capitalist system; the second is that within democratic socialist planning the individual can be given broader social justice, greater security, and more complete freedom than under capitalism.¹⁵

To make this test, planning has to reach through to every ligament of an economy. The above writer's description suggests the extent of such planning:

The central planning organization, for example, is required to estimate the total number of men and women available for employment, the amount of essential raw materials such as coal, steel, and timber likely to be available from all sources, the total national production of goods possible in the current situation, and how this productive effort should be divided between home consumption, exports, and capital investment.

Having made this analysis, the Planning Board assesses industrial priorities in the light of it; decides what proportion of the total working population is needed for national security in the defence services, what proportion in the public and administrative services, how many in trade, industry and agriculture in order to reach the production targets set, and what general division of manpower there ought to be between export and home production, and between the productive and distributive trades. A similar assessment of the correct distribution of basic raw materials between various types of users is also required. . . .¹⁶

In short, the determination of what was to be done in the economic realm was to be taken out of the market and made by government officials. To accomplish this — if it could be done — it would be necessary to have full control of key industries. The key industries of a modern economy

¹⁵ Williams, *op. cit.*, p. 5.

¹⁶ *Ibid.*, pp. 87-88.

are, undoubtedly, banking, power and light, transport, and iron and steel. No modern enterprise can operate effectively without the use of one or more, and usually all, of these goods and services. Power is essential; capital is required (not necessarily borrowed money, but money, and central monetary authorities can either maintain the money supply or destroy it); transport must be had; and equipment and housing made in some part of iron and steel are practical necessities. The government which, in effect, possesses these essential goods and services can dictate to virtually all other undertakings.

Other Controls and Regulations

Of course, British socialists did not content themselves with nationalization. Additionally, a vast network of controls, subsidies, priorities, prescriptions, proscriptions, and regulations were extended over the remainder of industry and agriculture. It will have to suffice here to call attention to some of these.

One of the most dramatic examples of compulsion can be examined in the regulation of the location of industry. The compulsion was provided for by a Distribution of Industry Act, the Town and Country Planning Act, and procedures adopted by the Board of Trade. The main impetus

was to have new industries located in areas where labor was most abundantly available—to move factories to the workers. The Distribution of Industry Act aided by making loans, by giving financial assistance to companies that would open factories in desired areas, and by the use of tax monies to build factories for lease. This, in itself, was largely an effort by the government to influence the location of industry. But stronger weapons were at hand. In order to build a new factory, it was necessary to get a license from the Board of Trade. The Board of Trade could, in effect, veto a plan to build a factory anywhere. This was bolstered by the powers exercised under the Town and Country Planning Act: not only were new towns planned but also building activity was directed.¹⁷

Economic activity of every sort was minutely regulated. Wanted “production was encouraged; luxury production was limited. Licenses were required to export raw materials and any manufactured articles . . . needed at home. Domestic consumption was regulated by rationing, subsidies and price controls. . . . New industrial enterprises seeking capital had to be approved by a government committee. . . .” There was much more,

¹⁷ *Ibid.*, pp. 93-94.

of course: "paper control was directed by the manager of a large paper manufacturing concern; matches were controlled by an official of the largest manufacturer. . . ." Moreover, "Treasury budgets were drafted with a view to controlling investment. . . . For foreign travel, limitations, changed from time to time, were placed on the amount of cash which could be taken from the United Kingdom."¹⁸ The bureaucrats made ubiquitous attempts to control everything.

As for agriculture, it was decided not to nationalize the land but to regulate and control activity in this area. The Ministry of Food was authorized to buy agricultural produce and became, in effect, the sole market in which farmers were to sell. As the only buyer and seller, it proceeded to set prices to the farmers, on the one hand, and to the consumers, on the other. In general, the Ministry paid high prices for products wanted and sold them at a loss, the aim being not profit but to encourage the kind of production and consumption wanted. Agriculture was controlled "by a range of other measures, such as the giving of acreage grants for particular crops, financial aid for improvements, loans to agricultural workers to become farmers on their

own account, and the establishing of pools of labour and machinery upon which individual farmers can call during sowing and harvesting seasons. There is also power to give directions to farmers to plough up land and grow particular crops."¹⁹

Finally, a large portion of the income of Englishmen was "nationalized" by way of taxation. Taxes were excruciatingly high under the Labour government. An economic historian indicates that the government took 37.7 per cent of the value of the gross national product from the people in 1946.²⁰ The income tax was confiscatory. "Here is a story which shows it: a big American business which had decided to pay the head of its English subsidiary a salary of 20,000 dollars (£5,000) was informed that, owing to the Income Tax, the recipient would in fact touch half only. Not to be put off, the American business asked how much it would need to pay its servant to ensure him £5,000 net. The answer came back—£50,000, the figure which will, after taxation, leave £5,093 10s. 0 d."²¹

Dependent and Stifled

Two things should be immediately apparent. The first is that socialism had made the English

¹⁸ Havighurst, *op. cit.*, p. 384.

¹⁹ Williams, *op. cit.*, p. 98.

²⁰ Pollard, *op. cit.*, p. 366.

people dependent upon government. They were made dependent for food, for markets, for education, for health services, for licenses, for loans, for subsidies, for jobs (it became necessary to belong to a labor union to work in unionized employments), for maternity benefits, for funeral subsidies, for unemployment benefits, for disability payments, for building permits, for the amount that could be taken abroad, for priorities for buying, for authorizations to sell, for houses in which to live (in the case of numerous renters), for broadcasting facilities, and so on. Such dependence has not customarily been known as freedom; the generic term for it is bondage.

Secondly, British economic activity was strait-jacketed by government ownership, control, and regulation. Such overall bureaucratic direction greatly reduced the number of minds to cope with economic tasks and the number of ways that may be used to deal with them. When enterprise is free, when men receive the rewards of their labor, every man may use his initiative, ingenuity,

and energy to grapple with the economic problem of scarcity. But under state dictation men are not permitted to exert their energies as they see best. If they perform at all, they are to perform as they are directed, with whatever will they can muster for the effort. Under socialism, the English people were told what to produce, where to produce it, where to sell it, where they could buy, and when if at all to undertake it. Bureaucrats were free to plan; the people were free to obey.

The economic situation of England was precarious enough in 1945, as has been pointed out. The English people had a big job ahead of them to recover from the effects of the war and to regain their position in the world. It was task enough to challenge the initiative, ingenuity, and energy of the whole people. Unfortunately, they decided to strait-jacket a large portion of the population and to depend upon bureaucrats. It was as if a drowning man should encumber himself with balls and chains fastened to one arm and both legs, leaving himself only one arm with which to swim. In such circumstances, England's fall was precipitate. ◆

²¹ Bertrand de Jouvenel, *Problems of Socialist England*, J. F. Huntington, trans. (London: Batchworth Press, 1949), p. 206.

*The next article of this series will describe
"The Fall of England."*

Progress

NOWADAYS we tend to equate progress with improvements in our material standards of life. As a nation we measure our success by how fast our total production is increasing, or by the number of motor cars for every 100 people.

But isn't this a rather limited, superficial view of progress? A man is not necessarily a better man because he can afford caviar and champagne, or because he has two cars instead of one. In the end the only true measure of progress is whether we are becoming better as human beings.

This doesn't mean that material prosperity is unimportant. But its true purpose is not to enable man to wallow in luxury, or to live a life of idle indulgence. It is to give him a better opportunity to cultivate his mind and spirit, to improve his understanding, to seek wisdom, to enlarge his sympathies and sense of compassion, to develop his character.

Man is more than a pig at a trough. He needs higher goals, a nobler purpose, than the mere satisfaction of his bodily appetites.

Indeed, as the material things available to him multiply, the greater can be his peril, the more urgent his need to take stock, to concern himself also with things that belong to the realm of the mind and spirit. An excessive absorption with physical satisfactions and pleasures led to the downfall of many of the great civilizations of the past.

Material advancement can be the means to a better way of life. It can be the instrument of progress. But it is no more than the instrument. "The quality" of our life is more important than "the quantity."

Real progress lies within man himself, in the cultivation of his best instincts and the suppression of his worst. Real progress is self-development in the highest sense, and that is something for which, in the final analysis, each individual is himself responsible. ♦



AS TOCQUEVILLE SAW US

ALEXANDER WINSTON

MY FRIEND had trimmed me at squash, and I tried to recover a bit of self-esteem in the coffee shop afterward. "I've been reading Tocqueville," I remarked, counting on his blank look.

"Read him in college," he picked me up. To prove it he spelled out the name. "Alexis, wasn't it?"

"Yes," I growled into my chowder bowl, "Alexis."

Small wonder, really, that my friend had run across *Democracy in America*. Since its publication in 1835 it has ranked as a classic appraisal of the American scene. The freshness of its observations show that although much water has passed under the bridge in our national history since that date, the same river still flows — noisy, turbulent, and productive. This French aristocrat praised the new nation even when he was not sure that he liked it. Yet he suffered little from bias and tried to under-

stand our baffling ways; his subtle mind possessed the paradoxical but precious gift of detached engagement with his subject; and he commanded a literary style of limpid elegance. Altogether, an admirable critic.

Democracy in America is provocative even when its conclusions are off-target. And occasionally Tocqueville did miss. He insisted, for one thing, that equality is our ruling passion. "Equality is their idol," he declared. "Nothing can satisfy them without equality, and they would rather perish than lose it."

But if we examine equality with care, we see that in its political form it is always abstract; and no one, above all a pragmatic American, is likely to man the barricades for an abstraction. In a strict sense, we are equal only when we fall into the same general class. Thus, all apples are equally apples (though no two are identical); all humans human, from a New Guinea Stone-Age man to Einstein; every couple is a mem-

Dr. Winston, after twenty-five years of parish ministry, now devotes full time to lecturing and writing, with emphasis on history. His latest book, on privateering and piracy, is soon to be released by Houghton Mifflin.

ber of the class of two; and noses that are deliciously snub, pointed, flat, or bony as a hawk's, answer equally to the single word "nose." Hardly a cause for pride. Would you lay down your life for it?

Political equality narrows the scope of this general principle without reducing its abstractness. In their impartiality, our rights and liberties apply in the same way to all, and therefore, by their nature, transcend the individual. Every citizen (whoever he be) has the right to worship, speak, assemble with his fellows, vote, and petition for redress of grievances; every citizen (whoever he be) has the protection of the law in his person and property, and shall be deprived of these only by due process, at the hands of a jury of his peers. Cherished rights, all. But when one of our forefathers oiled his musket and whetted his sword to gain them, he fought for *his* rights. The equality was incidental, as a correlative act of justice, and to guarantee the preservation of those liberties to each by assuring them to all.

With basic rights secured, Americans have lately pushed the idea of "equal opportunity." We recognize that a spindly youngster from Appalachia or a ghetto child may be handicapped through no fault of his own; that Negroes have been confined to inferior edu-

cation, poor housing, and menial jobs; that Puerto Ricans labor under the difficulty of language, women are down-graded in the pay scale for no reason but their sex, American Indians wear out lives of poverty and ignorance on neglected reservations, and so on.

In recent decades a flood of money and energy has poured out in an effort to alleviate the condition of these minorities. The middle-class American groans at the burden, but he does not seriously doubt his obligation. In the race of life everyone deserves a fair run, we maintain; no one, therefore, should be allowed to jump the gun because his aunt married the starter, or shove his rival in the homestretch because the finish judge owes him money. "I must say," commented Tocqueville, "that I have often seen Americans make great and real sacrifices to the public welfare; and I have remarked a hundred instances in which they hardly ever failed to lend faithful support to each other."

Vital as they are, equal opportunities never quite reach the individual. They wait for him, as a voting booth waits for the voter, a jury for the accused, a job for the man. Our laws of fair employment, reapportionment, open housing, or bussing school children, are little more than permissive. They

open up residential suburbs without providing money to buy a house, they make jobs available without necessarily training for them, extend the franchise but do not educate the voter to use it, and bus underprivileged children to overprivileged schools in the hope — but only the hope — that they will learn more when they get there. Legislated opportunities fall on everyone like rain. Never mind your name, just enter your Social Security number. What does it matter that you grow African violets or collect Bach or sleep on your left side or prefer hamburgers rare or usher in church or love your wife or weep for a dropout child or have a cataract coming on an eye or once felt God so close that you could touch Him with your hand? Just write your number in this space where my finger is; thank you, yes, you qualify. Hardly a ruling passion.

Is there, then, no equality that recognizes the person, with all his singular hopes, fears, ambitions, and foibles? There is, indeed, and it is more precious than rubies. Every man wants to be respected for himself, without regard to his birth or station. That is why the founders of this nation barred titles of nobility and hereditary privilege; they had had enough of peasants knuckling their caps when the gentry rode by. Men will

endure poverty and pain without whimpering, but not contempt. The honest carpenter deserves the same courtesy as the honest president of a giant corporation. Every rank of life has its integrity.

Within the intimate circle of the family this respect intensifies to love. Love is perfectly individual; it feeds on particulars, on what distinguishes the loved one from every other; and yet, within the family, who can claim more or less of it? When I was a small boy my parents would tease me by asking which one of them I liked the better. The question embarrassed me hugely, and I hastened to cry, "Both the same!" A mother loves her different children "all the same," and they count on it. Any other strict equality between individuals turns into despised sameness. We are not flattered to be mistaken for someone else, nor told that our names are the same; we shudder at drab rows of look-alike houses, and if two ladies appear in identical dresses, the party is ruined for both. But in the respect of our fellows, family love, and God's beneficence, we ask only equality.

Now we come to the heart of the matter. Peel from a man his artifices, habits, skills, philosophies, and loves, as you would an onion, until you expose his core,

and you lay bare not the desire for equality or political liberty, but an essential need for personal freedom. He must be able to choose among ends which he holds good, intelligently consider the means effectual to the chosen end, and have the power to use those means to that end. In the free act he attains his selfhood, his individuality, his lonely grandeur. Otherwise he is no more than a thumbed mammal or, like the galleyslave chained to his oar, simply a machine that sweats. The straight path of instinct or servitude is now full of forks, and the free man may agonize under the pressure of decision, but he will not go back. Freedom is his ruling passion.

Widely distributed freedom generated on this continent a loose-knit, flexible, competitive society with tendencies the very opposite of static equalism. "The spirit of improvement is constantly alive," Tocqueville reported. He marveled at its audacity. "The inhabitants of the United States are never fettered by the axioms of their profession; they escape from all the prejudices of their present station; they are not more attached to one line of operation than to another; they are not more prone to employ an old method than a new one; they have no rooted habits, and they easily shake off the influence which the habits of

other nations might exercise upon them, from a conviction that their country is unlike any other, and that its situation is without a precedent in the world. America is a land of wonders, in which everything is in constant motion, and every change seems an improvement. The idea of novelty is there indissolubly connected with the idea of amelioration. No natural boundary seems to be set to the efforts of man; and, in his eyes, what is not yet done is only what he has not yet attempted to do."

The scene struck Tocqueville as both awesome and monotonous, like an unending sea of choppy waves, for radical democracy is bound to do some leveling down while it levels up. The government must tax the luxuries of the more affluent if it is to provide necessities for the poor, so who can build a Versailles? Educational institutions that admit less qualified students will surely dull the intellectual edge of the brilliant ones. Art and craftsmanship may be good in a democracy, but seldom match in polish the single bauble created by the aristocratic artisan for an exacting lord. The result is a dead level of achievement higher than the worst possible and lower than the best desired.

Tocqueville missed the concentration of power that made kings

and nobles heroic figures, with their romantic gestures and memorable follies, and in place of these saw the petty goals, cheap tastes, and drab sameness of an egalitarian society. Historians of democracy, he noted, record the massive flow of whole peoples, and look for impersonal causes, whereas historians of Europe's monarchies recorded the lives of great men and looked for motives. The citizen of a democracy, thought Tocqueville, is extremely enterprising within the depressingly minute confines of his private affairs. Lacking the impressive authority that permits a duke to summon armies and topple thrones, the democrat keeps his nose glued to the account book. His low aims and mediocre desires make mere animal comfort seem to him Paradise regained; to Tocqueville it was hell, with plumbing.

The general leveling-out, he feared, coupled with the dispersion of power throughout the citizenry, invited the most insidious of despotisms — that of the majority. The majority is always right in a democracy, and its influence on the common man is stealthy, pervasive, and, above all, psychological. It doesn't put the rebel to the rack, but ostracizes him, for rebellion against the infallible majority is rebellion against the whole state. The small fragments of power

scattered throughout the population must flow inexorably into the central government if they are to be concentrated on a sufficient scale to do anything. The danger is that after the citizens have cast their periodic votes, they will settle back into the comfortable illusion that they are still exerting their sovereignty, while in fact the government is supervising them with smiling good will, like the Big Brother of Orwell's frightful vision, keeping them happy and helpless, protecting them in their ease from either the hazards of action or the rigors of thought. "Men would not have found the means of independent life; they would simply have discovered (no easy task) a new physiognomy of servitude."

Expressing fears is a pastime which has no known limits. Tocqueville also viewed with alarm the possible abuse of unrestricted assembly, apathy in the electorate, a military coup, armed revolt by black slaves, a separate nation in the agrarian South, and even a peaceful take-over by some resolute minority.

He had a sharp eye for incipient danger, we must admit. In abuse of assembly, students now bivouac in the private offices of college presidents. Black Panthers make sounds like armed revolt. Government grows ever more gar-

gantuan and minutely regulative. The erstwhile stalwart American too often sums up the good life as two cars, color TV, and Medicare. And though the Founding Fathers dared to write our Constitution behind locked doors, the modern politician frets about his image and keeps his ear cupped for the latest whiff of the consensus.

Most of Tocqueville's troubles (as Mark Twain would put it) never happened, never shattered the republic, for a reason so simple that it sounds preposterous, namely, that the people wouldn't put up with it. For the viability of any social system depends, in the last analysis, upon the mental habits of its citizens. Tocqueville suggests this stubborn factor when he contrasts the divergent histories of the Anglo-Saxons (as he called them — and they were) in North America and the Spanish to the south, or, again, when he attributes the superiority of America's merchant marine to the mentality of her seamen. In estimating any nation's capacity to achieve, or to change in a given direction, ingrained attitudes of mind must be reckoned with. "We thought we could jimmy things around here and pf-f-f-f! the new age," a social worker once told me in Sicily. "We found out that you have to change their minds, too. That's slow, and it's tough." Lib-

erties don't come down like manna from heaven; they are won, and their responsibilities discharged, by free men.

Royal tyranny vanished in England because the English commoner just would not put up with it. Commoners took the field against Charles I and beheaded that troublesome monarch; later they drove James II from the throne and in his stead elected a Dutchman willing to respect Parliament's prerogatives. In the same century commoners settled New England, resolved to extend their mutual privileges; they worked the land together, shouldered their muskets with a single motion in the face of danger, formed governments, built schools, and worshipped side by side in the same pew as though it were the most natural thing in the world. And it was, since they thought it was. Every colonist granted justice to all because he expected it for himself. He spoke his mind as conscience bade him, and the only way to silence him was to kill him. He was his own man.

Fortunately, the right mind can be as tenacious as the wrong one. The American colonists had the right mind for planting the seeds of democracy on these shores. If we can keep that mind, we will keep a free society. ♦

Essentials of Economics

IF YOU WANT instant enlightenment, Henry Hazlitt's *Economics in One Lesson* is still the desired text. If you want enlightenment in great depth, there is Mises' *Human Action*. But if you are looking for something in the "in between" category, the new Foundation for Economic Education edition of Faustino Ballvé's *Essentials of Economics: A Brief Survey of Principles and Policies*, translated from the Spanish by Arthur Goddard (\$3.00 cloth, \$1.50 paper), is your meat.

Dr. Ballvé was a Spaniard, born in Catalonia, who became disillusioned with his country in the thirties, when the life choices of anyone who wanted to stay home in Spain seemed to be narrowed down to the either/or of Fascism or communism. Having studied economics in England, where he managed to resist the Fabians, Dr. Ballvé had had some acquaintance with the idea of libertarianism-under-law that one used to think

of as peculiarly Anglo-Saxon. He took his philosophy with him to Mexico in 1943, where he wrote *Diez lecciones de economia*, or, as it was translated for the French edition, *L'Economie vivante*. The English language edition, which was first published by Van Nostrand in 1963, includes some substantive changes made for the French public.

Dr. Ballvé must have had his Catalonian brothers in mind when he wrote his book, for his clear distinctions seem directed to the emotional libertarian, particularly common in Latin countries, who tends to think of freedom as a synonym for anarchy. The emotional libertarian goes in for syndicalism. But syndicalism, as Dr. Ballvé saw it, resulted in group interferences with the market, and pushed an economy in the direction of corporativism, which demands state control of the syndicates and so negates the original impulses of anarchistic individual-

ists. Having forsworn the aberration of his countrymen, who seem to have a genius for turning things into their polar opposites, Dr. Ballvé was in an exceptionally good position to bring the principles of classical liberalism to a Latin audience.

Freedom of Choice

Classical liberalism presupposes rights, which must be guaranteed by law and protected by the courts. In economics, the right to life, which is fundamental, becomes the right to own and to exchange what one owns in the free market if one so chooses. (How else is one to support life as a right, not as something that one lives on suffering of a tyrant?)

In translating his liberalism into the terms of economics, Dr. Ballvé refuses to talk about that unreal abstraction, the "economic man." Like Mises, Dr. Ballvé thinks that all choices, whether economic or not, vie for an individual's time and energy. Any choice of any kind affects the market: as Dr. Ballvé puts it, "the retirement of an entrepreneur of genial disposition can bring fortune or misfortune to many other entrepreneurs, just as the indifference of a truth-seeker to monetary considerations can, at a given moment, make both him and others wealthy." Thus there is a compe-

tion "not only among vendible goods, but also among things that are, as we commonly say, 'beyond price.'"

The choices of men cannot be predicted; moreover, they cannot even be averaged. So there cannot be any "mathematical economics" apart from the science of statistics, which tells you what has happened, not what is going to happen. The future is unknown; it can be pushed into utterly unforeseeable forms by invention, imagination, the spirit of adventure, the willingness to take chances. Value is a subjective matter which becomes objectified in price as people trade "disutilities" (for them) for "utilities" (which are the other fellow's "disutility"). You get rid of something you value less in order to pick up something you value more. And your judgment may or may not reckon with the "labor hours" it takes to make something, or with "intrinsic" value. The higgling of a whole slew of subjective desires takes place within the context of the available purchasing power (money and credit), and it is the "market" that makes the prices.

The state, of course, can inflate or deflate the prevailing price level by manufacturing or destroying money. Governments make depressions by following interventionist policies that expand credit without

sufficient knowledge of what people actually want. Intervention, if it does not make a lucky guess, provokes malinvestment. In socialist nations this fills the storehouses with unwanted goods; in capitalist and semicapitalist nations, it piles up inventories that have to be sacrificed at a loss.

Consumer Oriented

Everything is fluid in Dr. Ballvé's world. Wages are not paid out of any fixed "wage fund" in accordance with an "iron law of wages"; it is the consumer, in the last analysis, who pays the worker as well as the investor and the entrepreneur. The consumer makes the demand that brings out the supply, again within the context of the availability of money, goods, and services. Just who will get what out of the cycle of production, distribution, and consumption depends on many variables, none of which can be accurately predicted. The willingness of the working class to reproduce itself depends on general cultural considerations. "Poverty" is a subjective concept; what was "riches" to a courtier in the time of Louis XIV would be considered "poverty" by many today.

Dr. Ballvé is particularly good in his description of the economic process as a seamless web. Production, distribution, and consump-

tion cannot be split apart. The production, in accordance with Say's Law of Markets, releases the purchasing power (wages, interest, dividends, profits) sufficient to clear the market, with distribution figured as a cost. The numerous time lags that separate the act of production from the act of consumption overlap. There can be no such thing as general "overproduction," although entrepreneurs may make bad guesses in individual instances that require a liquidation of inventories at a loss. If the state does not interfere with the rhythmic pulsations of the economic process, unemployment in specific industries will quickly disappear as the workers who have been temporarily inconvenienced by bad guesses go to work for entrepreneurs who are gifted with better foresight.

International Trade

The effort of separate nations to solve their problems on a socialist basis (which comes down to "national socialism" even though Marxists pay lip service to "internationalism") leads to national impoverishment, for, if one cannot import what other people can make more cheaply, one is necessarily forced to forego manufacturing the exports which would buy the most for the least in the world market.

All countries have to import food and raw materials and manufactured goods if they wish to live well; the idea of raising bananas in the temperate zone, or making automobiles in the desert, is self-evidently idiotic. The law of comparative cost always holds. So, when nations begin worrying about the "balance of trade," they are saying, in effect, that the price of a currency expressed in an exchange rate is more important than bananas, or automobiles, or whatever. This is a perversion that sacrifices the consumer to an abstraction; better let the currency seek its own level in the world's money markets.

Dr. Ballvé's description of a consumer-directed economics is not a description of the contemporary world. Governments everywhere seem to be in competition to promote a maximum amount of malinvestment by their constant monetization of new debt. Because

of this, libertarians and conservatives have been predicting for years a recurrence of the 1929 crash. It doesn't happen. But what does happen is that individuals are constantly forced to surrender more and more of their liberties while the governments go on inflating their currencies. The "controlled economy," as Dr. Ballvé says, "drifts inevitably toward communism." And, as Hayek said, "the worst get on top," for the act of controlling requires tough individuals who are willing to use the club, the knout, and the jail sentence to get their way.

Dr. Ballvé's little book runs to 99 pages of text, plus the space devoted to a foreword by Felix Morley and the prefaces to both the English and the Spanish language editions. For those who can't find time to read Mises' *Human Action*, Dr. Ballvé is a good introduction to the "science of choice." ♦

the Freeman

VOL. 19, NO. 6 • JUNE 1969

- A Capitalist Manifesto** **William Henry Chamberlin** 323
The proven superiority of capitalism in solving the problems envisioned by Marx should bring forth a new manifesto.
- Combinations in Restraint of Trade** **Paul L. Poirot** 331
In our zeal to reform the world, we often embrace one of the very errors we most abhor.
- The Rise and Fall of England:**
16. The Fall of England (Part I) **Clarence B. Carson** 335
The anomaly of the collapse under socialism of a victor nation in World War II.
- The Intellect in Utopia** **Roger Donway** 346
How the mind of the reformer and his freedom to plan must give way to the coercive methods he espouses.
- The Right to Health** **Thomas S. Szasz, M.D.** 352
If one has a right to treatment, does he have a right to resist treatment? And who is to provide such care?
- Education in America:**
9. Academic Freedom for What? **George Charles Roche III** 363
Freedom to seek the truth within the bounds of civilized society and to attract students toward such findings.
- The Fallacy of "Intrinsic Value"** **Gary North** 370
Not the labor stored in gold but its physical properties cause man to value it as money.
- Book Reviews** 376
"The Coming Aristocracy" by Leonard E. Read
"Dollars and Deficits" and "The Optimum Quantity of Money, and other Essays" both by Milton Friedman
"So Human an Animal" by Rene Dubos

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

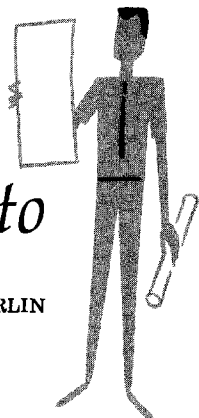
Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "The Rise and Fall of England," and "The Right to Health."

A Capitalist Manifesto

WILLIAM HENRY CHAMBERLIN



MORE THAN A century ago, in 1848, Karl Marx and Friedrich Engels, on behalf of the Communist League, issued *The Communist Manifesto*, one of the most famous appeals for revolution. The following paragraph in the *Manifesto* sums up the communist objective in a nutshell; and this objective has been realized, in varying degree, in the Soviet Union, mainland China, Cuba, and the Soviet satellite states in Eastern Europe:

“The proletariat (wageworking class) will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, i.e., of the proletariat organized as

the working class, and to increase the total of productive forces as rapidly as possible.”

To put this in somewhat more understandable language: The wageworking class will seize governmental power and confiscate all property from its owners. The state will then proceed to operate factories, mines, transportation systems and endeavor to raise production levels as rapidly as possible.

The *Manifesto* is phrased in rather melodramatic language. It begins with the assertion that the specter of communism is haunting Europe, asserts that history can only be understood as a succession of class struggles in which slave society gave way to feudalism and feudalism to capitalism. Capitalism, in turn, must give way to a higher form of society: socialism or communism. Marx used these

Mr. Chamberlin is a skilled observer and reporter of economic and political conditions at home and abroad. In addition to writing a number of books, he has lectured widely and is a contributor to *The Wall Street Journal* and numerous magazines.

two words interchangeably. The communist ideal includes such points as the abolition of private property in land; a heavy progressive or graduated income tax; abolition of all right of inheritance; centralization in the hands of the state of industries, means of communication and transport, and credit; and universal liability to labor. The opposition of communists to the existing order is emphasized in the concluding sections of the *Manifesto*:

"The Communists everywhere support everywhere every revolutionary movement against the existing social and political order of things

"The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win.

"WORKINGMEN OF ALL COUNTRIES, UNITE."

Vision of the Future

The Communist Manifesto is a call to revolutionary action. The comforting assurance that such action is in line with historical destiny is to be found in one of the few vividly imaginative pas-

sages in Marx's major work, *Capital*. In general this work is so heavily interlarded with early nineteenth century British economic theory and the philosophical ideas of Hegel, which Marx twisted and applied to his own purposes, that only the most persistent and devoted communists and socialists can honestly boast of having read it through. In this passage, however, Marx gets away from his customary ponderous long-winded style and sets forth the essence of his doctrine and his vision of the future:

"While there is a progressive diminution in the number of the capitalist magnates, there occurs a corresponding increase in the mass of poverty, oppression, enslavement, degeneration, and exploitation. But at the same time there is a steady intensification of the wrath of the working class — a class which grows ever more numerous, and is disciplined, unified, and organized by the very mechanism of the capitalist method of production. Capitalism becomes a fetter upon the method of production which has flourished with it and under it. The centralization of the means of production and the socialization of labor reach a point where they prove incompatible with their capitalist husk. This bursts asunder. The knell of capitalist private property

sounds. The expropriators are expropriated."

Here is a vision to tempt the eyes of advocates of revolutionary *change*, whether they favor peaceful or violent methods. It has all the appeal of an epic drama. There is a villain, the capitalist exploiter; a hero, the downtrodden proletariat; and there is an allegedly scientific assurance that the hero will win. For, if the rich become fewer and richer and the poor more numerous and more miserable, the long-range odds for social change are clearly on the side of the poor.

Bad Guessing

Unfortunately for Marx's reputation as a prophet, what he represented as infallible laws of historical development proved by the course of events to be mere arbitrary guessing about the shape of things to come — and pretty bad guessing, at that.

Take the very keystone of the Marxist theory: the dogmatic assurance that the rich will become fewer as they gather more wealth into their predatory hands, while the poor wage-working "proletarians" become constantly poorer, more degraded and oppressed. (Incidentally, Marx and his collaborator, Friedrich Engels, never made clear how and why a long process of poverty and exploitation fitted

and qualified the proletariat to rule.)

But it is a matter of visible record, which could be supported by mountainous statistics, that it is in just those countries where the capitalist system has been most faithfully preserved that the industrial wage-workers have achieved the most impressive gains in real wages, in food, clothing, housing, educational and employment prospects for their children, in everything that goes to make up a standard of living.

Even in Marx's lifetime, in the middle and latter part of the nineteenth century, the poverty of the industrial workers in the country he knew best, England, was diminishing. Could the socialist prophet revisit London where he spent so many weary hours poring over government reports on industrial conditions, he could scarcely fail to be amazed at how living conditions in London's East End and other industrial areas had improved, by the number of new items in the working class family's budget. And this improvement was general in all advanced industrial countries where capitalism was allowed to function.

Indeed Marx, the supposedly scientific prophet of the world's economic future, has been proved completely wrong on many important points of his creed. The most

significant, perhaps, of his mistakes was about the increasing poverty and misery of the wage-working class. Another conspicuously bad guess was about the regular evolution from one type of social-economic organization to another. Marx was convinced, and the idea recurs frequently in his writings, that a higher form of society would only emerge when all the possibilities of the preceding lower form had been exhausted.

In other words, only a country that had passed through a long development of capitalism would be ripe and fit for a socialist transformation. A socialist revolution before capitalism had reached maximum development would be a sin against Marxian theory — indeed, according to this theory, could not occur.

The Improbability of Communism in Russia and China

Once again Marx failed as a forecaster, and on two counts. The highly developed capitalist countries that should, by Marx's rules, have been ready for the transition to socialism or communism, the United States, Great Britain, Germany, showed no inclination to take this road. The communist revolutions that occurred — in Russia in 1917, in China in 1949 — took place in countries where according

to Marx no such upheavals should have occurred.

Indeed, in Russia one of the principal arguments between the Bolsheviks — who pushed the revolution through and quickly turned the supposed rule of the Soviets into the rule of the Communist Party and substituted a dictatorship *over* the proletariat for the Marxist ideal, dictatorship *of* the proletariat — and the more moderate Mensheviks was about Russia's suitability for a socialist revolution. From the standpoint of Marxist dogma, the Mensheviks had the better of the argument; Russia was in a very early phase of capitalist development and certainly had not exhausted the possibilities of this phase. But the Bolsheviks had the stronger practical arguments: the guns, the swift organization of a system that made the expression of any contrary views impossible. They made a revolution in the name of Marx in violation of some of Marx's basic and most cherished convictions.

Even more striking was the unsuitability of China for application of Marx's blueprint of revolution, which assumed a highly developed industry and a large class of organized industrial wage-workers. Outside the large cities, much of China was in a pre-capitalist state of economic devel-

opment, far behind Czarist Russia. About the collectivist revolutions of the twentieth century, the Russian and the Chinese, there may be many opinions; but one fact is clear. Although both were made in the name of Marx, neither fitted Marx's prescription of socialism as an organic growth, with more or less violence, from the supposedly lower stage of capitalism.

Self-Destructive?

Marx had thought of capitalism as carrying the seeds of its own destruction. Whenever nineteenth century England experienced an economic setback, Marx and his friend Engels exchanged joyful letters about the impending doom of the hated capitalist system. But in England, as in the United States and other countries, there was invariably a recovery from depression; and not only a recovery but a surge to new heights of production.

During Marx's lifetime and during the interval between his death and the outbreak of World War I there was no sign of the death of capitalism from what might be called internal disease. There was a considerable growth of socialist parties in Europe; but these parties showed an increasing tendency to seek their objectives by evolutionary and peaceful methods. Violence came into play in

poorer and socially more backward countries. And, when the workers of Europe faced the choice between loyalty to nation and loyalty to class, on the outbreak of general European war in 1914, the overwhelming majority followed the call to the colors.

Extreme internationalists who followed Lenin's slogan, "Turn the imperialist war into civil war," were a negligible minority. Even in Russia, where political assassination, mass political strikes, military and naval mutinies had figured in the struggle against an autocratic regime, the first impulse after the outbreak of hostilities was toward national unity.

As the war went on, with its lengthening casualty lists, its uprooting and dislocation of vast numbers of people, its growing privations and sacrifices, this early enthusiasm vanished. The war was an important factor in bringing about successful revolution in Russia, revolts and riots in other countries. And World War II had much the same effect in China as had World War I in Russia. The communists were the only winners. But this was not according to Marx. Both in *Capital* and in the more succinct *Communist Manifesto*, revolution is seen as the end product of internal weaknesses in the capitalist system, not of an external force like war.

The Superiority of Capitalism

The Communist Manifesto is based on assumptions that are, in some cases, unproved, in other cases disproved by the course of historical development. It is time that some individual or group put forward a Capitalist Manifesto, affirming faith in capitalism as the best, fairest, most efficient and humane method known to human experience for getting the world's work done, especially in the light of the contrasted example and lessons of its collectivist challenger. Such a Manifesto would state six reasons for the superiority of capitalism, based not on doctrinaire theories and dubious assumptions, but on the clear teachings of human experience:

(1) Two examples at opposite ends of the world, Germany and Hong Kong, prove the magic of capitalism in restoring a shattered economy or creating a flourishing oasis of industry and trade which had not existed on anything like the same scale before. The recovery of Western Germany from hunger, ruin, and apathetic despair after Dr. Ludwig Erhard prescribed his medicine of prosperity through hard work, competition, individual incentive, and return to maximum freedom of trade, was so spectacular that it is still often referred to as the German miracle. To move across

the frontier to communist-ruled East Germany was, as a German once said to me, like the transition from day to night.

Hong Kong is a bare island with an adjacent strip of mainland, a leased acquisition of Great Britain after one of its nineteenth century clashes with China. The city has grown enormously since the end of the war, mainly because of the influx of refugees from the communist-ruled mainland. Four million people are now crammed into this small area. Here is the comment of a recent visitor, the American journalist, William L. White:

"The little city is prosperous beyond belief. This surviving vestige of British colonialism shows what free trade can do, if it is left free."

In history and ethnic make-up Hong Kong is very different from the German Federal Republic. But both teach the same lesson: the enormous built-in dynamic of capitalism. Incidentally, Hong Kong is one place where the native population emphatically does not want the British to leave.

(2) Freedom from monopoly saves the capitalist system from hardening of the economic arteries. If one firm turns down a promising scientific or managerial invention, another firm may take it up, and take the lion's share of the market with it.

One of the least convincing arguments for socialism is the occasional appearance of monopoly abuses under free enterprise. But monopoly abuses under capitalism are transitory and self-correcting, if not induced and sustained by government grants of power. Under socialism, or communism, where the state is the sole producer and distributor, these abuses are permanent and irremovable. What an illusion, to imagine that the cure for the evils of monopoly is more monopoly!

It is highly significant that it is always the communist-governed countries that are trying to learn from the more advanced capitalist lands. It is never the other way around. In recent years communism has been paying capitalism the proverbial flattery of attempted imitation by experimenting with such capitalist devices as differential wages, emphasis on profits for state enterprises, and so forth. But these feeble imitations will not lead to success, it may safely be predicted, so long as the essential ingredients of private ownership and private profit are missing.

(3) Far from being reactionary and tyrannical in its effects, capitalism -- with its diffusion of economic power among millions of owners and investors, large and small -- is the only system com-

patible with the checks and balances, the freedom of the press, the holding of free elections, and the legal guaranties against arbitrary actions of state authority that make up the essentials of a free society. Communist regimes have been set up in various countries and under various circumstances. But it is surely significant that not one of these states can pass the free election test, where various candidates may compete with the spoken and printed word, and without fear of the policeman's knock as a result.

A generally capitalist economy is no guaranty of political freedom. The scope and reality of free political institutions vary from country to country depending on such factors as political experience, education, and others. But one infallible way of assuring the elimination of any trace of control by the citizen over the state is to set up a communist economy and thereby make the state, and the people who operate that state, the monopolistic possessors of economic power. That is a rule to which there have been no exceptions.

(4) Anyone who cherishes freedom should be a convinced upholder of the capitalist, or individualist, economy. For freedom is in the very nature of capitalism, as compulsion is an integral

aspect of an attempt to put Marx into practice. The degrees of pressure on the individual in a collectivist society to do what the state dictates, rather than what he may choose to do or not, vary from the frightful brutality of slave labor concentration camps to milder methods. But the pressure is always there. Not the least of the merits of capitalism is that it leaves the individual alone, to work at whatever may attract him, to be a hobo or a hippie.

(5) Capitalism is a nonutopian system. It does not promise the earth, the moon, and the stars to those who live with it. It does promise them freedom to choose between material and nonmaterial objectives. It assures them that, subject to vicissitudes and accidents which are in their nature uncontrollable, they will go as far, by and large, as their abilities, diligence, and aptitude will carry them. Not to be utopian may seem a rather negative tribute. Yet it is doubtful whether more or less consciously evil men have inflicted as much suffering as have utopian idealists, enjoying a period of absolute power and prepared to turn

life into a hell for the present on the doubtful prospect that it may be a heaven for future generations.

(6) There is a widespread feeling that, while capitalism may be useful and efficient, it is somehow sordid and lacking in moral inspirational appeal. But on a closer view, a philosophy that has given the world the wonderful device of the free market, that makes possible the checks and balances on which a free society depends, that diffuses economic power as a free society diffuses political power, that avoids the cruelties of compulsion and the illusions of state planning, that steers clear of utopianism — such a system is by no means lacking in moral appeal, especially if one fairly examines its alternatives. In that connection, worth remembering is a saying of the late Wilhelm Röpke, one of the most brilliant exponents of economic freedom as indispensable for all other kinds of freedom:

“While the last resort of the competitive economy is the bailiff, the ultimate sanction of the planned economy is the hangman.”

EDITOR'S NOTE: *The Exploitation Theory* by Eugen von Böhm-Bawerk is a scholarly analysis and exposé of the fallacy underlying the Marxist writings. Published by The Libertarian Press, the booklet is also available at \$1.50 from the Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 10533.



PAUL L. POIROT

Combinations in Restraint of Trade

IF ONE COULD POLL all past and present economists, perhaps the point upon which they'd most nearly agree is that combinations in restraint of trade are economically unsound. Not even Karl Marx would have defended a monopoly or cartel.

Unfortunately, there is no depth to such convictions; the agreement on the matter is strictly superficial. "Workers of the world unite," thundered Marx; and combinations in restraint of trade have constituted the core of social reform from that day to this.

Trade is the lifeblood of civilized society. This is not to suggest a social organism to which the individual human being must bow and scrape, but an operating method that allows each peaceful person to choose and act freely. The free market, in other words, is a means for social cooperation, association for mutual gain. Its

functioning depends not upon our being perfect or all-wise or selfless or equal but upon our being human — not upon our similarities but upon our differences — not upon what we own or hold in common but upon our independent likes and dislikes and that which each can identify and claim as his own private property.

It is neither necessary nor desirable that there be equality in the possession of things, though certain emergency situations may give rise to such rationing — a band of pilgrims stranded on a rock in the dead of winter; survivors on a raft in a hostile sea; a faithful few standing by for the coming of a New Jerusalem — or a higher stage of socialism.

Whatever one's conclusion about the efficacy of such emergency rationing for purposes of survival, the historical record affords no comfort to the advocates of col-

lectivism as a continuing way of life. That "wave of the future" is a failure. It plugs every avenue to progress and leads only to the dead level of mediocrity. No individual is permitted to gain or lose, succeed or fail — as though evolution could occur without birth and death.

Keynes was under no illusion as to the consequences of the intervention he advocated. "In the long run," he said, "we are all dead." Forced equalization as a method for survival in the short run leaves man without means or purpose for the long run. No one bothers to specialize or save or attend to the processes of continuing production — unless he is allowed to retain and enjoy the fruits of such effort. Compulsory collectivism is indeed a conspiracy, a combination in restraint of trade.

Destroy the Machinery

We smile knowingly, and sadly, at the reports of the destruction of machinery by workers in the textile mills in the early stages of the industrial revolution. They thought their jobs and means of livelihood were being threatened by the new spinning jennies and looms. Today we know very well the futility of trying to earn a living spinning thread by hand or trying to weave without the latest power loom equipment. We know

how shortsighted were the early factory workers with their silly combinations in restraint of trade. The very idea of breaking up the machinery that would enable them to produce more efficiently!

Or do we only pretend to understand what they did not, while persisting in their foolish ways to destroy the property and disrupt the trade upon which our own lives depend?

Is a twentieth-century strike by workers in any particular industry any less a combination in restraint of trade than was the destructive action of their unenlightened forebears in the textile mills a century or two earlier? What else is an employee strike than a concerted action to immobilize and render ineffective the capital and tools of their trade and the managerial talent developed and accumulated over the ages?

Are twentieth-century rioters in our cities any less destructive of life and property than were their eighteenth-century counterparts among the rabble of Paris? Are modern tariffs, boycotts, embargoes, and controls over prices, wages, and rents any less disruptive of trade than were similar combinations in restraint of trade in previous centuries?

Are the youths of all ages who lead and follow in today's student revolts against the cumulative wis-

dom and traditions of civilization less detrimental to human progress than were the Huns and Vandals who sacked and burned ancient Rome? Was there ever a more disruptive combination in restraint of education than the striking United Federation of Teachers in New York City?

How may future historians describe our Age of Inflation other than an international conspiracy in restraint of trade, a gigantic counterfeiting operation designed to transfer savings by stealth from private ownership and control to public disposition and wasteful consumption?

At a time when human life throughout the world is more dependent upon the blessings of specialization and trade than ever before, we seem to have hit an all-time high in various combinations in restraint of trade—as though determined to destroy ourselves in the process of plundering others.

How does one counteract a combination in restraint of trade—or violence in any form, for that matter? In the first place, and to the extent that he has a choice, he can withdraw his support of such harmful actions. This may be as simple a matter as clearing his mind of illusions about the nature of people and things, visualizing the numerous peaceful alternatives to this or that outbreak of vio-

lence, and putting his trust in one of those alternatives.

There is no point in charging a picket line for the pleasure of knocking heads with those who have no other objective. But one may peacefully withdraw his support of picketing and other forms of violence. He need not profess in public to be in favor of a right to strike; the alternative is to uphold the right to work, to serve oneself by serving others. One's right to work for an employer who provides the tools and manages the enterprise and markets the product includes permission to vacate that job if the wage is unsatisfactory; but it does not entitle the employee who quits to destroy the tools and plant and sales organization and other assets of the business when he leaves it. Nor does it entitle him to draw automatically upon taxpayers to cover the wages lost by not working.

The Guaranteed Life Brings Stagnation

Imagine, if you can, a business enterprise operated on the principle of a guaranteed position in the market, a guaranteed cost-free supply of capital and raw materials, a guaranteed steady stream of customers using ration coupons but otherwise obliged to pay nothing for any product or service, a guaranteed annual wage

to every employee, with full tenure and seniority provisions and a right to strike indefinitely with unemployment compensation for the duration.

What you have just tried to imagine are the terms and conditions of a full-fledged welfare state, otherwise known as socialism, with you as the guarantor, otherwise known as the taxpayer.

Scarcely anyone can stretch his imagination enough to accept socialism when carried to its ultimate logical conclusion. Yet, there are many who imagine that one of these terms or conditions can be imposed — one step taken — without leading inevitably to the next, and the next, and the same eventual dead end. Every strike action condoned, every picket line respected, every special privilege allowed one person or group at the expense of others against their wishes, every act of coercion against peaceful members of society is destructive of that society and leads to its disintegration. Unless the life of the peaceful person and his property are respected and defended, he cannot be counted upon as either a supplier of, or paying customer for, goods and services; the advantages of specialization and trade will be forfeited, the stage set for the four horsemen of the Apocalypse: war, strife, famine, and pestilence.

If one seriously proposes to do something about a social condition he deplotes — let us say, for instance, the fact that not everyone can afford everything his heart desires — then it behooves him to advocate a cure that does not aggravate and accentuate that very problem. It is not helpful to bolster and strengthen the demand for a scarce resource in ways that discourage the production or otherwise diminish available supplies of that scarce resource. If lack of trade is the problem, then combinations in restraint of trade cannot be a right answer. The alternative is a combination in promotion of trade, and the process is through efficient and profitable production of goods and services. He who supplies in the market those things others most want, as evidenced by their willingness to buy, not only serves them. He thereby conserves scarce resources in the only meaningful sense of the term by turning those resources to their most economical use. And whether or not it was his intention, he best serves himself in the process, improving his prospects to fulfill whatever purpose he has in mind for his own life. That kind of social cooperation or combination in promotion of trade is practically all that anyone can do to win the respect and support and good will of his fellow men. ♦



The Rise and Fall of England

16. THE FALL OF ENGLAND (Part 1)

THE FALL of England after World War II was precipitate. To outward appearances, Britain was still a major power in the world at the onset of the war. British policy was supposed to be of great moment, if not decisive, in world affairs. If the navy no longer ruled the seas, neither did that of any other power. The sun never set on the British flag; the globes which indicated such things still sported more pink than any other color. Nor is it clear why the war should have changed matters so very much. England and the British Empire fought on the side of the

victorious Allies. Nor had the British Isles been invaded by a conquering army; alone among the great powers of western and central Europe, Britain was not subjected to the debilitating effect of occupying armies.

Yet, in short order, Britain was no longer a major power, indeed, was swiftly becoming a minor power. Much of the empire was breaking away, or being cut away. The British were withdrawing forces from their traditional spheres of influence. England's role in the world, far from being increased by victory in the war, was diminishing with unseemly speed. Of course, the British had suffered much during the war, suffered from the bombing, from

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*.

the loss of men, from the destruction at sea, from the disruptions and dislocations that occur in any war. But the wounds were not themselves mortal, or should not have been, to a once great nation. Indeed, others suffered more, particularly the Soviet Union, and gained rather than lost sway in the world. The explanation for the fall of England must be sought elsewhere. In brief, it is to be found largely in the policies and practices of the government, but before examining further into these there is a broader context that should be delineated.

All of Western Europe

The fall of England was part of a more general phenomenon: the fall of western Europe. The fount and center of Western Civilization for many hundreds of years has been western Europe — the British Isles, France, the Low Countries, Scandinavia, Germany, and thence to countries that had become peripheral already: Italy, Spain, Portugal, Austria, and so forth. In more recent times, the centers of power and influence had usually been England, France, Germany, and, to appearances, a revived Italy. But many untoward developments had occurred in continental Europe between World War I and World War II.

It was supposed that France

had the mightiest army in the world. Yet, once the German armies broke through in World War II, it took them only a few weeks to complete the conquest of France. France, it turned out, was only the shell of its former self. Not only had World War I taken its toll but also an internal disintegration had sapped the will of the French to resist. Germany suffered the debilitating effect of a runaway inflation in the 1920's, accompanied by foreign pressures and internal socialist experiments. Then came the terror and violence of the years under Hitler. Italy underwent both the deterioration of its parliamentary institutions and the fascist dictatorship of Benito Mussolini with its overtones of socialist syndicalism. Once great centers of civilization succumbed to the blandishments of men teaching barbaric doctrines.

Then came World War II. First, most of the countries were subjected to invasion and occupation by German and Italian armies. Then Allied armies thrust over much the same ground, and in the end occupied Germany and Italy, along with many other lands. The requirement of unconditional surrender resulted in the virtual destruction of the power and will to resist of the Germans (as well as the Japanese).

At the end of World War II,

then, a power vacuum existed in western and central Europe. The shell of France had been cracked or broken; only the indomitable will of Charles De Gaulle has held the country together since. That Italian power was largely the bombast of Mussolini became obvious rather early in the war. German power was utterly destroyed; much of its manpower and machinery carted away by the Russians; the land subjected to division and occupation by conquering armies. No treaty has yet been drawn with that divided country. If the will exists to develop any new center of power on the continent (aside from the *personal* will of De Gaulle), then there has been as yet no opportunity.

World War II did not bring to an end aggressive action in the world. It only succeeded in destroying the power to resist it on the continent of Europe and for much of Asia. The Soviet Union — fount and center of international communism — used the European disruption as an opportunity to expand communist power and practices. It should have been clear by then that the Soviet Union was aggressive and expansionist. Not only had the communists made a pact with the Nazis before World War II for dividing up the spoils in eastern Europe — a pact observed to the extent that the Sovi-

et Union invaded Poland from the east after Germany invaded from the west — but also they had expanded by taking Latvia, Lithuania, and Estonia, as well as invading and seizing part of Finland during World War II. If any doubt remained, it should have been removed shortly. Everywhere the Soviet armies went, communist governments were soon set up, or were enabled to take over: in Poland, Hungary, Rumania, and so forth. The Security Council of the United Nations, which was charged with keeping the peace, was quickly deactivated by Soviet vetoes.

The Lion at Bay

Britain was the only European country with major power potential at this moment in history which might have wielded weight against Soviet expansion. But Britain was set on another course, as we shall see. It is true enough that the British were exhausted by a long and demanding war effort. (But so, surely, were the peoples of the Soviet Union.) It is true, too, that the British relied heavily upon American aid to conduct the war, that foreign investments had been to a considerable extent dissipated, and that there had been heavy losses of all kinds. There were excuses enough, in all conscience, for the British reti-

cence to continue a vigorous role in the world. But when a victorious power uses the occasion of its victory to abandon its historic role, it can hardly be attributed to exhaustion by the war.

In fact, such power and force as remained in the British government was turned on the British people. No matter that a majority of the electorate had voted for the Labour Party in 1945, they had, in effect, voted for the government to unleash its power on them. Socialists in power, as has been shown, continued and extended the wartime controls, appropriated property, regulated, restricted, and harassed the British people as those people tried to come to grips with the difficulties that confronted them.

How this power was employed at its nether reaches is illustrated by the following examples from the latter part of the 1940's:

. . . The Ministry of Food prosecuted a greengrocer for selling a few extra pounds of potatoes, while admitting that they were frostbitten and would be thrown away at once. The Ministry clamped down on a farmer's wife who served the Ministry snooper with Devonshire cream for his tea. A shopkeeper was fined £5 for selling home-made sweets that contained his own ration of sugar. Ludicrous penalties were imposed on farmers who had not kept strictly to

the letter of licences to slaughter pigs; in one case, the permitted building was used, the authorized butcher employed, but the job had to be done the day before it was permitted; in another case the butcher and the timing coincided, but the pig met its end in the wrong building. . . .¹

These homely examples may tell more than volumes of theory of the true nature of the socialist onslaught.

Socialist Wreckage

In short order, the socialists were able virtually to wreck what remained of a once vigorous and healthy economy. Economy had suffered greatly from the interventions of the interwar years. It was hampered even more drastically by wartime restrictions. But the measures of the Labour government were such as to make economic behavior very difficult to follow.

The wreckage was wrought by nationalization, controls, regulations, high taxes, restrictions, and compulsory services. There was a concerted effort to plan for and control virtually all economic activity in the land. The initiative for action was taken from the people and vested in a bureauc-

¹ David Hughes, "The Spivs" in *Age of Austerity*, Michael Sissons and Philip French, eds. (Middlesex, England: Penguin, 1964), p. 99.

racy. Where industries were actually taken over, they were placed under the authority of boards which were perforce irresponsible, for the usual checks and restrictions (such as the necessity to make a profit) were removed. In short, the bureaucracy was let loose and the people were bound up. To put it another way, much of the great ability and energy of the British people was turned from productive purposes to wrestling with the bureaucracy.

By examining in detail, it would be possible to show all sorts of reasons for the failure of the socialists. However, in such brief scope as this it will be more appropriate to take two of the reasons and explain them. These two are central, but surely not the only ones. One is somewhat peculiar to England; the other is a universal fallacy in socialism. Let us take the broadest one first.

Emphasis on Distribution

Socialists have periodically claimed, at least since the publication of *The Communist Manifesto* in 1848, that the problem of production has been solved. Indeed, they have waxed wroth over the dangers of overproduction, of glut, and of affluence. They have gone so far as to claim that capitalist countries have to have war in order to get rid of the excess

production. The problem, they have said again and again, is one of distribution. Moreover, English socialists have been devoted to the idea of as near equal distribution of goods and service as is possible (or "practical"). If they were right in believing that the problem was one of distribution and not of production, they were probably also right in believing that government could solve the problem.

At any rate, the Labour government undertook redistribution with a right good will. They levied highly graduated income taxes, taxed luxury goods at high rates, controlled prices of food, clothing, and shelter, and rationed many items in particularly short supply. Not only that, but they provided free medical services, provided pensions, and otherwise aided those with little or no income. They distributed and they distributed.

Yet, a strange thing—at least to them—occurred: the more they redistributed, the less they had to distribute. Not only did such shortages as they had known during the war continue, but others cropped up as well. One writer points out, "By 1948, rations had fallen well below the wartime average. In one week, the average man's allowance was thirteen ounces of meat, one and a half

ounces of cheese, six ounces of butter and margarine, one ounce of cooking fat, eight ounces of sugar, two pints of milk, and one egg."² Even bread, which had *not* been rationed during the war, was rationed beginning in 1946. The government had first attempted to fool the English people into buying less bread by reducing the amount in a loaf. When that did not work, they turned to rationing.³ Housing, clothing, food, fuel — everything, it seemed — was in short supply.

A Bad Winter

The situation became perilous in the winter of 1946-47. It was, undoubtedly, a bitterly cold winter, accompanied by unusually large snowfalls. Ordinarily, the winters in England are mild, protected as the island is by the water and the prevailing currents and winds. Not so, this time; the full fury of winter settled upon the land. The effect was near catastrophe, even when reduced to dry textbook language: "... in February the coal stocks which were already low could not be replenished because of transport difficulties. . . . For several days much of the industry of the country had to close down; almost two million

people were temporarily unemployed; and domestic use of electricity was forbidden during normal working hours."⁴ In the midst of all this deprivation, the Labour Party continued on its ideological way, "doggedly pushing their complex nationalization Bills through Parliament whilst wrathful Tories attacked them for paying too little attention to food and fuel, and for employing three times as many civil servants as miners."⁵

It will be worthwhile to pause in the account briefly to consider why a cold winter should cause such distress. We should all be familiar enough by now with the fact that socialist countries seem to be ever and again victims of freakish weather, and such like. Assuming that the rains fall on the just and the unjust alike, there is no need to conclude that these are simply a result of Divine disfavor. On the contrary, a rational explanation is ready to hand. Socialist restrictions make it virtually impossible to adjust with the needed speed to unusual circumstances. In the market, the rise of prices signals distress, and the opportunity for profit induces men to concentrate their energies at the point of greatest demand. But in England prices could not

² Susan Cooper, "Snoek Piquante" in *Sissons and French, op. cit.*, p. 38.

³ *Ibid.*, pp. 40-43.

⁴ Henry Pelling, *Modern Britain* (New York: Norton, 1960), p. 181.

⁵ Cooper, *op. cit.*, p. 51.

rise, for they were controlled. Transport could not be shifted readily to carrying coal, because it was controlled. The coal miners did not respond to the challenge, for they were enjoying the political perquisites they had won by nationalization. In short, national planning is for an ever-normal situation based on averages which have never exactly occurred and can hardly be expected to in the future. The very unexpectedness of the unusual makes planning for it a contradiction in terms. When men are free, their energies may be turned readily to relieving distress; when they are restricted, they use up much of their energies in complaints against the powers that be.

At any rate, the socialists in power discovered very quickly that the problem of production had not been solved. In England, as elsewhere, socialists have been confronted with mounting problems of production. By the summer of 1947 the British government was making no secret of the problem. " 'We're up against it,' intoned the Government posters, £400,000 worth of them, all over the country: 'We Work or Want.' "⁶ There is little evidence that socialists have learned the source of what must be to them the paradoxical

development of mounting problems of production when they follow their policies of distribution. If they did, of course, they might give up socialism. The fact is that when production is separated from distribution to any considerable extent the incentives to produce are reduced. When this is accompanied by numerous restrictions which hamper men in their productive efforts, goods and services will be in ever shorter supply.

Increasing Intervention

The other major reason for the dire impact of socialism and interventionist measures on England was closely related to the historical economic development of that country. Throughout the modern era the British have been a seafaring and trading people. In the nineteenth century, they accepted the prescription of Adam Smith, in large, specializing in what they did well, depending much on foreign trade, and importing much of what they consumed. The great prosperity which they enjoyed testified to the efficacy of this approach to economy. But from World War I on, interventionist measures made it increasingly difficult for the British to compete in foreign trade. Union wages, the subsidizing of the idle, high taxes, the progressive disjoining of production from distribution made it

⁶ *Ibid.*, p. 52.

more and more difficult to sell goods abroad. Domestic inflation and the appropriation of foreign investments reduced Britain's position as financier in the world.

Then the Labour Party came to power in 1945. They were quickly faced with mounting deficits in foreign trade—beginning to be referred to by then as a “dollar shortage.” The “dollar shortage” was, of course, a result of governmental policy. The government was trying to distribute what it did not have in hand to pass out. It inflated the currency, supported higher wages, increased services provided without charge, subsidized basic goods, fixed prices below what they would have been in the market, and then tried to supplement the goods and services available from abroad without giving a *quid pro quo* for these. “Dollar shortage” is a convenient shorthand term for the notion that the United States ought to subsidize Britain.

How the contradictions worked out in practice have been described by Bertrand de Jouvenel. “The incomes of British private citizens, taken as a whole, were, in 1945, seventy-five per cent above the 1938 level. But it was far from the case that there was on offer to buyers a seventy-five per cent increase of goods and services! . . .” On the contrary, “the actual position in 1945 was

that a seventy-five per cent increase in incomes was matched by a fourteen per cent diminution in consumable goods and services. . . .”⁷

In the free market, this disparity would have been closed by rising prices. But the government did not allow this to take place. Instead, it maintained price controls and rationing. In consequence, prices remained comparatively low for such things as food, clothing, such shelter as could be had, and electricity. The British people were able to spend a much smaller percentage of their incomes for such necessities, compared, say, with Americans. As a result, “British purchasing power . . . overflows wherever it can. Expenditure on drink rose to 238 per cent of what it had been before the war, on tobacco to 340 per cent.”⁸ Much of this income was spent on goods that were imported, such as tobacco.

More of the Same

Since government action had produced the conditions in which such ironic results occurred, the logical course would have been to change the policies: stop the in-

⁷ Bertrand de Jouvenel, *Problems of Socialist England* (London: Batchworth Press, 1949), J. F. Huntington, trans., p. 107.

⁸ *Ibid.*, p. 173.

flation, end the rationing, remove the price controls, and so forth. To have done so, of course, might have entailed the admission of error by politicians, a general phenomenon without precedent in popularly elected governments. It would certainly have meant the abandonment of much of the surge toward socialism.

Instead of admitting it was to blame, the government turned more of its force on the British people. The government acted as if the people were to blame. They should not spend the money in the way they did. They should not buy so much that could otherwise be sold to foreigners, nor consume so much that had to be bought from abroad. One writer describes the increased use of force in this way:

... Whilst appeals for higher production rang in their ears, the public found, in Dalton's autumn budget of 1947, cigarettes rising . . . in price "in a deliberate drive to cut smoking by a quarter." "And smoke your cigarettes to the butts," said the Chancellor, "it may even be good for your health." American films stopped arriving in Britain when a seventy-five per cent import duty was imposed, and cinemas began to empty. Timber and petrol imports were cut, so newspapers shrank back to four pages and the basic petrol ration was abolished, although anyone living more than two miles from public transport could

draw a supplementary allowance. Foreign travel was suspended and public dinners dwindled into silence. Clothing coupons were cut, and there seemed to be less food than there had ever been since the beginning of the war. It became a criminal offense to switch a fire on during the summer months.⁹

These measures were accompanied by efforts to increase production. "Much of the wartime direction of manpower was revived. . . . Under the Control of Engagements Order, which went into effect in October [1947], new employment could be secured only through the exchanges. Applicants would be advised to go into priority industries and under some circumstances would be directed to do so. . . . In November an order required registration of all the unemployed and those in trades considered non-essential — football pools, amusement arcades, night clubs, and the like. By these measures it was hoped to draw into industry a million additional workers."¹⁰

Other Drastic Measures to Close the "Dollar Gap"

Even this combination of Draconian measures did not close the

⁹ Cooper, *op. cit.*, p. 52.

¹⁰ Alfred F. Havighurst, *Twentieth Century Britain* (New York: Harper and Row, 1962, 2nd ed.), p. 402.

"dollar gap." As a matter of fact, once independent Britons had gone hat in hand to the United States asking for a large extension of credit, the delegation having been headed by Lord John Maynard Keynes. They were granted 3¾ billions of dollars which was supposed to last for several years. Actually, however, the deficit was so great in 1947 that the amount of credit available could hardly cover it. In 1948, Britain was granted nearly one billion additional dollars under the Marshall Plan. Americans were led to believe at the outset that aid to Britain was for the purpose of enabling that country to recover from the war. Yet, it should be clear that for the several years following World War II the British were not simply having difficulty recovering from the war. Matters grew much worse after a couple of years of socialism than they had been during the war. The British were caught in the toils of their own government, at the behest of a majority of the electorate. They were struggling with might and main against the disabling impact of socialism. The United States was not helping Britain recover from the war; it was subsidizing socialism. By subsidizing socialism, the United States government helped the Labour government to survive a few years, while concealing from the

British people, as well as from other peoples of the world, the full extent of the debacle.

Widespread Demoralization and Corruption

Socialism in England did not simply wreck the economy; the efforts which had these results had other and undesirable side effects. Among these was a widespread demoralization and corruption of some portion of the populace. The British have long enjoyed a high repute for obedience to the law. They have usually been exemplary citizens in contrast with the peoples of some continental countries, where evasion of the law is so common as to be nearly universal. Socialism changed things in Britain, or let loose something in the British character that had been more restrained theretofore. In 1937, there had been only 266,265 indictable offenses; the number had jumped to 522,684 by 1948. "In 1951, cases of violence against the person, which had soared steadily since the war, were two and a half times more than in 1938, and criminals, it seemed, were three times more vilely sexual."¹¹ Another writer describes the development in this way, saying that since 1945 the "public have increasingly devoted themselves to the evasion of the

¹¹ Hughes, *op. cit.*, p. 102.

law and to operations upon the black markets. Contempt for authority has increased; class consciousness has become more acute; cynicism regarding corruption in public life more prevalent; personal and class irresponsibility more in evidence; gambling practices more widespread."¹²

However elegantly the rationale for socialism may be expressed, it does not succeed for long in obscuring its true nature from the citizenry, or some portion of them. Socialism is a plan for the use of force, for confiscation, for taking from some to give to others, for disturbing or changing the character of relations among people. When people find themselves thwarted by deprivations and restrictions attendant upon such programs, they turn to the very methods government has more subtly

been using in practice: theft and violence.

While the Labour government was turning such force as the government had on its own people, while the economy was being virtually wrecked, while the people were being demoralized, untoward events were taking place elsewhere in the world. Colonial peoples — or those who would speak for them — were clamoring for independence. International communism was on the move to fish in these troubled waters. Revolutionaries were preparing themselves for that destruction which they conceive to be their first task but which quite often proves the only one for which they have any adeptness. England, under the dubious tutelage of the United States and led by irresolute Labourites, was beginning its withdrawal from its former active role in the world. That, too, is part of the story of the fall of England. ♦

¹² John Jewkes, *The New Ordeal by Planning* (New York: St. Martin's Press, 1968), p. 204.

*The next article in this series will continue to describe
"The Fall of England."*

IDEAS ON LIBERTY

Montesquieu

There are means to prevent crimes,
and these means are punishments;
there are means to reform manners,
and these means are "good examples."

ROGER DONWAY

The Intellect in Utopia



IN THE DREAMS of Western statisticians, there exists a fabulous land where the government regulates property to the maximum advantage of mankind, where every individual fulfills his highest potential, and the intellectual atmosphere quivers with exhilarating debate. It is a pleasant picture, no doubt, as dreams are supposed to be. But before one's reveries reach the point of legal enactment, other considerations become germane, and hardest of all, one must ask: Is it possible?

That question apparently never bothers the statisticians, for their ideas persist untroubled though a swath of economic disaster follows them around the world. And though the creative mind withers in their footsteps, these dreamers see no connection.

For any objective observer, however, their economic illusions have

been well and often dispelled, by theory and practice. Today, it would take an act of outright evasion to claim that socialism has worked. But the contradictions of their cultural vision are demonstrated less often. Indeed, since the advent of Sputnik, one is more likely to hear that it is free societies which are deficient in mobilizing intellectual resources, though the speaker usually mumbles something about the sacrifices which freedom merits.

True libertarians should not, I think, accept this niggardly defense; they have at hand a far more potent thesis: that free intellectual debate, and the intellectual growth it nourishes, are in fact utterly dependent on economic freedom. The Sputnik-worshippers notwithstanding, man's intellectual progress is the fruit and the reward of economic liberty.

The reasons supporting such a

Mr. Donway is a student at Brown University.

conclusion are not unduly tortuous. The activities protected by so-called "intellectual rights," speech, assembly, press, and petition, inevitably involve the disposal of economic goods, sometimes very large amounts, printing presses and television studios, sometimes only a place to stand. Life itself requires that.

This does not imply the dependence of intellectual freedom on the *possession* of economic means, the old "what good is the right to express yourself if you can't afford a mimeograph" argument.

Intellectual Property and Political Priorities

What I am suggesting is that because certain intellectual *activities* depend on the disposal of economic goods, the right to those activities depends on the right to dispose of property. Intellectual freedom depends on economic *rights* because it is a species of economic rights. It is a particular way of disposing of property.

For this same reason, one cannot have economic rights where no intellectual rights exist. If one may dispose of property as he will, he may dispose of it in the form of speeches, printings, or mass meetings, and the curtailment of these is equally the curtailment of an economic process.

Thus, when a state becomes the

sole proprietor, men and their activities, including intellectual activities, live or die by the permission and pleasure of government officials. In suppression, at least, he who controls the body, controls the mind.

The Soviet Union, for instance, has recently dealt with hundreds of dissenting intellectuals not only by refusing to publish their work, but also by depriving them of their jobs and apartments. Could even the most dedicated statist say the former was an act of suppressing dissent, while the latter was merely economic activity?

This in turn suggests the existence of a more subtle connection between thought and production. The free market presents men with an enormous range of diverse demand. There is, or can be, a market for virtually everything, innovations, new products, new styles. But when the commands of a small group become very nearly final, far fewer people will make the effort to think in ways unacceptable to those in command. We know already the conforming pressure of simple dependence; it is not hard to guess what the effects of nationally unified economic power will be.

Of course, it might be objected that a planned economy could do by decree what the free market does now: provide for intellectual

debate and a wide diversity of opinion, allowing people to actualize their ideas and communicate them.

Theoretically, this does seem possible, but it does not happen, and there is considerable encouragement for it not to happen. First, because every economy must deal with its inability to satisfy all potential for consumption; some desires must go unfulfilled. Hence, socialist countries committed to a "decent" standard of living for their people rarely find much left over for basic research, and usually less for the humanities and social sciences.

In current terms, then, it is a question of priorities; in an older lingo, a question of who gets what. To solve this problem, "liberal" economists vex themselves with cost-benefit analyses, but generally summarize with the platitudinous assurance that those "in the field" will know who and what deserve support. If ever there were a prescription for an ingrown culture, that is surely it.

And in view of such assurances, it is interesting to remember that the two largest research and development projects yet undertaken by governments have become anathema to precisely those "liberals" who now cry: All R&D to the government agencies. The atomic bomb, the Manhattan project, they

consider to be mankind's greatest stride toward hell, while the space program has come in for nearly universal condemnation as a vast misallocation of resources. Why do they assume future government projects will be more to their liking, unless they expect to do the deciding?

Which may be fine for them, but less pleasant for everyone else. Commissions, however prestigiously staffed, are notoriously narrow-minded. Ewart Milne, responding to a *London Times* report that young poets were protesting the Establishmentarian outlook of the Arts Council, said:

... the Arts Council's embrace would be likened by some of us elder poets to the kiss of death. The Arts Council . . . supports the kind of art, including poetry, that is acceptable on a broad basis to the Establishment. This is bound to be so in any field where state subsidy is of the essence.

The Problem of Innovation

What then of the unfashionable artist, dissenting scientist, innovating experimenter? He faces only the terrible hauteur of those who are both fashionable and powerful. In the United States, the problems of innovation under planning can best be seen in the field of technical research and development, which is almost 60 per cent government sponsored.

The basic justification for sponsoring R&D under a government of limited mandate is that when legislative and executive personnel require certain information and material, they may purchase it on the market as anyone else would, by contracting with scientists and engineers. Under this arrangement, the government is paying for the product of research and not for researching as such. Thus, it seems reasonable to require statements from those who seek these contracts, telling us what our seventeen billion dollars a year is being spent to acquire.

But by committing scientists to a definite plan, we may be tying them, perhaps for years, to programs which may no longer interest them, or which may be tangential to some new insight more worthy of support. The "solution" sometimes suggested is for the bureaus to *pretend* they are using a "projects criteria," but to allow such broadly drawn plans as will, in effect, convert the contract into a gift of patronage, the prospectus remaining principally as a sop for the mercenary public.

Experience Abroad

But in the United Kingdom, where something more like a back-the-man approach to subsidized creativity has been tried, the system has come in for considerable

criticism, and back-the-project alternatives have been suggested. As one commentator said:

In Britain, the traditions of "pure research" are deeper, and the financing of research is more insulated from the needs of government departments or civilian technology, and therefore social needs. This may protect the pursuit of knowledge from corruption, but it does little else for society as a whole.

More pertinently, such operations mark the return to a feudal conception of government. It is not surprising, then, that government patronage has proved no more liberating than aristocratic patronage. The *Economist* has written:

Society will demand that those for whom it is paying should observe the general tenor of opinion in that society. In demanding subsidies as a right, those who run [the National Theater] have to realize, too, that respect for their audiences' prejudices will be imposed on them as a duty.

In Russia, a country of extreme centralized planning, the problem has reached more drastic conclusions. Artistic innovation, of course, is treated as a form of subversion. But even in the scientific sphere, where innovation is essential to progress, it is scarcely a trickle. Though they innovate largely through controlled, and

hence predictable, imitation of the West, they nevertheless look upon changes with mixed emotions. Bureaucracy and the risks of creativity are simply incompatible. And this has proved true not only in the management field, but also in the design stage, and even at the central planning level.

Freedom from Planners

But if the fate of innovation is thus precarious under a planned economy, the fate of dissent is nothing less than perilous. Milton Friedman has observed that we are likely to have more freedoms if we are able only to endorse them or reject them per se, and are not allowed to decide on individual cases. This seems perfectly true, and it applies with even greater force to a planned economy.

First of all, a planned economy can never endorse freedoms per se. A free economy says: You may speak (or publish, or do whatever), but you must acquire the means to do so. In a planned economy, such permission is vacuous unless the government is also willing to subsidize the action. And since no economy could provide the means to actualize every desire, a planned economy *must* discriminate, must decide cases, either individually or generically.

Secondly, since a planned econ-

omy has to subsidize activities, those activities will have to be desired considerably rather than merely tolerated.

Currently, in this country, we have dissension which is vigorous and, in large measure, free. Even most of the dissenters' targets support their right to denounce society, and the right of institutions to support them for that purpose. But if their magazines, schools, and foundations were owned by the government, supported by their targets' taxes, out of a limited "culture" budget, there would be much talk of priorities, and the dissenters would be less well known. Gadflies of the right and left would find their funds in low supply whenever the majority did not wish to feel their bite, or whenever their proddings displeased an agency, administration, or subcommittee. And that would be too bad, for in Milton's adage, "trial is what purifies us, and trial is by what is contrary."

Today, in Russia, intellectuals are re-learning the lesson of the *Areopagitica*: perfected men do not need opposition. The moderate sufferance which Khrushchev allowed for a few years, as a tool in his power struggles, has been brutally revoked. In response, some Russian writers have insisted that freedom of expression is a constitutional right, not an

administrative privilege. They have not seen that this is impossible in a planned economy. When the state owns all the publishing houses, the censor and the editor merge, and the strictures of the former become the aesthetics of the latter.

Such is the fate of the mind in utopia. Not in its first step per-

haps, nor in its hundredth, but in its ultimate logic and basic principles. First comes the bureaucracy, the limited funds, the priorities, then the dissent, the suppression, and the jails. It is a logical road which we are well along; and if we refuse to recognize where we are going, we shall follow it to the end. ♦

IDEAS ON LIBERTY

Essential Inconsistency

THE WEAK POINT of the socialistic ideal is that it is a dogmatic or authoritative creed and encourages enthusiasts who hold it to think lightly of individual freedom, and suggests the very dubious idea that in a democracy the wish of the people may often be overruled for the good of the people. The ideal of democracy, in short, is government for the good of the people, by the people, and in accordance with the wish of the people; the ideal of collectivism is government for the good of the people by experts, or officials who know, or think they know, what is good for the people better than either any non-official person or than the mass of the people themselves. Each of these two ideals contains something of truth, but each of these ideals may sooner or later clash with each other. This conflict may take various forms. But beliefs marked by essential inconsistency are certain to give rise to most serious and, it may be, very practical and embittered dissension. . . .

The inconsistency between democracy and socialism will never be fully recognized until earnest socialists force upon the people some law which, though in conformity with socialistic principles, imposes some new burden upon the mass of the voters.

The Right to Health

THOMAS S. SZASZ, M.D.

THE CONCEPT that medical treatment is a right rather than a privilege has gained increasing acceptance during the past decade.¹ Its advocates are no doubt motivated by good intentions; they wish to correct certain inequalities existent in the distribution of health services in American society.

The desire to improve the lot of less fortunate people is laudable. Indeed, I share this desire. Still,

unless all inequalities are considered inequities — a view clearly incompatible with social organization and human life as we now know it — two important questions remain. First, which inequalities should be considered inequities? Second, what are the most appropriate means for minimizing or abolishing the inequalities we deem “unjust”? Appeals to good intentions are of no help in answering these questions.

There are two groups of people whose conditions with respect to medical care the advocates of a right to treatment regard as especially unfair or unjust, and whose situations they seek to ameliorate. One is the poor, who need ordinary medical care; the other group is composed of the inmates of public mental hospitals, presumably in need of psychiatric care. The

¹ “Concisely stated, the standard [of law as public policy] is that every individual has a right to treatment, a right to good treatment, a right to the best treatment.” B. S. Brown, “Psychiatric Practice and Public Policy,” *American Journal of Psychiatry*, August, 1968, pp. 142-43.

Dr. Szasz, whose M.D. is from the University of Cincinnati in 1944, is Professor of Psychiatry, State University of New York, Upstate Medical Center, Syracuse, N. Y.

This article, slightly condensed here, is reprinted by permission from *The Georgetown Law Journal* of March, 1969.

proposition, however, that poor people ought to have access to more, better, or less expensive medical care than they now do and that people in public mental hospitals ought to receive better psychiatric care than they now do, pose two quite different problems. I shall, therefore, deal with each separately.

Not by Force Alone

The availability of medical services for a particular person, or group of persons, in a particular society depends principally upon the supply of the services desired and the prospective user's power to command these services. No government or organization — whether it be the United States Government, the American Medical Association, or the Communist Party of the Soviet Union — can provide medical care, except to the degree it has the power to control the education of physicians, their right to practice medicine, and the manner in which they dispose of their time and energies. In other words, only individuals can provide medical treatment for the sick; institutions, such as the Church and the State, can promote, permit, or prohibit certain therapeutic activities, but cannot by themselves provide medical services.

Social groups wielding power are

notoriously prone, of course, to prohibit the free exercise of certain human skills and the availability of certain drugs and devices. For example, during the declining Middle Ages and the early Renaissance, the Church repeatedly prohibited Jewish physicians from practicing medicine and non-Jewish patients from seeking the former's services. The same prohibition was imposed by the Government of Nazi Germany. In the modern democracies of the free West, the State continues to exercise its prerogative to prohibit individuals from engaging in certain kinds of therapeutic activities. This restrictive function of the State with respect to medical practice has been, and continues to be, especially significant in the United States.

Without delving further into the intricacies of this large and complex subject, it should suffice to note that our present system of medical training and practice is far removed from that of *laissez-faire* capitalism for which many, especially its opponents, mistake it. In actuality, the American Medical Association is not only an immensely powerful lobby of medical-vested interests — a force that liberal social reformers generally oppose — but it is also a state-protected monopoly, in effect, a covert arm of the government —

a force that the same reformers ardently support.² The result of this alliance between organized medicine and the American Government has been the creation of a system of education and licensure with strict controls over the production and distribution of health care, which leads to an artificially-created chronic shortage of medical personnel. This result has been achieved by limiting the number of students to be trained in medicine through the regulation of medical education and by limiting the number of practitioners through the regulation of medical licensure.

Supply and Demand

A basic economic concept is that when the supply of a given service is smaller than the demand for it, we have a seller's market. This is obviously beneficial for the sellers — in this case, the medical profession. Conversely, when the supply is greater than the demand, we have a buyer's market. This is beneficial for the buyers — in this case, the potential patients. One way — and according to the sup-

² Joseph S. Clark, Jr., the then Mayor of Philadelphia, defined a "liberal" as "one who believes in utilizing the full force of government for the advancement of social, political, and economic justice at the municipal, state, national, and international levels." Clark, "Can the Liberals Rally?" *The Atlantic Monthly*, July, 1953, p. 27.

porters of a free market economy, the best way — to help buyers get more of what they want at the lowest possible price is to increase the supply of the needed product or service. This would suggest that instead of government grants for special Neighborhood Health Centers and Community Mental Health Centers, the medical needs of the less affluent members of American society could be better served simply by repealing laws governing medical licensure. As logical as this may seem, in medical and liberal circles this suggestion is regarded as hairbrained, or worse.³

Since medical care in the United States is in short supply, its availability to the poor may be improved by redistributing the existing supply, by increasing the supply, or by both. Many individuals and groups clamoring for an improvement in our medical care

³ For an excellent discussion of the deleterious effects on the public of professional licensure requirements, see Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962). Friedman correctly notes that the justification for enacting special licensure provisions, especially for regulating medical practice, "is always said to be the necessity of protecting the public interest. However, the pressure on the legislature to license an occupation rarely comes from the members of the public. . . . On the contrary, the pressure invariably comes from members of the occupation itself." p. 140.

system fail to scrutinize this artificially created shortage of medical personnel and to look to a free market economy for restoration of the balance between demand and supply. Instead, they seek to remedy the imbalance by redistributing the existing supply — in effect, by robbing Peter to pay Paul. This proposal is in the tradition of other modern liberal social reforms, such as the redistribution of wealth by progressive taxation and a system of compulsory social security. No doubt, a political and economic system more socialistic in character than the one we now have could promote an equalization in the quality of the health care received by rich and poor. Whether this would result in the quality of the medical care of the poor approximating that of the rich, or vice versa, would remain to be seen. Experience suggests the latter. For over a century, we have had our version of state-supported psychiatric care for all who need it: the state mental hospitals system. The results of this effort are available for all to see.

The "Right" to Psychiatric Treatment⁴

Most people in public mental hospitals do not receive what one

would ordinarily consider treatment. With this as his starting point, Birnbaum has advocated "the recognition and enforcement of the legal right of a mentally ill inmate of a public mental institution to adequate medical treatment for his mental illness."⁵

Although it defined neither "mental illness" nor "adequate medical treatment," this proposal was received with enthusiasm in both legal and medical circles.⁶ Why? Because it supported the myth that mental illness is a medical problem that can be solved by medical means.

The idea of a "right" to mental treatment is both naive and dangerous. It is naive because it considers the problem of the publicly hospitalized mental patient as a medical one, ignoring its educational, economic, moral, religious, and social aspects. It is dangerous because its proposed remedy creates another problem — compul-

atry (New York: Macmillan, 1963), pp. 214-16. My objections to the concept of a "right to mental treatment," formulated in 1962, seem to me as valid today as they were then.

⁵ M. Birnbaum, "The Right to Treatment," *American Bar Association Journal* 46:499 (1960).

⁶ For example, see T. Gregory, "A New Right" (Editorial), *American Bar Association Journal* 46:516 (1960); and D. Janson, "Future Doctors Chide the A.M.A., Deplore Stand That Health Care Is Not a Right," *The New York Times*, December 15, 1967, p. 21.

⁴ This part of the article is adapted, with minor modifications and additions, from my book, *Law, Liberty and Psychi-*

sory mental treatment—for in a context of involuntary confinement the treatment, too, shall have to be compulsory.

Hailing the right to treatment as "A New Right," the editor of *The American Bar Association Journal* compared psychiatric treatment for patients in public mental hospitals with monetary compensation for the unemployed.⁷ In both cases, we are told, the principle is to help "the victims of unfortunate circumstances."⁸

But things are not so simple. We know what is unemployment, but we are not so clear regarding the definition of mental illness. Moreover, a person without a job does not usually object to receiving money; and if he does, no one compels him to take it. The situation for the so-called mental patient is quite different. Usually he does not want psychiatric treatment. Yet, the more he objects to it, the more firmly society insists that he must have it.

Of course, if we *define* psychiatric treatment as "help" for the "victims of unfortunate circumstances," how can anyone object to it? But the real question is two-fold: What is meant by psychiatric help and what should the helpers do if a victim refuses to be helped?

From a legal and sociologic point of view, the only way to define mental illness is to enumerate the types of behavior psychiatrists consider to be indicative of such illness. Similarly, we may define psychiatric treatment by listing the procedures which psychiatrists regard as instances of such therapy. A brief illustration should suffice.

Levine lists 40 methods of psychotherapy.⁹ Among these, he includes: physical treatment, medicinal treatment, reassurance, authoritative firmness, hospitalization, ignoring of certain symptoms and attitudes, satisfaction of neurotic needs, and bibliotherapy. In addition, there are physical methods of psychiatric therapy, such as the prescription of sedatives and tranquilizers, the induction of convulsions by drugs or electricity, and brain surgery.¹⁰ Obviously,

⁹ M. Levine, *Psychotherapy in Medical Practice* (New York: Macmillan, 1942), pp. 17-18.

¹⁰ The following is a curious, though by no means rare, example of the kind of thing that passes nowadays for mental treatment. In Sydney, Australia, "a former tax inspector on trial for murdering his sleeping family was found not guilty on the grounds of mental illness. . . . A psychiatrist told the court yesterday that Sharp, on trial for killing his wife and two children, had apparently cured his mental illness when he shot himself in the head." *New York Herald-Tribune* (Paris), July 5, 1968, p. 5. Murder is here considered an "illness," and a brain injury a "treatment" and indeed

⁷ Gregory, *op. cit.*, p. 516.

⁸ *Ibid.*

the term "psychiatric treatment" covers everything that may be done to a person under medical auspices — and more.

In relation to psychiatric treatment, then, the most fundamental and vexing problem becomes: How can a "treatment" which is compulsory also be a right? As I have shown elsewhere,¹¹ the problem posed by the neglect and mistreatment of the publicly hospitalized mentally ill is not derived from any insufficiency in the treatment they receive, but rather from the basic conceptual fallacy inherent in the notion of mental illness and from the moral evil inherent in the practice of involuntary mental hospitalization. Preserving the concept of mental illness and the social practices it has justified and papering over its glaring cognitive and ethical defects by means of a superimposed "right to mental treatment," only aggravates an already tragically inhuman situation.

As my foregoing remarks indicate, I see two fundamental de-

a "cure" for it. In the Brave New World where treatment is a right, will every murderer have the right to a brain injury — if not by means of a gun, then perhaps by that of a leucotomy?

¹¹ See T. S. Szasz, *The Myth of Mental Illness* (New York: Hoeber-Harper, 1961); *Law, Liberty and Psychiatry* (New York: Macmillan, 1963); and *Psychiatric Justice* (New York: Macmillan, 1965).

fects in the concept of a right to treatment. The first is scientific and medical, stemming from unclarified issues concerning what constitutes an illness or treatment and who qualifies as a patient or physician. The other is political and moral, stemming from unclarified issues concerning the differences between rights and claims.

Unclear Issues

In the present state of medical practice and popular opinion, definitions of the terms "illness," "treatment," "physician," and "patient" are so imprecise that a concept of a right to treatment can only serve to further muddy an already very confused situation. One example will illustrate what I mean.

One can "treat," in the medical sense of this term, only a disease, or, more precisely, only a person, now called a "patient," suffering from a disease. But what is a disease? Certainly, cancer, stroke, and heart disease are. But is obesity a disease? How about smoking cigarettes? Using heroin or marijuana? Malingering to avoid the draft or collect insurance compensation? Homosexuality? Kleptomania? Grief? Each one of these conditions has been declared a disease by medical and psychiatric authorities with im-

peccable institutional credentials. Furthermore, innumerable other conditions, varying from bachelorhood and divorce to political and religious prejudices, have been so termed.

Similarly, what is treatment? Certainly, the surgical removal of a cancerous breast is. But is an organ transplant treatment? If it is, and if such treatment is a right, how can those charged with guaranteeing people the protection of their right to treatment discharge their duties without having access to the requisite number of transplantable organs? On a simpler level, if ordinary obesity, due to eating too much, is a disease, how can a doctor treat it when its treatment depends on the patient eating less? What does it mean, then, that a patient has a right to be treated for obesity? I have already alluded to the facility with which this kind of right becomes equated with a societal and medical obligation to deprive the patient of his freedom—to eat, to drink, to take drugs, and so forth.

Who is a patient? Is he one who has a demonstrable bodily illness or injury, such as cancer or a fracture? A person who complains of bodily symptoms, but has no demonstrable illness, like the so-called "hypochondriac"? The person who feels perfectly well but

is said to be ill by others, for example, the paranoid schizophrenic? Or is he a person, such as Senator Barry Goldwater, who professes political views differing from those of the psychiatrist who brands him insane?

Finally, who is a physician? Is he a person licensed to practice medicine? One certified to have completed a specified educational curriculum? One possessing certain medical skills as demonstrated by public performance? Or one claiming to possess such skills?

It seems to me that improvement in the health care of poor people and those now said to be mentally ill depends less on declarations about their rights to treatment and more on certain reforms in the language and conduct of those professing a desire to help them. In particular, such reforms must entail refinements in the use of medical concepts, such as illness and treatment, and a recognition of the basic differences between medical intervention as a service, which the individual is free to seek or reject, and medical intervention as a method of social control, which is imposed on him by force or fraud.

"Rights" versus "Claims"

The second difficulty which the concept of a right to treatment poses is of a political and moral

nature. It stems from confusing "rights" with "claims," and protection from injuries with provision for goods or services.

For a definition of right, I can do no better than to quote John Stuart Mill: "I have treated the idea of a right as *residing in the injured person and violated by the injury*. . . . When we call anything a person's right, we mean that he has a valid claim on society to protect him in the possession of it, either by force of law, or by that of education and opinion. . . . To have a right, then, is, I conceive, to have something which *society ought to defend me in the possession of.*"¹²

This helps us distinguish rights from claims. Rights, Mill says, are "possessions"; they are things people have by nature, like liberty; acquire by dint of hard work, like property; create by inventiveness, like a new machine; or inherit, like money. Characteristically, possessions are what a person *has*, and of which others, including the State, can therefore deprive him. Mill's point is the classic libertarian one: The State should protect the individual in his rights. This is what the Declaration of Independence means

when it refers to the inalienable rights to life, liberty, and the pursuit of happiness. It is important to note that, in political theory, no less than in everyday practice, this requires that the State be strong and resolute enough to protect the rights of the individual from infringement by others and that it be decentralized and restrained enough, typically through federalism and a constitution, to insure that it will not itself violate the rights of its people.

In the sense specified above, then, there can be no such thing as a right to treatment. Conceiving of a person's body as his possession—like his automobile or watch (though, no doubt, more valuable)—it is just as nonsensical to speak of his right to have his body repaired as it would be to speak of his right to have his automobile or watch repaired.

It is thus evident that in its current usage and especially in the phrase "right to treatment" the term "right" actually means claim. More specifically, "right" here means the recognition of the claims of one party, considered to be *in the right*, and the repudiation of the claims of another, opposing party, considered to be *in the wrong*, the "rightful" party having allied itself with the interests of the community and having enlisted the coercive pow-

¹² J. S. Mill, "Utilitarianism" [1863], in M. Learner, ed., *Essential Works of John Stuart Mill* (New York: Bantam Books, 1961). p. 238.

ers of the State on his behalf. Let us analyze this situation in the case of medical treatment for an ordinary bodily disease. The patient, having lost some of his health, tries to regain it by means of medical attention and drugs. The medical attention he needs is, however, the property of his physician, and the drug he needs is the property of the manufacturer who produced it. The patient's right to treatment thus conflicts with the physician's right to liberty, that is, to sell his services freely, and the pharmaceutical manufacturer's rights to his own property, that is to sell his products as he chooses. The advocates of a right to treatment for the patient are less than candid regarding their proposals for reconciling this proposed right with the right of the physician to liberty and that of the pharmaceutical manufacturer to property.¹³

¹³ The proposition that sick people have a special claim to the protection of the State — in other words, that they be allowed to use the coercive apparatus of the State to expropriate the fruits of the labor of others — is a part of a much larger theme, namely, the inevitable tendency in a society for each special interest group to enlist the powers of the State on its own behalf. In this connection, R. A. Childs has recently written: "Economically, the state uses its monopoly on expropriation of wealth to create political castes, or 'classes.' . . . Thus, today, we see the state being sup-

Nor is it clear how the right to treatment concept can be reconciled with the traditional Western concept of the patient's right to choose his physician. If the patient has a right to choose the doctor by whom he wishes to be treated, and if he *also* has a right to treatment, then, in effect, the doctor is the patient's slave. Obviously, the patient's right to choose his physician cannot be wrenched from its context and survive; its

ported by businessmen who are being benefited by defense contracts and other state patronage, tariffs, subsidies, and special tax 'loopholes'; unions which are benefited by labor laws; farmers benefited by price supports, and other groups benefited by other state-granted privileges. . . . Of course, almost every group is harmed more by the benefits heaped on other groups than it is helped by its own special privileges, but since the state has gotten people to believe that the only valid approach to problems is to increase, rather than to decrease, state powers, no one mentions the possibility of benefiting each group by removing the special privileges of all other groups. Instead, each group supports the state, to benefit itself at the expense of all other groups." R. A. Childs, Jr., "Autarchy and the Statist Abyss," *Rampart Journal*, Summer, 1968, pp. 4-5.

Long ago, Tocqueville had perceived this phenomenon and warned of its dangerous consequences for individual liberty. "The government having stepped into the place of Divine Providence in France it was but natural that everyone, when in difficulties, invoked its aid." Alexis de Tocqueville, *The Old Regime and the French Revolution* [1856] (Garden City, N. Y.: Doubleday-Anchor, 1955), p. 70.

corollary is the physician's right to accept or reject a patient, except for rare cases of emergency treatment. No one, of course, envisions the absurdity of physicians being at the personal beck and call of individual patients, becoming literally their medical slaves, as some had been in ancient Greece and Rome.

Bureaucratic Decisions and Care

The concept of a right to treatment has a different, much less absurd but far more ominous, implication. For just as the corollary of the individual's freedom to choose his physician is the physician's freedom to refuse to treat any particular patient, so the corollary of the individual's right to treatment is the denial of the physician's right to reject, as a patient, anyone officially so designated. This transformation removes, in one fell swoop, the individual's right to define himself as sick and to seek medical care as he sees fit, and the physician's right to define whom he considers sick and wishes to treat; it places these decisions instead in the hands of the State's medical bureaucracy.

As a result, bureaucratic care, as contrasted with its entrepreneurial counterpart, ceases to be a system of healing the sick and instead becomes a system of control-

ling the deviant. Although this outcome seems to be inevitable in the case of psychiatry (in view of the fact that ascription of the label "mental illness" so often functions as a quasi-medical rhetoric concealing social conflicts), it need not be inevitable for nonpsychiatric medical services. However, in every situation where medical care is provided bureaucratically, as in communist societies, the physician's role as agent of the sick patient is necessarily alloyed with, and often seriously compromised by, his role as agent of the State. Thus, the doctor becomes a kind of medical policeman — at times helping the individual, and at times harming him.

Returning to Mill's definition of a "right," one could say, further, that just as a man has a right to life and liberty, so, too, has he a right to health and, hence, a claim on the State to protect his health. It is important to note here that the right to health differs from the right to treatment in the same way as the right to property differs from the right to theft. Recognition of a right to health would obligate the State to prevent individuals from depriving each other of their health, just as recognition of the two other rights now prevents each individual from depriving every other individual of liberty and property. It would also

obligate the State to respect the health of the individual and to deprive him of that asset only in accordance with due process of law, just as it now respects the individual's liberty and property and deprives him of them only in accordance with due process of law.

As matters now stand, the State not only fails to protect the individual's health, but actually hinders him in his efforts to safeguard his own health, as in the case of its permitting industries to befoul the waters we drink and the air we breathe. The State similarly prohibits individuals from obtaining medical care from certain, officially "unqualified," experts and from buying and ingesting certain, officially "dangerous," drugs. Sometimes, the State even deliberately deprives the individual of treatment under the very guise of providing treatment.

Conclusion

The State can protect and promote the interests of its sick, or potentially sick, citizens in one of two ways only: either by coercing physicians, and other medical and paramedical personnel, to serve patients — as State-owned slaves in the last analysis, or by creating economic, moral, and political circumstances favorable to a plentiful

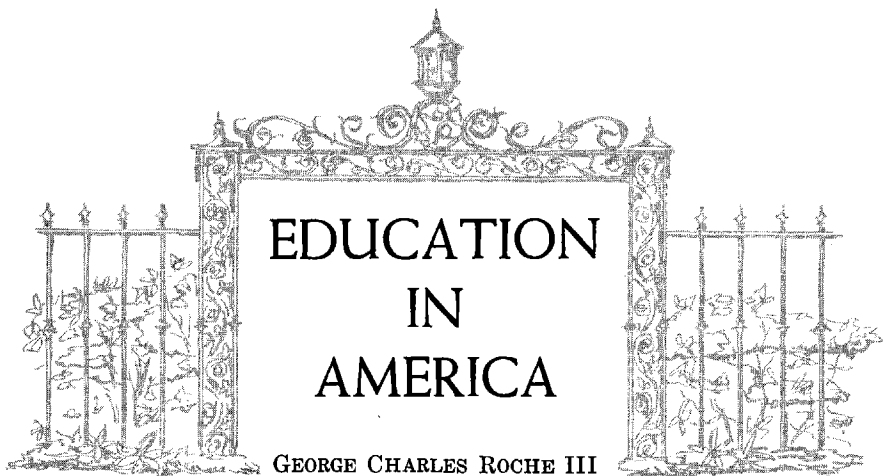
supply of competent physicians and effective drugs.

The former solution corresponds to and reflects efforts to solve human problems by recourse to the all-powerful State. The rights promised by such a State — exemplified by the right to treatment — are not opportunities for uncoerced choices by individuals, but rather are powers vested in the State for the subjection of the interests of one group to those of another.

The latter solution corresponds to and reflects efforts to solve human problems by recourse to individual initiative and voluntary association without interference by the State. The rights exacted from such a State — exemplified by the right to life, liberty, and health — are limitations on its own powers and sphere of action and provide the conditions necessary for, but of course do not insure the proper exercise of, free and responsible individual choices.

In these two solutions we recognize the fundamental polarities of the great ideological conflict of our age, perhaps of all ages and of the human condition itself; namely, individualism and capitalism on the one side, collectivism and communism on the other.

There is no other choice. ♦



9. *Academic Freedom for What?*

PROFESSOR SIDNEY HOOK has quite justly criticized the great quantities of "sloppy rhetoric" poured forth on the subject of academic freedom. The overdiscussion of such a topic usually stems from chronic underdefinition, reflecting the painfully human trait of having the most to say on a subject when we are least sure what ought to be said.

Higher education is plagued by this lack of a workable definition for academic freedom, and this is rooted in a singular fact: *Never*

has there been a formal statement of the relationship between the academic community and the rest of society. Is the academic community merely to teach our young? Or do we ask that it also discover new truths? Perhaps we also wish our teachers to serve as philosophers of the realm. In short, no lasting answer seems to have been given the questions: Should society decide what is taught in the grove académé? Should the academy decide society's course? Or, does some workable third alternative exist?

Perhaps the best means of getting at the relationship between the academy and society is to clar-

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

ify what we have in mind when we discuss the education of the individual student. The student is the vital link between academy and society, since it is the student in whom both have a common stake. In the last analysis, we want one thing for the student: freedom — i.e., the achievement of that capacity for *internal* self-determination allowing him to become a whole man, his own man. How is this freedom to be achieved? It must be achieved through knowledge, through the development of a capacity for self-discipline, through an understanding of the obligations and privileges involved in life.

Freedom for the student surely cannot be attained without freedom for the teacher. Freedom to think, to challenge the common view on occasion, would therefore seem an absolute requirement if education is to achieve the full development of the individual student. Does this freedom to develop and state one's own views have no limitation? Many of those who discuss academic freedom insist that *any* restraint is unwarranted, since it interferes with a mysterious and ill-defined "universal dialogue." Others would insist that, while the freedom of *research* must be unlimited, society has a right to censor what its young people are taught. In effect, the

teacher would be told, "Think what you like, but teach only what the majority approves."

Both of the above positions tend to be mere caricatures. Few actually advocate a literal freedom to teach *any* idea, however socially unacceptable it might be. An equally small number actually advocates a literal enforcement of censorship over the classroom teacher. The desirable norm lies somewhere between the two. Surely anyone qualified to teach the young should ideally already possess the inner freedom, the self-discipline, the necessary internal check of the truly civilized man, to maintain the standards of his ideas and values on such a high plane that parents should have no grounds for complaint. By the same token, parents should have sufficient confidence in the standards of teachers to allow them a free hand.

The trouble lies in the fact that many teachers no longer seem to operate within the framework of values constituting civilized behavior. Such teachers seem to have adopted the totally relative standards so damaging to modern society. Parents are not to be blamed for recognizing that teachers who themselves lack standards of value are ill-prepared to impart the proper values to the young. This may explain why some par-

ents desire to censor the classroom offerings of the teacher.

Such a desire may be understandable, but it is unacceptable if freedom for student and teacher is our goal. Merely substituting one set of wrong ideas for another set, trading license for repression, will not produce the desired effect.

If the teacher is to lead the student on the high road to internal freedom, to his development as a unique person, he must be free himself; free to pursue his speculations, free to express the results of his findings. Such a teacher is more than an employee hired to teach the young. He becomes a seeker after truth, dedicated to explaining that truth to those who will follow. Academic freedom thus becomes an expression of sufficient confidence in the teacher to allow that process to operate.

Relativism

Still, the search for truth carries with it the assumption that truth *does* exist. The alleged "objective" approach of many present-day educators contains no such assumption. All ideas are to be presented to the student without that evil of evils, the "value judgment." Such relativism finally denies *all* values, thus destroying the framework of civilized value within which meaningful individual choice must be made. Christ,

Socrates, and the other great teachers of history had at least two things in common: They distinguished between right and wrong; and they did not hesitate to announce that distinction to all who would listen. In short, they recognized a framework of values.

There is also another historical lesson to be learned on the necessity of values. Those societies denying the validity of a value framework have invariably proven to be societies on the decline. The Sophists who finally destroyed the Greeks serve as a graphic example.

Unfortunately, truth will not necessarily rise to a dominant position in a totally "objective" teaching situation. Teachers who fail to believe strongly enough in the existence of truth as a premise for their teaching often serve as the ideal foils of those who would "stack the deck" against the free choice of the individual. Witness the twentieth century history of Russia or Germany, where totalitarian control came as the aftermath of periods of so-called "free inquiry."

Ultimately, the teacher must be free to do his own thinking and the student must be free to choose what ideas he will accept or reject. But the whole process of orderly thought becomes impossible unless some framework exists for the

process of thinking. A completely relativistic stance is doomed to endless internal contradiction. If, as a relativist, a man insists that one opinion is as good as another, what defense has he against a totally contradictory view? If all views are equally valid, one man's denial is as sound as another's affirmation. Such thinking can only "agree to disagree" in an endless (and pointless) discussion foredoomed never to reach a conclusion.

In a situation where "academic freedom" is so abused, it is small wonder that society finally balks at the prospect of the deforming educational process which results. Most men sense that freedom involves far more than the license to do as one pleases. Meaningful freedom has always implied responsibility, and responsibility demands self-control. Self-control presupposes guidelines within which the individual attempts to live in accord with accepted and acceptable standards. The denial of those standards and of the necessity for self-control in the name of "academic freedom" is as much a denial of true *freedom* for the individual as is an attempt to censor student and teacher in the classroom. Either way, genuine academic freedom suffers.

Much of the "sloppy rhetoric" on academic freedom to which

Sidney Hook referred originates within the ranks of the "intellectual" community — authors, editors, critics, and scholars, many of whom tend to be enamored of their own company. This love affair is sufficiently ingrown that all too often these mutually congratulatory purveyors of "modern" thought have come to regard any criticism of their position as an assault upon "academic freedom." The strength of this delusion is verified by the spectacle of the many professors who seem to view themselves as part of an embattled nonconformist minority despite the fact that in many cases all the members of their respective departments share the same ideological position.

Outside Threats to Academic Freedom

The pressures on academic freedom originating outside the academy are sometimes exaggerated. Most men of good will are extremely reticent to lend their support to any thoroughgoing censorship over ideas on the campus. The danger to academic freedom is perhaps less likely to result from public concern over what is being taught on campus than from increased control of the purse strings by governmental and quasi-governmental agencies. This very real threat to academic freedom, especially in research, is

rooted in the use of tax monies in the manipulation of higher education. This important matter will be further discussed a bit later in the context of public versus private financing of education. Let it suffice here to mention the serious threat of government control in higher education both directly, through subsidy of education with tax money, and indirectly, through corporate agencies holding government contracts.

Threats from Within

Though quick to complain of external threats to their academic freedom, professors seldom look to themselves, to the academic community itself, as the source of the trouble. As a case in point, consider the decline in standards which often has accompanied the mass production techniques of modern higher education:

To want to extend the boundaries of knowledge, or to conserve the wisdom of ancestors, some faith in the importance of learning, and in a Good that is more than private gain, is required. That lacking, the teacher becomes a hired hand, paid to do a chore . . . The automobile-worker on the assembly line enjoys no special freedom; he has no duties which require a special freedom. And if the teacher willingly assists in the reduction of formal education to a mere degree-mill intended to keep young people very mildly occupied, as if they were in

an inordinately expensive kindergarten, then he surely will lose his academic freedom. . . .

Just what sort of academic freedom do these professor-employees expect? And just what sort do they deserve? What sacred trust are they guarding? Just how much do they themselves care about Truth? Some of them have on their shelves no books but a few free copies of textbooks; some of them talk, when they meet together, only of salaries and faculty scandals; some of them say that this state of affairs is a positive good, and look forward with relish to the demise of private foundations which, with intellectual snobbery, still cling to standards.¹

Academic freedom is further endangered from within by the growing tendency to substitute slogans for thought. Examples of such slogans abound. Appeals for increased emphasis upon proper training of individuals and higher standards within education are often denounced by teacher and administrator alike as "undemocratic." Secure in tenure, many professors seem more irritated than stimulated by a student with an inquiring mind or a colleague who holds differing views. Nicholas Berdyaev might have been addressing himself to the American scene when he remarked: "With sorrow we must recognize the fact that freedom is dear only

¹ Russell Kirk, *Academic Freedom*, pp. 163, 177.

to those men who think creatively. It is not very necessary to those who do not value thinking."²

With due allowance to the many creative thinkers and teachers throughout American education, the truth of Russell Kirk's severe indictment remains:

Though they may go through the motions of "research," they care precious little about the duty to extend the boundaries of knowledge, and not very much about the duty to conserve the knowledge of our civilization. The humiliating pressure which many administrators endeavor to exert upon teachers to *publish* — to publish just anything, anywhere, for the sake of the record — or to draw up enormous committee-reports about trivialities suggests that both administrators and teachers are ignorant of the true nature of academic freedom and academic dignity. All the administrator wants is some tangible evidence of busy-work to present to his trustees or to the state legislature; all the teacher wants is some sham-proof of his liveliness of mind that may bring him a two-hundred-dollar increase in salary. How much freedom do such men have? And how much do they deserve?³

Political Activism

In addition to those who misinterpret academic freedom as a

"freedom to do nothing," higher education is also faced with political activists who use their positions as a sanctuary from which politically motivated attacks can be launched against the rest of society. "Sanctuary" is a well-advised term. Such political activists never question the justice of their attacks, yet are the first to raise the cry of "academic freedom" over the inevitable reaction to their activity.

Learned Hand once remarked, "You cannot wear a sword beneath a scholar's gown." He was quite right. No one can simultaneously be advocate and scholar. Refusal to face this fact makes the political activist on the campus a primary offender against the academic freedom he constantly evokes.

Much of the student unrest on campus is directly traceable to faculty agitation, in which a privileged academic position is used to subvert the entire process. Such professors are often so busy in such causes that they neglect the very teaching and research which is the reason for the academic community's existence. Unless the teacher fulfills his duties to the system and convinces society he is discharging those duties, he can expect to lose the privileged base he has been granted. Academic freedom is not some irrevocable

² Nicholas Berdyaev, *The Realm of Spirit and The Realm of Caesar*, p. 110.

³ Russell Kirk, *Academic Freedom*, p. 162.

grant. If it is lost, we all suffer, because the process of creative thinking suffers as does the development of truly free, inner-directed students. But any right is doomed unless its inevitably accompanying responsibilities are discharged.

While the professor has every right to take part in politics on his own, the current tendency to use the academy as an arsenal and staging ground for political combat is both unwarranted and dangerous. Considering the enormous overextension of government in our society, we may expect that when the academy is willing to lend itself to indoctrination and activism rather than education, the end result will be political regulation of that indoctrination. The state will prove to be a poor guardian of academic freedom.

The need is great for the academic community to put its own house in order. The image and the fact of an intellectual community devoted to pursuing the truth must be renewed. Meanwhile, the number of genuine teachers and scholars quietly pursuing their proper function is the cement which still holds the system together, despite all the destructive forces at work upon it.

This community of scholars needs protection on two fronts: from those outside the academy who would destroy freedom through excessive regulation, and from those inside the academy who would destroy the system through license. Unless faculties can regulate themselves from within, they may rest assured they will be regulated from without.

The central question remains then, "Academic Freedom for What?" The answer is two-fold: the pursuit of truth; and the simultaneous responsibility for developing individual students so self-disciplined, so internally free as the result of their knowledge of civilized standards and human responsibilities, that the core of values constituting civilization will be consistently reflected in their behavior. That is the road to salvation for not only the academic community, but for everyone in society. In a word, academic freedom is the freedom to perform the task peculiar to proper education. When the academic community takes other roles unto itself, it does so at the dual risk of failing in its own function while tempting other elements in society to usurp and corrupt the educational function. ◆

*The next article of this series will discuss
"Revolt on the Campus."*

The Fallacy of "Intrinsic Value"

If people value something, it has value; if people do not value something, it does not have value; and there is no intrinsic about it.

RT. HON. J. ENOCH POWELL, M.P.

"IDEAS DIE HARD," says an old proverb. Even in an age of rapid change, such as our own, the slogans, clichés, and errors of earlier times seem to persist; it often seems that the truths that once brought peace, stability, and steady progress are the first things to be abandoned, while the errors persist undaunted. Henry Hazlitt once wrote of John Maynard Keynes that the true things he said were not new, and the new things he said were not true. Yet it is the new aspect of Keynes' "New Economics" that has fascinated today's guild of economists.

The triumph of the slogan is understandable. We are limited creatures. We cannot attain exhaustive knowledge of anything,

Gary North is a member of the Economists' National Committee on Monetary Policy. He teaches at the University of California at Riverside while working on a doctorate in Economic History.

and certainly not of everything. As a result, we find ourselves at the mercy of the expert; simultaneously, we live our day-to-day lives in terms of ideas that we cannot be continually re-examining. Some things must be accepted on faith or by experience; we have neither the time nor capacity to rethink everything we know. Still, no intelligent person dares to neglect the possibility that his opinion in some area or other may be open to question. At times it is vital that we reconsider a subject, especially if it is a barrier to clear thinking or effective action. If our error is in a realm of life in which we claim to be experts, or at least skilled amateurs, then the necessity of careful reasoning is exceptionally important. The persistence of some erroneous line of reasoning here, simply because this unexamined train of

thought is familiar to us, can be disastrous.

Take, for example, the labor theory of value. Classical economics — by which we mean that body of economic thought which was in vogue from the time of Adam Smith (1770's) until the marginalist-subjective schools arose (1870's) — was confounded by the problem of value. It proposed a cause-and-effect relationship between human labor and value: abstract human labor (which itself was an abstract concept derived more from mechanics than human experience) was produced by laborers on their jobs; this abstract human labor was in some way embodied in the products of that labor, and this is the source of all value. Certain inescapable problems arose under this presupposition. Why did selling prices fail to correspond to the total payments made to labor? How did the phenomenon of profit appear? What was the origin of interest? On a more concrete level, why did an uncut diamond bring a higher price on the market than an intricate mechanism like a clock? They could explain the disparity of selling prices of jewels and selling prices of clocks in terms of supply and demand, but their labor theory of value never fitted into this explanation. It was an extraneous issue.

Contradictions of Marx

Karl Marx was the last major economist to hold to the labor theory. In this sense, he was the last of the great classical economists. He wanted to demonstrate that capitalism, by its own internal contradictions, was doomed to a final destruction. Unfortunately for Marx's predictions, what he regarded as a basic set of contradictions of capitalism was merely a set of contradictions in the reasoning of the classical economists. He confused a faulty explanation of the capitalist process with the actual operation of the capitalist system. Ironically, Marx fell into a pit which he always reserved for his enemies: he looked not at the empirical data as such, but at an interpretation of the data — not at the "substructure" of the society, but the ideological "superstructure." *Das Kapital* was published in 1867; by 1871, the marginalist assault had been launched by Karl Menger of Austria and W. S. Jevons of England. The labor theory of value which had undergirded Marx's whole analysis of capitalism was destroyed. When Böhm-Bawerk, the Austrian economist who was to gain fame as Menger's most rigorous disciple, offered his criticisms of Marx in 1884 (and again in 1896), it was clear (to non-Marxists, anyway) that the Marxian framework

had gone down with the classical ship.¹

What the new theory did was to reverse the cause-and-effect relationship of the classical school. The *value of labor* is derivative: it stems from the *value of labor's product*. This, in turn, is the outcome of supply and demand. People desire certain products; these products are not in unlimited supply in relation to the demand. Or, to put it another way, at zero price, some of the demand is left unsatiated. The value of the product is not derived from labor; the reverse is true. Thus, value is not something intrinsic to either the labor or the product; value is *imputed* by acting men. Value is not a metaphysically existing substance; an object is simply valued (passive) by someone who actively values it. Marx always chided capitalist thinkers for making a "fetishism of commodities," i.e., ascribing to economic goods a life of their own apart from the human and social relations that make possible the creation of the goods. But this is precisely his labor theory of value. It hypothesized the existence of "congealed labor time" which supposedly gives

value to commodities. Had he turned to the individuals who actively participate in all economic action, he would have been led to abandon his own brand of "commodity fetishism." Marx, the self-proclaimed empiricist, was befuddled by his own *a priori* theory.

Contemporary Errors

Yet we should not be too hasty in ridiculing Marx for his insistence on viewing value as something intrinsic in an economic good. People are so used to thinking in these terms that few of us are free from some variety of this basic error. Homes are seen as containing something called "equity"; factories "possess" investments, almost as if these investments were held in some kind of suspension within the factory walls.² The Marxist, of course, has a vested interest in this line of reasoning: the master taught it. Why others continue to indulge in such speculation is a perplexing problem. It is a case where the "common sense" economics of the man in the street is in error.

Conservatives do not like communism. As a result, they are willing to reject the familiar tenets of Marx's economics. Those who have read at least excerpts

¹ Cf. Gary North, *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), ch. 5, especially pp. 155-70. See also Dean Lipton, "The Man Who Answered Marx," *THE FREEMAN* (October, 1967).

² Cf. Gary North, "Urban Renewal and the Doctrine of Sunk Costs," *THE FREEMAN* (May, 1969).

from *Capital* and who are aware of the labor theory of value are usually willing to abandon the idea. Unfortunately, it would seem that they abandon it in name only, simply because Marx happened to believe it. They have not abandoned the fundamental approach to economics which Marx employed, namely, the fallacy of intrinsic value. The most common application of this erroneous concept, at least in conservative circles, is the idea that gold and silver possess intrinsic value, while paper money does not. This error deserves special attention.

There are a number of reasons why conservatives make this mistake. They are guided by the best of intentions. They see that paper money and bank credit have led in the past and are leading today to virulent inflations. They fear the economic and social dislocations associated with inflation. They may also see that the modern socialist and interventionist states have used inflationary deficit spending policies to increase their power at the expense of private, voluntary associations. Some of the more sophisticated observers may even have understood the link between inflationary policies and depressions — booms and busts — and they may have concluded, quite correctly, that these trade cycles are not endemic to capitalism as

such, but only to economic systems that permit policies of inflation.³ They associate inflation with policies of the state or the state-licensed monopolies, fractional reserve banks, rather than the voluntary market economy. Nevertheless, they persist in defending the use of specie metals as the only currency (along with fully redeemable paper IOU's to specie metals) in terms of the intrinsic value of the metals.

Value: Historic vs. Intrinsic

There is a basic confusion here. The confusion rests on a mixing up of two very different propositions: (1) gold and silver are *historically* valuable; and (2) gold and silver have *intrinsic* value. The first proposition is indisputably correct; in fact, there are few economic or historical statements that could be said to be more absolute. Professor Mises has built his whole theory of money on the fact that gold and silver (especially gold) were first valued because of properties other than their monetary function: brilliance, malleability, social prestige, and so forth. It was precisely *because* people valued these metals so highly that they were to become

³ I have summarized this neo-Austrian theory of the trade cycle in my essay, "Repressed Depression," *THE FREEMAN* (April, 1969).

instruments of trade, i.e., money.⁴ Since they are so readily marketable, more so than other goods, they can become money.

Today we value silver and gold for many reasons, and on first glance, monetary purposes are not the main ones for most people. That is because so few populations are legally permitted to use gold in trade, and the statist policies of inflation have brought Gresham's famous law into operation: silver coins have gone into hoards, since the value of their silver content is greater than their face value as coins. But on the international markets, gold has not yet been dethroned; governments and central banks do not always trust each other, but they do trust the historic value of gold.

Why this historic value? I do not want to involve myself in a rarefied philosophical debate concerning metaphysics, but I think it is safe to say that gold does have certain intrinsic qualities. It is highly durable, easily divisible, transportable, and most of all, it is *scarce*. Money must be all of these, to one degree or another, if it is to function as a means of exchange. It is vital that we get our categories straight in our minds:

⁴ Ludwig von Mises, *The Theory of Money and Credit* (New Haven, Conn.: Yale University Press, [1912] 1953), pp. 109 ff.

it is not value that is intrinsic to gold, but only the physical properties that are valued by acting men. Gold's physical properties are the product of nature; its value is the product of acting men.

The Case for Gold

It would be a terrible mistake, however, to de-emphasize the historic value of gold and silver merely because they possess no intrinsic value. That mistake is the one which the opponents of gold would have us make. They are equally guilty of mixing up the categories of intrinsic value and historic value, only they argue from the other direction. Conservatives appreciate the fact of gold's historic value, but they mistakenly argue their case in terms of gold's intrinsic value. Their opponents do not appreciate the argument from history, but they spend their time refuting the conservatives' erroneous presentation. They assume that because gold has no intrinsic value (true), gold's historic value as a means of exchange is somehow invalidated. The two positions are diametrically opposed, yet they focus on a common ground which is irrelevant to both positions; the conservatives do not help their case for gold by an appeal to intrinsic value, and gold's opponents do not refute the case for gold by demonstrating the error of that appeal.

Gold's overwhelming acceptance historically by most men in most societies is a lasting testimony to its value as a means of exchange. It should not be referred to as "a storehouse of value," as it is in so many textbooks. What we should say is that gold is readily marketable and for that reason a valuable thing to store. This position of gold in history is a self-perpetuating phenomenon: people tend to accept gold because they and others have in the past; they assume that others will be willing to accept gold in exchange for goods in the future. This assumption of *continuity* is basic to all goods that function as money. Continuity is therefore a function of both the physical properties of gold and of men's estimations concerning other men's future valuations. In short, it involves nature, man, and time. In estimating the importance of gold for an economic system's proper functioning, we must take into consideration all three factors, keeping each clear in our minds. This is why we need economic analysis; without it, we wander blindly.

Ignorance in the short run is seldom profitable; in the long run, it is invariably disastrous. Fallacious argumentation can too easily be turned against one by his enemies. Just as Marx used the fallacious labor theory of value against

those classical economists who tried to defend the free market in terms of that theory, so the opponents of gold can use the intrinsic value theory against those who try to defend the gold standard with it. This is not to say that logic alone will convince men of the validity of a full gold coin standard; logic is always a tool used by men of varying presuppositions, and these are in turn the product of pre-theoretical valuations. We should not trust in logic to save the world. But ignorance is far worse: it knows neither its presuppositions nor the probable results of its arguments. It lacks consistency, it lacks clarity, and it can be turned against its user by the enemy. Therefore, let the defenders of the gold standard acknowledge the advent of modern, subjectivist economic reasoning. Let us face the fact that if Böhm-Bawerk's refutation of Marx's labor theory of value is valid, then all other applications of the fallacy of intrinsic value are equally invalid.

If we cannot learn to think consistently on this point, then we will be grist for the inflationists' mill. The inflationistic Juggernaut may resemble a charging elephant in our era. It may be too late to stop it with a small caliber rifle, but we know it cannot be stopped with a pop-gun. ◆

The Coming Aristocracy

THE OTHER DAY a young high school teacher who is sympathetic to the rebels among the students asked me what I thought of the wave of protest that is engulfing most of our educational institutions. I answered truthfully that I didn't mind students popping off, even if they happen to be wrong. What I did mind was the rebels' failure to see that the first duty of anybody is to become competent, to develop some skill that will carry him through life without being forced to beg his sustenance from others.

If I had had Leonard Read's *The Coming Aristocracy* (Foundation for Economic Education, \$3 cloth, \$2 paper) at my side at the time, I might have made my meaning plainer to the young high

school teacher. For Leonard Read's argument that the true aristocrat is one who pursues excellence comes down to a simple endorsement of the duty to achieve competence. The worst feature of the campus rebellions that are causing such turmoil is the way they waste everybody's time. There are all those books in the libraries to be read, all those languages to learn, all those philosophies to inspect. One doesn't even need good teachers (though it helps), for a teacher is someone to react against if you think he is wrong.

Leonard Read's advice to the rebellious student would be to start a rebellion within one's self against the waste of opportunity. He is a good advocate of his own cause, for he practices what he

preaches. Moreover, he doesn't offend as a preacher by trying to bulldoze. He depends on lucidity and logic on a take-it-or-leave-it basis.

Forums for Libertarians

I have known Leonard Read for more than twenty-five years, and have watched him work at the task of perfecting his own understanding of what he calls the freedom philosophy. In moments of pessimism I have doubted that any Readean band of true aristocrats can save the world. With Mao Tse-tung extolling the virtues of power as it comes from the barrel of a gun, with Moscow clobbering the Czechs for tentatively suggesting some minor experiments with a free market, and with our own students embracing nihilism and anarchy, who is going to be left alone to try to rise above personal mediocrity?

But then I think of Leonard Read's contributions to the rise of the Mont Pelerin Society, for example. The Mont Pelerin members who have gathered once a year to try to make true correlations in the Read sense are no longer regarded as a tiny sect with no influence on a world that is bound willy nilly for collectivism. Last September Warren Nutter was simply a student of the failure of communist economies to

become more than inefficient industrial-military complexes. He appeared at the Mont Pelerin conference in Scotland to read a paper on the turmoil in East Europe. Today he is in the Pentagon, acting as Secretary of Defense Melvin Laird's adviser on the Soviet economic potential. Another Mont Pelerin member, Martin Anderson, is in the White House, doing research that can be trusted to keep President Nixon from relying too heavily on state intervention in economic matters. We have been developing freedom philosophy thinkers to counterbalance the popular John Kenneth Galbraiths and Arthur Schlesingers, and Mr. Read's quiet work in providing forums and focus for the libertarians has had much to do with the change.

Obstacles to Surmount

Life is not easy for anybody who wants to perfect his understanding of the freedom philosophy. For, as Mr. Read points out, if we were to try to divorce ourselves from every last activity tainted with socialism, we couldn't exist. We couldn't ride on a train (rates set in accordance with the rules of the Interstate Commerce Commission); we couldn't use the airways (they are subsidized); we couldn't eat bread (the government controls wheat plantings);

we couldn't wear cotton clothes (cotton price supports). To live the freedom philosophy to perfection would be suicidal.

But to take life, even one's own, is contrary to the higher law. So Leonard Read supports compromise, but only to the extent that it is absolutely necessary to function in the world. He finds Medicare, for example, to be less tolerable than using the socialized mails, and can forswear accepting its help with less difficulty. He is more of a saint in this than I am: the government has stolen so much from me in a lifetime of taking my taxes to pay for socialism that I intend to get anything out of it that I can as partial retribution. If Medicare can pay me for an expensive operation, I will consider it as a restitution of something that should have been left to me in the first place.

Leonard Read is not surprised to see our so-called higher education in trouble. Working against the philosophy of the Founding Fathers, we set up our primary schooling in the early nineteenth century on a compulsory basis. This, in turn, necessitated a second compulsion: Parents must be taxed to pay the school bill. With the government supplying the schools, it necessarily dictated the curriculum.

As long as the compulsions were

limited to the early grades, where the teaching of skills in reading and writing and arithmetic took up the teachers' time and prevented them from going off into realms of philosophy, the danger of indoctrinating the students in favor of socialism was not marked. But when the Federal government began its programs of aid to higher education, we were really in for trouble. College students are all mixed up about the means and ends of higher education. They have come to take it as a right which the state is called upon to provide without charge. But when the state pours in money to support scientific experiment that might help the Pentagon improve its military efficiency, the students resent it. They have been so badly educated in logic that they can't see that the government has a right to get something for its money. In accepting state aid for higher education, the student has, in effect, sold himself to the state whose power he dislikes.

Other Signs of Light

If the young haven't yet caught up with Leonard Read, they are bound to do so as they fight to escape from a bureaucratized world. The "freedom philosophy" makes inroads in the strangest places. Just the other day Supreme Court Justice William O. Douglas,

of all people, condemned the bureaucrats of the Tennessee Valley Authority for proposing yet another big dam. Justice Douglas waxed wroth because the project would destroy some of the best trout fishing in America. In other words, the Justice had finally tumbled to the fact that the freedom philosophy and conservation are not mutually exclusive causes. Then there is the discovery of Larry O'Brien, who was our Postmaster General, that a bureaucratized Post Office is not an efficient distributor of the mail. He suggested a "public corporation" to be run on private enterprise lines. This would not be wholly satisfactory according to the Read point of view, but at least the "freedom philosophy" had had some effect on Larry O'Brien. ♦

► **DOLLARS AND DEFICITS**, by Milton Friedman (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1968), 279 pp., \$6.95.

THE OPTIMUM QUANTITY OF MONEY, and Other Essays, by Milton Friedman (Chicago: Aldine Publishing Co., 1969), 384 pp., \$10.95.

Reviewed by Henry Hazlitt

IN THE LAST five or ten years no American economist's reputation has risen more than Milton Fried-

man's. There are solid reasons for this. He is a man of amazingly wide awareness, at home both in the academic and journalistic fields. He is an acute theoretician, a skilled statistician, an expert mathematician, and a formidable controversialist. His thought is penetrating and precise. And his style is clear, lively, and epigrammatic.

Those of us who have known or read him over the last twenty years admire him as a brilliant expositor and champion of the workings of a free market, and as a devastating critic of price, wage, and exchange controls. His essay on "What Price Guideposts?" in *Dollars and Deficits* is an excellent example of this.

But in the last three or four years he is most often referred to because of his championship of the quantity theory of money. In fact, so thoroughly saturated in the Keynesian ideology have both the academic and journalistic worlds become in the last thirty years, and so ignorant of the past, that Friedman's quantity theory of money is often referred to as if it were some startling new doctrine that he had personally originated. Friedman himself makes no such claim. "The emphasis I have just been placing on the stock of money," he even wrote in 1963, "is widely regarded as old-fash-

ioned and out of date." And in his Preface to the essays gathered in his latest book, *The Optimum Quantity of Money*, he writes: "The quantity theory of money, once relegated to courses on the history of thought as an outmoded doctrine, has re-emerged as a part of the living body of economic theory."

A large part of the credit for that re-emergence belongs to Professor Friedman himself. A big step forward in this was the monumental *Monetary History of the United States* that he wrote with Anna J. Schwartz in 1963. Friedman's special contribution has been to point out, with impressive documentation, how much more accurately changes in the stock of money have predicted the short-term course of the economy than the Keynesian emphasis on fiscal policy or on the relation between investment, government spending, and income.

There is nothing original, either, in Friedman's insistence that "inflation is always and everywhere a monetary phenomenon, resulting from and accompanied by a rise in the quantity of money relative to output." "Orthodox" economists have been shouting this for years. But Friedman has got more people, including former academic Keynesians, to listen.

He has also got more people to listen to the misgivings that some of us have been expressing for many years, not only regarding the wisdom of the managers of the Federal Reserve System, but the wisdom of having a Federal Reserve system at all.

Friedman's own objections are based on his opinion, which other libertarians ought to share, that monetary policy should be based on strict, objective, invariable rules rather than on the unpredictable discretion or, as he puts it, on "the day-by-day whim of political authorities." He holds that, in the first place, the concept of a central bank as an independent branch of government is not reconcilable with the concept of political democracy. He points to the mistaken goals that the Federal Reserve authorities have followed and to the costly errors they have made again and again since the Federal Reserve System was established in 1913.

I do not recall that Friedman has gone so far as to say, as some of us would, that practically every central bank, including the Federal Reserve System, has served primarily as an inflation factory. But he has repeatedly pointed out that "central banks are a necessary — and today almost a sufficient — condition for a balance-of-payments problem."

It is when we get a little beyond this point that some of us must part company with Milton Friedman — on both economic and political grounds. He advocates an irredeemable paper currency. He would do away altogether with the gold standard and the requirement of the convertibility of the currency unit into a fixed amount of gold.

His argument here seems to me clearly untenable. "The fundamental defect of a commodity standard," he writes, "from the point of view of the society as a whole, is that it requires the use of real resources to add to the stock of money. People must work hard to dig something out of the ground," et cetera.

Now so far from this being the fundamental defect of a gold standard, I should call it its fundamental virtue. The vice of a paper money is that it is subject to the day-by-day whim of the politicians in power. They can run off on the printing press any amount they see fit. They can depreciate everybody's money-savings, or even make them worthless. But the value of a commodity currency, that has to be discovered and dug and processed and refined, is not dependent on political whim. Gold money retains its value precisely because it costs something to produce, and its supply cannot

be arbitrarily increased simply by turning a printing press.

It is absolutely necessary to make the increase in the quantity of money independent of political wishes. The cost of production of the monetary metal is the unavoidable price paid for the preservation of a sound monetary system.

And it happens today to be a ridiculously low price. The total world gold production is less than \$1.5 billion a year. The total national income of the United States alone is some \$750 billion a year. The total income of the other sixteen-sevenths of the world's population must be at least equal to this. This means that gold production today costs the world less than one-tenth of 1 per cent — less than one-thousandth — of its total annual productive output. An absurdly cheap rate for monetary insurance.

For this Milton Friedman would substitute the following type of paper money system: "My choice at the moment would be a legislated rule instructing the monetary authority to achieve a specified rate of growth in the stock of money" rising "month by month . . . at an annual rate [(somewhere)] between 3 and 5 [(per cent)]." (*D. & D.*, p. 193)

Friedman has several times changed his mind about this figure. The above was originally

written in 1962. In his new book, *The Optimum Quantity of Money*, he candidly admits that as a result of further study he would now prefer a monetary increase of only 2 per cent a year instead of his previous advocacy of 4 or 5 per cent a year.

Perhaps this is a good place to remind him that during the past century gold production has increased at an average rate of about 2½ per cent a year, compounded annually, which is amazingly close to his own latest estimate of the ideal annual rate of increase of the monetary stock.

Friedman's personal vacillation is, of course, not a major argument against the monetary formula he proposes. But it does serve to remind us that there is no objective way of determining what the quantity of money, or the annual increase in the quantity of money, ought to be. This must remain a value judgment. Whatever the growth formula adopted, some people will be relatively helped by it and others will be relatively hurt by it. If the money stock is arbitrarily increased by 2 or 5 or X per cent per year, the unavoidable question arises: Who will get the new money in the first instance? Whoever gets it first will benefit at the relative expense of the rest of us.

Thus the issue would inevitably

and persistently lead to a political tug-of-war. Even if Friedman could get a 2 per cent monetary increase written into law in the first year, "economic-growth" fanatics, and groups whose money incomes weren't rising as fast as they thought they should, would soon be demanding a legislative change to a 3 per cent annual increase, and others to a 5 or 7 per cent increase, and still others to a "temporary" 10 per cent increase, and so on and on.

Once we explicitly gave the government the power to increase the quantity of money, there would be no practicable way to limit that power. The political Outs would constantly be agitating for a higher rate of increase, and the political Ins would adopt whatever rate of increase they thought most likely to prolong their stay in office.

But Friedman's efforts to find a solution for what has become one of the world's most difficult and controversial economic and political problems are unfailingly thoughtful and stimulating.

Both of the books under review here are mainly collections of essays written over a period spanning nearly two decades. The chief difference is that those in *Dollars and Deficits* are selected as "intelligible to the public at large," and those in *The Optimum Quan-*

tity of Money are more technical and addressed primarily to fellow economists. ◆

▶ *SO HUMAN AN ANIMAL* by Rene Dubos (New York: Charles Scribner's Sons, 1968), 267 pp., \$6.95.

Reviewed by Robert M. Thornton

THIS is an age of pseudo-science and scientific superstition. For many of our contemporaries, as Jacques Barzun observed, science "is at once a mode of thought, a source of strong emotion, and a faith as fanatical as any in history."¹ The description fits many popularizers and mere technicians, but the really great scientists tend to be humble men who regard creation with feelings of awe, feelings which deepen as their knowledge expands. Rene Dubos, the noted biologist, is one such.

He bids us in this book to rise above the simple-minded and degrading notion that man is a machine, to forswear the idea that the conquest of nature and the moulding of minds are proper human goals. He demolishes the opinion that we ought to do something (like put a man on the moon) merely because we have the technical capacity; such a position is operationally and ethically mean-

ingless, and reflects an intellectual abdication as well. Dubos urges scientists to become more concerned with questions about the nature and purpose of man, adding that the material satisfactions made possible by technology have added little to human happiness nor deepened our sense of the significance of life.

These are startling words for our time coming, as they do, not from a theologian or a philosopher but from a scientist. They set the mood for the book. Instead of the presumptuous airs of today's "intellectuals" we find Dubos speaking of the *mysterious* relation between man and nature. Some readers may recall the scene in the film, *The Treasure of the Sierra Madre*, in which the characters played by Walter Huston and Humphrey Bogart are leaving the mine they had dug in a mountain. With a fortune in gold dust and bandits nearby Bogart is anxious to leave quickly, but Huston insists on taking the time to "tidy up the mountain." It isn't right to open holes in the earth and not seal them up. The mountain was good to them, he goes on to say, and they should be good to the mountain. Quaint, we say, but along comes Dubos saying much the same thing even more eloquently about man's continuity with the past and the rest of cre-

¹ *The Glorious Entertainment* (N. Y.: Harper, 1964), p. 3.

ation about the nonmaterial — or spiritual, if you will — relation between man and the rest of creation. It is the quality of this relationship that measures the humanness of life.

Dubos, like Joseph Wood Krutch, does not believe we learn as much about animate nature from dissection and analysis as from sympathetic observation of *living* creatures. Both men stress the importance of a communion with nature and nature's creatures — a welcome relief from self-styled realists, unconcerned about preserving our natural heritage, and from sentimentalists whose good

intentions sometimes do more harm than good.

Dubos takes a balanced view of man, viewing him as the creative user of biological, psychological, political, environmental, and economic factors. Dubos recognizes that man becomes truly human only as a member of society but he also sees that one of the distinguishing characteristics of man is his freedom to choose, to make value judgments. "The life of a particular person becomes to a very large extent what he wants it to be, through a succession of deliberate choices . . . steered at every step by the vision of . . . goals."



THE FREEMAN ON MICROFILM

Microfilm copies of current as well as of back issues of THE FREEMAN may be purchased from:
Xerox University Microfilms
300 N. Zeeb Road
Ann Arbor, Michigan 48106

the Freeman

VOL. 19, NO. 7 • JULY 1969

- The Free Market — What it is — What it implies** **Tom Rose** 387
An exciting presentation of the case for freedom, inherent in man's nature.
- The Bent Ruler** **John R. Gearhart** 393
The wavering standards of "situation ethics" are about as useful as would be a bent ruler to an engineer.
- Education in America:**
- 10. Revolt on Campus** **George Charles Roche III** 397
The frantic and destructive flounderings of youth, lost in a morally bankrupt educational structure.
- Beneath the Gap** **John C. Sparks** 406
The revolt of children often reflects a fundamental sickness in their parents.
- Socialism and Beyond** **Edmund A. Opitz** 410
How the Socialist Party transformed American life while losing its force as a religion and a political power.
- Fear Smallness, Not Bigness** **Leonard E. Read** 425
Not the bigness of the job but the smallness of the man to fill it — there's the rub.
- The Rise and Fall of England**
- 17. The Fall of England (Conclusion)** **Clarence B. Carson** 427
Concerning primarily the dissolution of the Empire and the spread of communism into the power vacuum. This article concludes the series.
- Political Interference in Medicine** **Richard E. Hunt** 436
There is no coercive way to improve the relationship between patient and doctor.
- Hong Kong: A Case Study in Market Development** **Sudha R. Shenoy** 439
Planners and reformers rarely recognize that freedom is essential to sound growth.
- Book Reviews:** 444
"The Strange World of Ivan Ivanov" by G. Warren Nutter
"Edmund Burke: A Genius Reconsidered" by Russell Kirk
"The Specious Origins of Liberalism: the Genesis of a Delusion"
by Anthony M. Ludovici

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

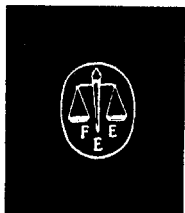
IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

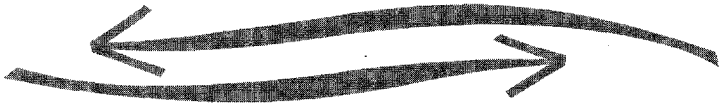


Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "The Bent Ruler," "The Rise and Fall of England," and "Political Interference in Medicine."

THE FREE MARKET

What it is . . . What it implies



THE ATTRACTING POWER of right ideas never ceases to amaze me! Recently a student approached me after a particularly stimulating class discussion in Economics. "Sir," he said, "this thing you call the 'free market,' will you please explain it for me in more detail?"

The person standing before me was a young man from Lebanon. He had recently enrolled in our small college. He said he had never before heard the term "free market" and it interested him.

I chatted with him as I gathered up my lecture materials, quickly outlining in broad sketches the essential ideas behind the philosophy of individual freedom and responsibility. And as I did, something unforeseen happened!

The young man's eyes lit up, his

face literally shone, and he exclaimed, "Why, it's beautiful! This is exactly what I am looking for!" Then he went on to share with me the dream that brought him to America. He and his compatriots back home hope to develop his nation into a land of "milk and honey" that will shine as a beacon of moral and economic success to the whole world, that other nations might follow.

Needless to say, what started out as a casual explanation on my part quickly developed into something much more exciting. Two hours passed almost unnoticed, and our conference had to terminate because of another engagement. But it did not end until the searching scholar was given some tools that would enable him to pursue his beckoning star. He left with some carefully selected books and

Mr. Rose is Head of the Business Department of Bryan College in Tennessee.

suggested readings with ideas that might help light the way for him and his countrymen toward personal and national greatness.

History has proven, with America as her most shining example, that right ideas held by men of vision and integrity can quickly build underdeveloped nations into economic giants that richly bless the world. Thus is the attracting and motivating power of right ideas! When sowed at an opportune time in a friendly climate, they germinate very quickly.

The Free Market Defined

The concept of the free market is not difficult to understand. Like all good things in life, it is simple and basic if approached in the right way. The free market is simply the voluntary exchange of goods and services between free individuals. It is as simple and as basic as that!

Why, then, all the confusion and contention as to the relative merits of free market voluntarism versus the compulsory exchange of the welfare state, socialism, fascism, and communism?¹ In my opinion,

¹ Many scholars differentiate between the welfare state, socialism, fascism, and communism. In essence, they are all the same. They all depend on coercion rather than voluntary persuasion to induce exchange. A resisting citizen in any of these totalitarian states will end up either dead or in jail.

the confusion arises because of a failure to understand the basic concepts and relationships that are involved. For instance, we should recognize that the free market, in essence, is not really a system at all. The word "system" connotes an *a priori* planned scheme or method of doing things, and the free market is not a planned system in this sense. Rather, the free method of facilitating exchange is a natural aggregation of human interactions which result from a process of growth *due to the nature of man*. It was not, and could not, be planned by any finite being. It is too big, too all-encompassing, and too perfect to be the handiwork of mere man. In short, the free market is what *it* is because man is what *he* is.

Man Is Free by Nature

The Founding Fathers of America recognized that man is free by nature, and they stated this fact in the Declaration of Independence. In so doing they uncovered once again the moral base of cooperative society which had largely been obscured for thousands of years. Their declaration reiterated man's inherent right to be free and self-responsible before God and in relation to his fellow men. Their declaration re-echoed the cry of Moses some 3,000 years earlier when he stood before the

Egyptian Pharaoh and said, "Thus saith the Lord, let my people go that they may serve me!" (*Exodus* 8:1)

The essence of man's free nature can be ascertained in two ways. First, it can be seen in the Bible, and this is sufficient for those who accept the Bible as the inspired word of God. The signers of the Declaration of Independence understood and accepted the revealed truth that man was created a free moral agent and thus, by nature, is and has a right to remain free and self-responsible. The above verse from *Exodus* is just one of a number that can be cited to verify man's right to and responsibility for self-direction.

A second way of ascertaining the same truth is through empirical evidence. It should not take an alert person very long to observe that man is free by his very nature.

The discovery by Carl Menger that value is an *imputed* quality rather than an *inherent* quality of a good served as an important milestone in the accurate understanding of man's thought processes and, thus, to an understanding of his free nature. As a result of Menger's work, we are now able to see that value cannot be measured objectively. We cannot determine the value of a pie, for instance, by how many man-hours

went into producing it. If we could, then mud pies might be worth more than cherry pies!

If such objective measurements could be used to determine value, then the produce of a group of inefficient workers would certainly be more valuable than that of an efficient group because it took longer to make. If you had the pleasant task of choosing between two seemingly identical new automobiles, would you pay more for one because it had more labor costs in it than the other? Not by a long shot! Studebaker got out of the automobile manufacturing business because consumers do not measure value objectively by the amount of labor costs invested in products.

The objectively measured labor theory of value was one of many false concepts that Karl Marx accepted. And his mistaken concept naturally leads to the denial of an important facet of man's free nature: that each person can and does establish value according to his own unique and wholly subjective scale of measurement.² And exactly what this scale of measure-

² This truth is well stated in a different way by Leonard E. Read in his book, *The Coming Aristocracy*, page 62. "The extent of one's orbit is not self- but other-determined. Others, not I, decide whether they are in my libertarian orbit. I have nothing whatsoever to do about the matter except to strive for and attain some measure of excellence."

ment is, no one knows for sure — perhaps not even the person who applies it — because his scale is constantly changing from moment to moment.

Totalitarian societies develop when those in political power insist upon overruling the individual value judgments of the very citizens they are supposed to serve. It is upon this denial of man's basic nature — of his right to hold his own subjective opinion — that all forms of socialism/communism rest. And this is why socialism/communism cannot possibly succeed in the long run, even in the mild form currently known as the "welfare state."

Necessary Elements of Free Exchange

If man is free and self-responsible by nature, what then is needed for the free market to exist?

Let's remember that the free market, by definition, is the voluntary exchange of goods or services between free individuals. Thus, to be more accurate, we should ask what is needed for a free market to exist rather than *the* free market, because *the* free market is simply an aggregation of many independent voluntary exchanges.

Physically, all that is needed for voluntary exchange to take place are:

Two individuals

Two goods

But metaphysically, much more is needed! In addition to two people and two goods, there must also be:

A recognition of and respect for the concept of private property.

A difference in opinion as to the relative worth of each good.

Mutual willingness to engage in exchange negotiations.

Joint freedom to engage in exchange negotiations.

Respect for the other person's right to be guided by and to act upon his own personal value judgment.

In summary, then, at least seven ingredients are basic to voluntary exchange. If any one is missing, exchange either will not take place or, if it does, then the exchange will not be voluntary:

If property is to be exchanged, the owner and trader must be able to give clear title.

If both parties value each good equally (i.e., if they fail to disagree as to what each good being traded is worth), neither one would be motivated to engage in the necessary barter that must precede agreement to exchange. The lack of profit would not warrant the effort involved.

If either party lacked the willingness of freedom to trade, free exchange, obviously, would not take place.

If each party did not respect the other's right to be self-guiding, there would be a tendency for one to impose his will upon the other. (This could take place by overt direct coercion, which is generally illegal; or by a more insidious form of indirect coercion, which often is legal but just as immoral as legal coercion.)

The only difference between the two types of coercion is that one is "honest illegality" while the other is "dishonest legality." For instance:

- In case #1, A wants B's money. Being a believer in direct action, A risks public censure by robbing B at the point of a gun. Everyone recognizes the wrongness of his act, even A. This is "honest illegality."
- In case #2, C wants D's money, but he is unwilling to risk public censure in the event he gets caught in the overt act of robbing, so he turns to a more devious method. He turns to "dishonest legality." C persuades government legislators of his need, and they pass a tax law that legally transfers money from D's pocket to C's pocket. If D refuses to pay the tax collector, another agent of government (a policeman) will knock on D's door and force him to pay or put him in jail.

There is no doubt at all that D's "dishonest legality" is less risky and more effective than A's "honest illegality." The only unanswered question is the effect, if any, that the

breaking of the moral law might cause. But parties to "dishonest legality" are generally blissfully unaware that they have done anything immoral (or at least they think that immoral ends achieved through the agency of group action can escape punishment.) Thus, we see that any exchange that does take place through coercive action (either direct, or indirect) benefits one party at the expense of the other.

Can the Free Market Disappear?

Some lovers of freedom become apprehensive about the rising tide of socialist/communist ideology throughout the world (including our country). They see the trend of encroaching government intervention and they imagine the day when what is left of the free market system will be gone.

In the short run, this rising encroachment on liberty is worthy of concern, but in the long run it is not. By saying this, I do not mean that we should give up natural liberties willingly or without resistance. I personally do not give ground without contesting each step of the way where the principle of individual liberty and responsibility is concerned. I, too, can visualize Orwell's 1984, but I worry not one moment about the possible loss of the free market, because it cannot happen!

The free market may be restricted and encroached upon by all

who will stoop to the "honest illegality" of direct coercion or to the "dishonest legality" of indirect coercion, but the free market cannot be eradicated. The free market cannot be eradicated because *it exists in the heart of man*; it is in his nature. Wherever two men are, the free market exists potentially if not actually. It may be dormant, but it will bloom into mutual profitability upon the slightest recession of coercion.

Does this mean that we need not concern ourselves with continuing to expose and resist the ideas of those who are ever-ready to inhibit voluntary exchange? Indeed not! Neither does it mean that we

should relent in sharing the good news of the free market philosophy with any who might be attracted to it. Rather, it means that we should view the challenging prospects for individual freedom and responsibility with courage and assurance. The free market comes into being naturally because man by nature is free. In the long run, the nature of man assures success in our attempt to foster voluntary exchange because that is the way God made him. In the short run, let us roll up our sleeves and apply ourselves conscientiously and creatively to the stimulating avocation of helping others find and understand the motivating power of freedom. ♦

IDEAS ON LIBERTY***Get Out or Get in Line***

If you work for a man, in Heaven's name *work* for him. If he pays you wages which supply you bread and butter, work for him; speak well of him; stand by him and stand by the institution he represents. If put to a pinch, an ounce of loyalty is worth a pound of cleverness. If you must vilify, condemn and eternally disparage — resign your position, and when you are outside, damn to your heart's content, but as long as you are part of the institution do not condemn it. If you do that, you are loosening the tendrils that are holding you to the institution, and at the first high wind that comes along, you will be uprooted and blown away, and probably will never know the reason why.

The Bent Ruler

— or Civic and Moral Responsibilities of the Engineer

JOHN R. GEARHART

OF ALL people who should not be T. S. Eliot's "hollow men"—with "head-pieces filled with straw"—it is America's engineers. Our gray matter contains a thorough knowledge of our technical field and at least a smattering of the humanities. The theoretical must withstand constant testing in practical application; balance is thereby obtained between dreams and performance of the possible. It should follow naturally that as we translate highly technical knowledge into everyday scientific progress, we feel an interest and obligation to become involved in civic and governmental affairs—local, state, and national.

We can hardly be unaware that

Mr. Gearhart, entering his senior year in electrical engineering at the University of Illinois, is from the rural community of Bethany, Missouri. His career goal is to work in medical electronics.

This article won him first prize in the Spring 1968 Tau Beta Pi and Greater Interest in Government Essays Contests and is reprinted here by permission.

the time of America's greatness may be running out. Within 200 years, with only 7 per cent of the earth's surface and 6 per cent of the world's population, we have become among the richest, most powerful nations in history. The rising cycle of courage to liberty to abundance, however, has been replaced by the downward curve of selfishness to complacency to dependency. We should be reminded of Spengler's dire predictions of the West's decline and Arnold Toynbee's observation that 19 of our 21 leading civilizations died from internal weakness and decay.

Our Founding Fathers anchored in our country's documents the great principles of civilized man and his heritage. They created a "Republic"—not a "Democracy." Our pledge of allegiance states "and to the Republic for which it stands." Democracy, ultimately,

could become mobocracy, wielding tyranny as suffocating as that of any monarch or dictator. Leaders were to govern as little as possible; they were to be the servants of the people, not lords over them. Checks and balances were developed with care and pain, and local responsibility and public opinion were counted upon to restrain excess popular feeling. There was firm agreement with Thomas Jefferson that citizens be "bound down from mischief by the chains of the Constitution." In our present age of analysis, criticism, and dissent, however, it is well to remind ourselves that, though the American system is not perfect, it may well be the best man has yet conceived. Common sense, therefore, indicates that its destruction, or even the erosion of its effectiveness, could be dangerous indeed.

In recent years, the doctrine of objective values (validity of "right" and "wrong") has given way to one of "situation ethics," in which truth is relative. Arthur Sylvester will probably be remembered as the man who informed the American public that government has the right to lie. News media speak freely of "credibility gaps." Pushed to a logical conclusion, any act, even murder, could be justified. It is not surprising that in this period the "Death

of God" advocates proclaim loudly that man is now unshackled and free, free to fashion his own destiny. From an engineering standpoint, the situation is akin to beginning a construction assignment with deformed tools—a broken transit or a bent ruler; and once accepted, this doctrine means man's ultimate standard can be no higher than his inaccurate, highly fallible human nature.

Order, Justice, Freedom

Order, justice, and freedom should stand uppermost in our philosophy of government. Order must exist first, or proper functioning is impossible; a government's first duty is to assure the safety of its citizens. Recent disorders in our society were aggravated when officers of the law were deterred by Supreme Court rulings such as the Mallory and Escobedo rules, were asked to stand by during looting, and were subjected to continual taunts of "brutality." Mass disrespect for law and peace followed. Violence, of course, is not the citizen's proper approach to reform. Instead, it is a step backward from channels of debate, voting, and legal action. When internal restraints break down, police have no alternative but force.

We hear much of our "arrogance of power" internationally, but either pure pacificism or anarchy

would leave nations or individuals at the mercy of unscrupulous power. It is high time our youth learned something about the greatness of our nation. Otherwise, as evidenced by the weakness of our draftees taken prisoner during the Korean War (most American soldiers succumbed to the enemy's will), and now again in full bloom with the Vietnicks, the time may come when no values are left.

Justice refers to equal treatment under the law. It is imperative that the majority, the average citizen, and the taxpayer be not forgotten in the current hurry to favor the minority, the criminal, and "the poor." Justice is rightly depicted as a goddess with eyes blindfolded or closed. She holds a sword, or scales, or both. Her function must often include punishment.

Freedom is also currently in jeopardy. If man is not free he is not responsible; if he is not responsible he is not moral. Order without justice or freedom is tyranny, but freedom without justice or order is anarchy. In the same way, much so-called academic freedom is license. To maintain freedom is not easy, and it is highly questionable whether most men, deep in their hearts, are willing to pay the price. Napoleon Bonaparte was welcomed by the majority of the French.

Why did I not include equality, one of the great cries in the French Revolution and now heard increasingly in our country? Because we can be realistically equal only in the sight of God and law. True equality is impossible without coercion. Forced integration in our schools has been far from successful. Increasing loads and additional types of taxes constitute forcible redistribution of wealth; a point is being reached where thrift is punished and sloth encouraged. When people demand a "right" to be equal, they frequently forget that others have "rights" too.

Anchored in Reality

The engineer should be a creative professional. He applies his skill and knowledge to the study and analysis of problems and develops solutions which generally prove worthy well into the future. He is a link between technology and human endeavors, so he cannot lose sight of the social structure in which he and other men function and live.

Engineers usually prefer individual initiative—the free-enterprise system—instead of the welfare state; in fact, they enjoy responsibility and competition, fundamental qualities in maintaining our Republic. Honor and integrity have become well enough

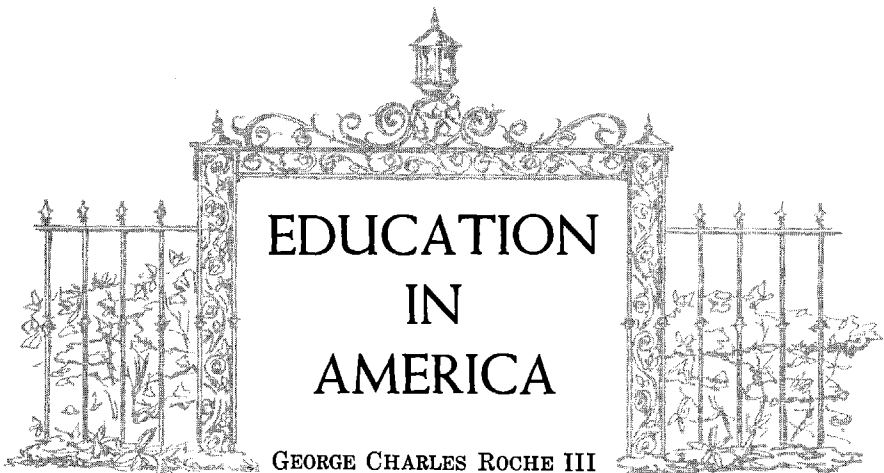
ingrained in their thinking so that it is easy for them to understand the necessity of similar attributes in a nation. It is obvious that false sentimentality must be distinguished from valid compassion, that emotion and propaganda must be distinguished from clear thinking.

Apathy and complacency do not achieve order, justice, and free-

dom. "Every good and excellent thing," wrote Thornton Wilder, "stands moment by moment on the razor edge of danger and must be fought for." The unique talents of engineers are needed not only in their chosen fields but to help restore basic principles and common sense to our country. The ruler seems bent indeed. Let us straighten it and use it! ♦

The Minimum Wage

To make a horse drink
It is foolish to try;
It's fully as hard
To make customers buy:
So, when prices are raised
By law or decree,
That sales will fall off
Is as sure as can be;
And if minimum wages
By commission are set
Above what the worker
Would naturally get,
Those worth the money
Alone will be hired,
While the lowest-grade labor
Will surely be fired,
And the jobless will sit
And wonder all day
Just what they have gained
From the high legal pay.



10. *Revolt on Campus*

NO OCCURRENCE in contemporary society has attracted more attention than the turmoil in our colleges and universities. The uproar has been accompanied by a rash of hand-wringing and soul-searching; education, the shibboleth of modern America, seems to be disintegrating. When the answer to all problems itself becomes a problem, where does one turn?

For a start, we might examine the psychology of the leadership likely to arise in a revolutionary atmosphere. If we can understand the motivation behind a movement,

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

we should be well on the way to understanding the movement itself. Who is likely to be in the vanguard of an attempt to remake society?

A man is likely to mind his own business when it is worth minding. When it is not, he takes his mind off his own meaningless affairs by minding other people's business.

This minding of other people's business expresses itself in gossip, snooping and meddling, and also in feverish interest in communal, national and racial affairs. In running away from ourselves we either fall on our neighbor's shoulder or fly at his throat.¹

¹ Eric Hoffer, *The True Believer*, p. 23.

Those who are successful in the affairs of this world tend to be attuned to the reality of *life as it is*, thus disqualifying themselves for visionary leadership. Conversely, in Eric Hoffer's words, "Failure in the management of practical affairs seems to be a qualification for success in the management of public affairs. . . . [Some men] when suffering defeat in the practical world do not feel crushed but are suddenly fired with the apparently absurd conviction that they are eminently competent to direct the fortunes of the community and the nation."²

Do the outpourings of a Mario Savio represent the pursuit of power as a means of personal fulfillment? Could the romance of revolution at least partially be explained as an escape from a sense of personal inadequacy? Does the constant escalation of radical student "demands" suggest that men run farthest and fastest when they run from themselves?

When men or nations get tired of dodging fundamental questions in a multitude of distractions, they turn to a search for something else that will, so they suppose, give them the sense of significance which they know they lack. This does not necessarily mean, however, that in sophistication they learn wisdom. If they

remain adolescent in their approach to life they are frequently tempted to seek meaning for themselves and for their nation in terms of coercive power. They develop a Messianic complex. They seek to live other people's lives for them, ostensibly for the good of those other people but really in the hope of fulfilling themselves. They set out to attain greatness by imposing their supposedly superior understanding upon some man or nation who is less perceptive.³

Self-control

Irving Babbitt perceived long before most men that modern education was moving down a dangerous path. He noted some 40 years ago that in response to a questionnaire a majority of women's college graduates had rated love of humanity a higher virtue than self-control. Commenting that such a view of human nature might be pardonable in a young woman just out of college, he asked, "What are we to think of our present leaders of public opinion who apparently hold a similar view? Let a man first show that he can act on himself, there will then be time enough for him to act on other men and on the world."⁴

The lapse of self-control in favor

³ Bernard Iddings Bell, *Crisis in Education*, p. 20.

⁴ Irving Babbitt, *Literature and the American College*, p. 47.

² *Ibid.*, p. 74.

of the "humanitarian" view of life partially explains how the dreamer of utopian schemes menaces civilization. While all such revolutionaries share a willingness to destroy the existing order, their ideas of what should be erected in its place tend to vary from vision to vision, reflecting not merely a pipe dream untouched by reality, but a series of pipe dreams as unstable as the personality of the dreamer. Once self-control is abandoned and reality rejected, all that remains are half-formed, bizarre visions of typically unfulfilled revolutionary personalities. Such fuzziness in goals, such lack of personal fulfillment within the existing order, are both evident in the rhetoric of the New Left.

However fuzzy the goals of the New Left may be as to detail, these revolutionaries always envision a future in which the collectivity is endowed with unlimited sovereignty over the individual, all in the name of "social utility." For all the discussion of "freedom," today's campus radicals are quite willing to apply massed force and harassment to intimidate anyone with the temerity to hold opposing views.

They who clamor loudest for freedom are often the ones least likely to be happy in a free society. The frustrated, oppressed by their short-

comings, blame their failure on existing restraints. Actually their innermost desire is for an end to the "free for all." They want to eliminate free competition and the ruthless testing to which the individual is continually subjected in a free society.⁵

This distrust of freedom, this unwillingness to allow others the free expression of their ideas, is woven into the fabric of modern intellectual life. One would be hard put to remember a time in American history when intellectuals were less tolerant than now of one another's ideas. Denunciation, not debate, seems the order of the day. As the Chancellor of the New School, Dr. Harry Gideonse, has remarked, "A few short years ago, anti-intellectualism was an epithet of derogation. Today it is an expression of revolutionary virility." Perhaps part of the reason why so many professors have accepted the violent and abusive tactics of the New Left is that such a revolutionary situation offers disgruntled academic oldsters a vicarious opportunity to play the man of action.

The Hard-core Campus Radical

The campus radicals of the New Left pose a mass of contradictions: peace-loving advocates of mob violence; freedom-loving seekers

⁵ Eric Hoffer, *The True Believer*, p.37.

after power; the first to cry "brutality" at any attempted defense against *their* aggressions. The radicals in question are not in university residence to learn — they are there to instruct the university and society. Their qualification? Judging from the public statements of their leadership, to be qualified one must know almost nothing of history, philosophy, economics, or political theory, must have a literary background deeply steeped in James Joyce, Allen Ginsberg, and other purveyors of the four-letter word, and must be constitutionally unable to construct intelligible English prose.

Many observers have remarked upon the strong resemblance between the militant students advocating a new order in Hitler's Germany and the militant students who form the hard core of the New Left. Both have relied upon the demonstration, the use of massed force; both have insisted that "talk" must end, that "action" be the order of the day. In fact, there is much evidence to suggest that the New Left is not really so new. Professor Brzezinski of Columbia University views the current student rebel as essentially counterrevolutionary — i.e., dedicated to the preservation of a dying order. If so, the New Left can be described as the frenzied

expression of a "Liberal" intellectual bankruptcy carried to its logical conclusion.

A substantial minority of faculty members lend their support to the New Left disruption of the campus. The professorial pleas for amnesty, the faculty insistence that the rioting students "have a case," is a reflection of the enmity which many academy spokesmen have borne for our essentially free and capitalist-oriented society. Recalling that enmity, that vested interest in the destruction of the old order shared by the Old Left and the New Left, we can discover new meaning in much of the current faculty permissiveness toward the New Left disruptions. We should remember that it was the chairman of the faculty executive committee at Columbia who supported Mark Rudd, among others, with the criticism that the school was run "like a seventeenth or eighteenth century private university." (One wonders exactly what is wrong with *that*. Perhaps the vestiges of academic and disciplinary standards were his grounds for complaint.)

Rejection of the Old Left

However sympathetic the Old Left may be to the antics of the New Left, agreeing in principle and only criticizing the method, it is far from clear that the New

Left returns the affection. The ideas of the current campus radicals were formed in the classrooms of Old Left professors, but now it seems that the Old Left itself has been swept over in the rush toward nihilism and destruction.

The Center for the Study of Democratic Institutions recently invited a group of student radicals to Santa Barbara to conduct a "dialogue" on "Students and Society," apparently expecting that an exchange of ideas would reveal grounds for mutual respect and cooperation. However much the Senior Fellows of the Center may have respected their younger partners in the "dialogue," the resultant discussion suggests that the students had something far more radical in mind than did the professors. As one student remarked toward the close of the three-day conference:

I'm not as angry about what went on as Levine [another student participant] is because when I came here I thought it'd be a lot like going into my grandfather's house. I expected to meet a lot of nice old people who are very interested in what the young are doing and I expected them to tell us that we have a lot of youthful enthusiasm and that that is good, but that there ain't going to be no revolution because when I was 15 years old I said the

same thing and there weren't no revolution then and there's going to be no revolution now.

But there is going to be a revolution. I don't know whether you are going to live to see it or not — I hope that you don't, because I don't think you are ready for it. You hope that conscience is built into the existing society, because you can't possibly envision any other kind. I hate to get into this bag of saying that everybody can't understand, but I think it's really true that after the age of 50 you are lost. You people really are far, far out of it — so far that every one of us has had to go on to points in the discussions we had five years ago, just to bring you people up to where we are today. You've been sitting in this really groovy place called the Center for the Study of Democratic Institutions and you don't know what's going on in the world. I don't think you'll ever understand. I didn't come here to talk to you, though I'm willing to put up with this session. I came here to talk to the other students, because that's where it's at.⁶

The New Left seems to reject dependence upon "dialogue." As one student at the conference urged:

I think we must locate a medium between dialogue and revolution. That medium is disruption. Disruption is the one thing our society

⁶ *Students and Society*, Center for the Study of Democratic Institutions, p. 61.

can't abide. Our institutions are all interrelated, and if one institution is sabotaged, the society can't function properly as a whole. The institution students are connected with is the university. If I may be permitted a ridiculous metaphor, the university is a kind of distributor cap that students can remove from the engine of our society.⁷

Disruption and destruction of the existing system seem the new order of the day. The *Berkeley Barb*, a New Left organ in California, typifies such sentiment:

The universities cannot be reformed. They must be abandoned or closed down. They should be used as bases for actions against society, but never taken seriously. The professors have nothing to teach. . . . We can learn more from any jail than we can from any university.

Like most revolutionary appeals, the New Left stresses its interest in the common needs of all students, urging student unity; but in practice that appeal quickly degenerates into "Be my brother or I'll kill you," providing us with a more accurate measure of New Left values. Meanwhile, the provocations and the "kicks" go on. The attempt to provoke society becomes not merely the means, but the end as well. So long as these *provocateurs* remain a comparatively small minority on campus,

a deliberately disruptive group totally disinterested in education and determined to deny that education to the majority, there is a means of solving that problem. The solution was provided long ago in a letter written by St. Benedict⁸ to instruct his monks in the proper operation of a monastery:

If any pilgrim monk come from distant parts, if with wish as a guest to dwell in the monastery, and will be content with the customs which he finds in the place, and do not by his lavishness disturb the monastery, but is simply content with what he finds, he shall be received, for as long a time as he desires. If, indeed he find fault with anything, or expose it, reasonably, and with the humility of charity, the Abbot shall discuss it prudently, lest perchance God had sent him for this very thing. . . . But, if he have been found gossipy and contumacious in the time of his sojourn as guest, not only ought he not to be joined to the body of the monastery, but also it shall be said to him, honestly, that he must depart. If he does not go, let two stout monks, in the name of God, explain the matter to him.

What about the Majority?

A troublesome point remains. Isn't it true that far more students

⁸ Much of the same advice is also given by St. Benedict in Chapter 61 of his *Rule for Monasteries*.

⁷ *Ibid.*, p. 43.

seem disaffected with higher education than the small group of admittedly New Left radicals? Are all these masses of students actual or potential members of a student revolt dedicated to the disruption of our colleges and universities? The answer to both questions is "yes." Unless we are willing to take a long, hard look at American higher education, we may expect the numbers of disaffected students to continue their growth.

While most American college youths are far more interested in education than in destruction, they do feel betrayed by an educational structure which has become increasingly unresponsive to their academic needs and oppressive to their development as responsible adult individuals. It is this large group of disaffected students that forms the reservoir of discontent exploited by the New Left.

The student attending college for the first time has (or should have) some idea of what a college education is supposed to provide. Most serious students are likely to expect intellectual discipline and high standards, not to mention a close working relationship between teacher and pupil. For the student, these disciplines, standards, and relationships presumably will provide the development of individual capacity and judgment, making for a well-formed and uniquely indi-

vidual personality. So much for the expectations of the serious student; the realities are often painfully different.

A Bureaucratic Merry-Go-Round

The uses of the multiversity for fund-raising, for the aggrandizement of administration and faculty, and for mass student indoctrination, all militate against proper education for the individual. Today a college education is automatic (and often meaningless). Insert a six-year-old in the educational mill and sixteen years later he is a college graduate, whether or not he has learned anything of lasting value or has matured into a unique and self-reliant personality. Such an overinstitutionalized and de-individualized system becomes primarily custodial in nature. Often this custodial function is highly paternal, but that very paternalism becomes the greatest despotism of all. The bureaucracy necessitated by such overinstitutionalized education becomes self-perpetuating, and steadily less devoted to the functions of genuine education.

While such a bureaucracy can no longer educate, it lends itself admirably well to social engineering, to turning out technically proficient automatons ideally suited to running "the system" without questioning its values. This is one of the valid complaints our stu-

dents have. One of the bits of doggerel of the Berkeley uprising, to be sung to Beethoven's Ninth Symphony, went as follows:

From the tip of San Diego, to the
top of Berkeley's hills
We have built a mighty factory,
to impart our social skills
Social engineering triumph,
managers of every kind
Let us all with drills and homework
Manufacture human minds!

Thus, a moulding process is often substituted for an educational process. The students who are caught in the gears of the multiversity are to be excused for the feeling that the individual is powerless to change his environment. And, if the individual no longer matters, perhaps massive action, action designed to disrupt the workings of the existing system, is the only answer.

Increasing Concern among Youth over Social Problems

A related problem centers on the fact that many of our young people are more concerned than previous generations to know the "reason why," to examine the moral premises of our society. Perhaps they hunger for this because our present educational structure offers them so few values and principles on which to build their lives. Whatever the reason, the student with this concern for

moral issues often finds himself in the company of professors for whom the morality of the existing power structure is a matter of little or no interest.

When the student does find a professor who is at least willing to discuss ultimate moral questions, such a professor all too often proves to be an activist who foments just the sort of campus revolt advocated by the New Left. A professor at Berkeley described the faculty-student relationship at the time of the 1964 Free Speech Movement:

. . . So far as I was able to judge, the vast majority of the undergraduates did their best to follow the confused and changing lead of their professors.⁹

Thus, the riots have often epitomized the breakdown in traditional values, a breakdown deliberately induced by some faculty members. Could it be that our society's unwillingness to honor our own traditions is undercutting our young people's capacity to honor anything? If so, we should not be surprised when more and more of our youth no longer wish to play the game.

Much of our present structure of higher education offers the

⁹ William Peterson, "What's Lost at Berkeley," *Columbia University Forum* (Spring, 1965), p. 39.

spectacle of teachers unwilling to teach, operating within an over-institutionalized educational structure which smothers the individual student. The system, for all its size and power, so lacks inner values that it is often unable to act even in self-defense when assaulted by New Left revolutionaries from within. Surely such a system has little claim to the loyalties of the majority of sincere

students who come to college to get an education!

Perhaps the New Left minority and the disaffected student majority are but different symptoms of the same disease. Perhaps they are all young people who in varying degrees are being robbed of their personalities and their core of civilizing values by a morally bankrupt educational structure badly in need of revision. ♦

The next article of this series will discuss "Creativity."

IDEAS ON LIBERTY

The Youth Movement

IN THE DECADE preceding the First World War, Germany, the country most advanced on the path toward bureaucratic regimentation, witnessed the appearance of a phenomenon hitherto unheard of: the youth movement. Turbulent gangs of untidy boys and girls roamed the country, making much noise and shirking their school lessons. In bombastic words they announced the gospel of a golden age. All preceding generations, they emphasized, were simply idiotic; their incapacity has converted the earth into a hell. But the rising generation is no longer willing to endure *gerontocracy*, the supremacy of impotent and imbecile senility. Henceforth the brilliant youths will rule. They will destroy everything that is old and useless, they will reject all that was dear to their parents, they will substitute new real and substantial values and ideologies for the antiquated and false ones of capitalist and bourgeois civilization, and they will build a new society of giants and supermen.

BENEATH THE GAP



JOHN C. SPARKS

THE YOUNG college professor was telling how the generation gap should be bridged: "When I communicate with my six-year-old son, I must talk on this level." With that he knelt to show that he talked on a child's level rather than that of an adult.

The example was effective, but a listener offered an important clarification. "Speak in the six-year-old's language, yes," he said, "but not in a six-year-old's principles." While it is best to use words understood by the youngster, the principles expressed should reflect the wisdom of a qualified and experienced adult.

Unfortunately, many of today's parents seem to have abdicated their responsibility to *instruct their offspring*. If they have

tuned in, it is not to communicate, but only to listen to childish prattle. Furthermore, the parental extensions hired as teachers in high schools and colleges — at least some of them — are guilty of similar abdication!

Now, a generation gap is nothing new or unique to our time, but there seems to be about the current gap a critical difference. The sickness manifested in the deplorable antics of a few of the young seems to be deeply ingrained in the adults who fail to see their own illogical and immoral behavior reflected by their sons and daughters. Worse yet, many such adults fail to recognize that they themselves are victims and carriers of the disease.

Such parents from my generation are now reaping the whirlwind of the collectivist and totalitarian philosophy they embraced

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

in exchange for the old wisdom of self-reliance and self-responsibility. Having been exposed throughout their lives to relentless "intellectual" attacks upon individual responsibility and self-reliance, they are today *unqualified* and *untrained* to instruct their children according to sound principles. Making decisions without benefit of established principles gives answers that change with the whims or emotions of the moment. The consequence is a confusing variety of fallacies.

Fallacies and Folly

One fallacy is to equate the revolutionary spirit and action of youth to some noble turn of history — as though all revolutions are solidly based to overcome evil. Thus, the perpetrators of the Boston Tea Party are equated with the rioters at Berkeley, Christ's ejection of the money changers from the temple compared with the captors of the administrative offices at Columbia. Though the principles underlying these actions are from opposite poles, the purported similarity is loudly proclaimed. In this manner, violence is excused or even applauded. Open threats by student-revolutionaries against the lives of others, often with racial overtones, are common themes of television documentaries and interviews.

While public sympathy will seldom support these threats, neither is there the resolution and fortitude to condemn such immorality. Not so much a lack of courage, perhaps, as the simple failure to debunk the fallacy of revolution for revolution's sake.

A second fallacy underlying the push toward collectivism, through the medium of youth disturbances, is the contention that the major advances of mankind throughout history have had youthful leaders. The recitation of supporting data carefully ignores all vital contributions by older persons. This fallacy scarcely deserves the time to refute it. Medical scientists assure us that the human brain has the capacity for growth long after other bodily functions start to decline. In the face of such knowledge, are we simply to ignore the many daily decisions by industrial, cultural, political, and spiritual leaders, most of whom are over 30 years of age?

A third fallacy, related to the second, asserts that those over 30 represent the Establishment (whatever that means), and are stodgy, stuffy, and uncreative. The real targets are the old virtues of integrity, self-reliance, self-responsibility, courtesy, and respect for persons and for property. "Old" is hardly an appropriate description for these qualities

— no matter how long since their discovery — when the purpose of such derision is to replace them with *nothing*, which is a far older condition among mankind. The advocates of big government, more control of people, and more paternalistic programs are well aware that the success of collectivism depends upon the dilution and erosion of the ancient virtues.

Consequently, anything old becomes the target — people over 30, as well as “old” marks of character. Personal success and achievement are also maligned, anyone in the winners’ circle probably having resorted to such trickery as hard work, ambition, and integrity. Those winners, it is alleged, are no longer desirous of any change that will disturb their way of life — the Establishment!

The fact, of course, is that relieving the sore spots of mankind is not the exclusive concern of any one age group. Granted, the young may have more physical vigor and zest for crusading. But on the side of their elders is personal experience and wisdom and the other resources needed to cope with injustice. Branch Rickey was well beyond the age of 30 when he hired the first Negro professional to play baseball in the National League. Every year, thousands of bills are proposed in state and national legislatures by sincere

men of all ages in the interest of justice — though such measures often tend to aggravate rather than alleviate problems. Others of all ages strive — just as sincerely and, hopefully, to better effect — to limit the scope of government intervention and to expand the realm for private decision-making and individual responsibility. Sincerity alone may not assure the correction of injustice, but we know that men and women of all ages are sincerely concerned.

To Magnify and Expose

We return now to the basic issue behind the turbulent façade of the generation gap. The unwarranted and sometimes violent outbursts by the young serve largely to screen and camouflage the real controversy — one manifestation of it that bids to out-dramatize all others. However, this outcropping is serious; and it may help to magnify and expose the underlying problem.

Today’s parents have allowed their young people to come into adulthood often defenseless against those who aspire to totalitarian power. No wonder that many young men and women have had their minds and wills captured by the irrationality of such leaders. How could they be expected, without effective homework, to cope with the half-truths

and clichés of collectivist ideologies? How is the young college student to argue effectively for self-reliance when every major adult action within his memory was designed to transfer the responsibility for personal burdens onto others via laws and new taxation?

True, there have been warnings sounded and predictions of dire results from such abandonment of individual decision-making and self-responsibility. Perhaps those who have heard and ignored these warnings have felt the evil results would never touch them personally — something instead that might happen to the economy under rapid inflation; or the gradual unpleasantness of frequent tax hikes; or the half-guilty, half-welcome idea of government security and medical care for the elderly; or the subsidies and controls for education, urban development, agriculture, research, employment — to cite only a few — all accepted after the mildest kind of objection.

Perhaps these persons hoped that all other human relations would remain the same after private decision-making was abandoned. There would be no deterioration of morals. Children somehow would learn the value of truthfulness, respect, gentleness, honesty, and hard work — without instructing them and despite the glaring contradictions lived by parents. Can we thus deny basic principles in our own actions as we move toward totalitarian ideologies, yet hope that our sons and daughters have learned real truths and virtues regardless? It appears rather that we now must reap what we have sown.

The real issue is between the very old and obsolete totalitarian concept of those seeking power over others and the more recent view that every man has an unalienable right from the Creator to seek in liberty his own development and fulfillment. Support the latter in study and deed, and the generation gap will fade to its normal insignificance. ♦

Socialism and Beyond

SUPPOSE you were asked to nominate the most influential figure in American politics during the first half of the twentieth century. Whose name would come to your mind? Would it be a President like F.D.R.? A Senator like Henry Cabot Lodge? A Supreme Court Justice like Oliver Wendell Holmes? Or would it be a machine boss like Tom Pendergast?

Before we go on with this question, let's pause over the word "influential." Is political influence measured by the power of the office; by a man's standing in a popularity contest? Or is influence primarily an intellectual and moral force, measurable, therefore, only by assessing the extent to which a man's political and social ideals are actually translated into government policies and programs. The most influential figure

must be an idea-man who insinuates his ideas into the ideological mainstream so that people thereafter play the political game with his deck. Viewing the matter in this light, my nominee for the most influential person in American public life since World War I is a man who never held public office. I refer, of course, to the late Norman Thomas. I fervently wish that this were not the case, for my own position is diametrically opposed to that of Mr. Thomas; but I think I know a winner when I see one.

Norman Thomas was the Socialist Party's candidate for the Presidency in 1928 and every four years thereafter for the next two decades, six national campaigns in all. He never got many votes. His greatest success was achieved in 1932 when all of 190,000 people put their X alongside his name.

These electoral contests were

The Reverend Mr. Opitz of the Foundation staff is active as a lecturer and seminar leader.

not very important for Norman Thomas; they did little or nothing to further socialism. A political party, in the American experience, is a private organization aimed at the capture of public office for its candidates. The American Socialist Party barely qualifies, for it has hardly ever engaged in serious politicking. Instead, it is organized and drilled for education and propaganda primarily; and this roundabout approach proved to be, in the end, immensely successful practical politics. The socialists in the course of a generation changed the American political climate so subtly yet so completely that by mid-century no matter which candidate won, socialism (small "s") could not lose! Socialism with a small "s" has become the new consensus, but capital "S" Socialism has virtually expired giving birth to it! We will tell, briefly, the story of the rise and fall of Socialism, following this with an analysis of the auspices under which the drive toward collectivism proceeds today.

Principles, Yes; Party, No!

Norman Thomas and his friends, from the 1920's on, advanced the socialist cause by their devoted labor, day in and day out, year after year. They wrote books, pamphlets, and articles; they lectured

before all kinds of audiences and made inroads among professors, clergymen, and millionaires. An incident recorded by Upton Sinclair is pertinent. Sinclair lived in Pasadena before World War I, and writes of a visiting European socialist who expressed unbelief when Sinclair told him that his circle of friends included socialists who were also millionaires. To prove his point, Sinclair said he would have a dinner party the next evening and invite some of his millionaire friends. The European was astounded to meet a dozen millionaire socialists, all rounded up on short notice from Pasadena and environs. Furthermore, because Socialism enormously strengthens the hand of government, it naturally appeals to politicians, Republicans as well as Democrats—and to the bureaucracy. These efforts by Thomas and associates paid off, and long before mid-century something like Socialism had become the American thing.

Thomas wrote a pamphlet in 1953 entitled "Democratic Socialism," in which he observed that "here in America more measures once praised or denounced as socialist have been adopted than once I should have thought possible short of socialist victory at the polls." But, as we have seen, the American voter decisively re-

jected socialism when it was offered to him under that label. A 1954 editorial in the *Socialist Call* noted that "an examination of the Socialist Party platform of 1928 and the Republican Party platform of 1952 shows how much of socialist ideas succeeded in permeating the mind of America, including business circles. In the 1930's," the editorial continued, "the United States accepted the basic principles of the welfare state. The final seal of acceptance appeared in the State of the Union message delivered by President Eisenhower to Congress in January of this year."

Norman Thomas was puzzled by the paradox of the comfortable acceptance of socialistic practices by the government while "socialism itself," he said, "is under much sharper attack, and the organized socialist movement is much weaker." In 1956, the Socialist Party candidate got 2,044 votes, and the party has not run candidates in '60, '64, or '68. It might seem the Socialist Party has been a Typhoid Mary, of sorts; it has been the carrier of an infectious set of ideas, inoculating others with the virus while remaining itself outside the pale. But this analogy does not walk on all fours; for while Norman Thomas has been transforming the Republican and Democratic Parties, the Socialist

Party itself has been transformed. To take the measure of this transformation, let's look at the formation of this party at the turn of the century.

Born in Indianapolis, 1901

Perhaps the American Socialist Party has lived out its life span, for it was born nearly three-score-and-ten years ago. In the year 1901, on the twenty-ninth of July, 124 delegates representing various factions of socialism met in Indianapolis. The meeting is described by Morris Hillquit, the old-time socialist, in these words: "The convention has assembled as a gathering of several independent and somewhat antagonistic bodies; it adjourned as a solid and harmonious party. The name assumed by the party thus created was the SOCIALIST PARTY."¹

How many people were there in the United States in all the little socialist factions which sent delegates to Indianapolis? "No less than 10,000," says Hillquit.² The active membership was undoubtedly much less than this, which is to say that the merest handful of earnest, dedicated people—who thought they knew what they wanted and worked to achieve it

¹ Morris Hillquit, *History of Socialism in the United States* (New York: Funk & Wagnalls, 1903, third edition), p. 339.

² *Ibid.*, p. 338.

—succeeded in getting the most powerful nation in history to turn away from the methods of liberty and plunge into collectivism. The Socialist Party had succeeded so well by mid-century as to render itself unnecessary!

A party platform came out of this meeting in Indianapolis, full of rhetoric, as are all political documents, but containing also an unambiguous statement of socialist procedure: “. . . the organization of the working class and those in sympathy with it into a political party, with the object of conquering the powers of government and using them for the purpose of transforming the present system of private ownership of the means of production and distribution into collective ownership by the entire people.”³

Ends and Means

If we are to understand the nature and meaning of socialism, we must make a rigorous distinction between, on the one hand, the proclaimed socialist goal of a cooperative commonwealth which has no more war and no more poverty and no more injustice—and, on the other, the means which socialists would employ, or the techniques they would use, to achieve their goal. Ends versus means.

Up to a certain point, the ends

³ *Ibid.*, p. 343.

and goals proclaimed by socialists of all denominations are the aims of all generous and fair-minded men. All men of good will seek to hasten the end of injustice and oppression; they want a more productive society in which each man enjoys the fruits of his own labor and where there is more material abundance for everyone. And because the economic order operates at peak efficiency only in a peaceful world open to trade and travel, economic considerations reinforce all the moral and religious imperatives favoring peace and opposing war. Immanuel Kant, writing at the dawn of the capitalist era, foresaw an era of peace in the nineteenth century and beyond as reliance on economic production and exchange to obtain goods supplanted the political struggle to get other people's goods by privilege and subsidy. “It is the spirit of commerce which cannot exist side by side with war,” he maintained. This was a fundamental idea of Classical Liberalism whose spirit was expressed by Jefferson in his Second Inaugural, when he spoke of “peace, commerce, and honest friendship with all nations.”

Armed with Power

The socialists appear to believe that they have a monopoly on the virtues, but in this—as in most

everything else—they are quite mistaken. The unique thing about Socialism is not its professed aims; the unique thing about Socialism is the means it embraces for achieving its ends—means which include the authoritative direction and control of the lives of the masses of men by the few armed with political power. The original platform from which I have quoted announced the means Socialists would employ: They would form a political party and campaign until they were voted into power; and when they controlled the government, they would nationalize productive property.

True, the document does not speak of nationalization; it refers to “collective ownership by the entire people.” Now, an entire people, all two hundred million of us comprising American society, cannot own anything collectively or in common; ownership is the right to the exclusive enjoyment and disposal of a good against all comers. If there is no one against whom such a claim might be pressed, the claim itself would not arise. Now, if everybody “owns” a thing, against whom will the entire people press their claim? “Collective ownership by the whole people” is a mere combination of words; it is not an intelligible idea. The absurdity of the notion of social ownership is humorous-

ly emphasized by the story of a sign in a public park in a midwestern city: “No baby carriages; no bicycles; no ball playing; this is your park.” Obviously, the park does not belong to the one addressed but to the signwriter who lays down the rules for its use.

Nationalization of Property

Ownership can, however, be vested in society’s enforcement agency—government. And the extension of government ownership is what mainly distinguishes Socialism from other schemes for the improvement of man’s lot in society: Socialists would nationalize productive property. Into the hands of politicians and bureaucrats would come all titles to property; government would be the sole employer, and as the only employer, government would assign a task to each citizen and lay down the terms on which men would hold their jobs. If this sounds like the army, it is because Socialism is in fact a militaristic organization of society. Socialism involves a command type of operation and, because “whosoever controls a man’s subsistence controls the man,” a socialist society becomes a minutely regulated bureaucratic tyranny. When men lose the right to accept the best available job and to quit for whatever reason, they have lost a large and signifi-

cant chunk of that free choice on which many other freedoms depend.

A New Kind of Tyranny

In 1884, Herbert Spencer foresaw the emergence of a new kind of tyranny in Western nations and wrote his prophetic essay, "The Coming Slavery." In 1912, Hilaire Belloc wrote *The Servile State*, predicting that when the Socialists got their way, the result would not be socialism, but a totalitarian order in which the masses would toil for those who possessed political power. Hayek wrote his stunning *Road to Serfdom* in 1944, by which time the appalling extent of slave labor in the Soviet Union was known to all men. But that evil thing, communism, was not Hayek's culprit; he put the finger of blame on planning, even planning of a most benign intent. If a society has an over-all plan, enforced by government, this will come into collision with the millions of private plans of individual citizens. Citizens, pursuing their personal goals as free men are in the habit of doing, resist bureaucratic stupidity, and the more stubborn citizens have to be made to see the error of their ways. The planned society needs enforcers, and in the nature of the case these are not gentle visionaries and scholars; they are the worst types of men,

and it must be so, as Hayek demonstrates in a famous chapter entitled "Why the Worst Get on Top." Gentle American socialists used to lament that Stalin betrayed the Revolution; not so! Stalin was an authentic product of the Revolution.

The British accepted wartime planning under Churchill; and when a socialist government came to power after the war, the planned economy was extended to the edges of society. The catastrophic consequences for England were described by the Oxford economist, John Jewkes, in his book, *Ordeal by Planning*, published in 1948. The American, Hoffman Nickerson, examined *The New Slavery* in his book of that title, published a year earlier; and finally even the American Socialist Party had to concede that it no longer believed in socialism — in the old sense.

The Socialist Party platform for 1956 contains the familiar windy rhetoric about eliminating war, hunger, and oppression; the socialist ends are about the same as they were half a century earlier. But the means are radically different. "Socialism," reads the platform, "is the social ownership and democratic control of the means of production. Social ownership, which includes cooperatives, is not usually government ownership." (It was simple government owner-

ship, you will recall, to which the early Socialists pinned their faith.) "Social ownership would be applied to large-scale business not to family farms or other individually owned and operated businesses of similar size. Democratic control is not administration by the central government but control by the people most directly affected. . . ."

The earlier socialist blueprint contained no private sector, but present-day socialists put the family farm in the private sector as well as businesses of comparable size. Now a family farm can cover four hundred acres and represent a capital investment of a quarter of a million dollars. The majority of commercial enterprises are much smaller, by comparison, than this, so this leaves several million businesses in the private sector. The present thrust of the American Socialist Party, therefore, is control of "BIG business," and this emphasis has so little sex appeal for Socialists that they've gone out of politics. The rationale for the planned society has been taken over by others. The trend toward collectivism still continues, but it is more deceptively camouflaged.

A Fanatic Faith

There's more to Socialism than its belief that productive property

should be nationalized. Socialism is one of several ideologies which pin their faith to the notion that political reorganization will bring about a perfect human society: secularized versions of the Kingdom of God. Socialists do not modestly believe they have a remedy for *some* social ills; they think they have the cure for all! In this sense, Socialism is a modern, this-worldly religion. Listen to H. G. Wells, for example: "Socialism is to me a very great thing indeed, the form and substance of my ideal life and all the religion I possess." As a religion, Socialism promised a terrestrial paradise, a heaven on earth.

There is an unrealistic, utopian streak running through the socialist mentality, generating a kind of fanaticism which makes it impossible to assess the realities and possibilities of human life on this planet. You've heard the brief prayer which runs: "Give me courage, O Lord, to change the things which need to be changed; the strength to endure those things which cannot be changed; and the wisdom to know the difference." The Socialists don't know the difference! They imagine an impossible state of perfection and then condemn the hard realities for not conforming to their dream. Everyone who has his feet on the ground recognizes the workings of

sin, ignorance, and evil in human life. "History," said Edward Gibbon contemplating the decline and fall of Rome, is "a record of the crimes, follies, and misfortunes of mankind." But none of these things need be, cries the Socialist, and the revolution will eliminate them; in the classless society of the future every man will radiate kindness and intelligence and the world itself will be transformed into a new Garden of Eden.

I'm not exaggerating. Here is Karl Marx himself, in an early work entitled *The German Ideology*, writing on the theme which is so popular these days — the theme of alienation. In what Marx calls "a natural-grown society" (as contrasted with a society consciously planned), there arises the thing we call division of labor. Men are gifted in different ways and come naturally to specialize in various occupations. And there the trouble begins! "As labor comes to be divided," Marx says, "everyone has a definite, circumscribed, sphere of activity which is put upon him and from which he cannot escape. He is hunter, fisherman, or shepherd, or 'critical critic,' and must remain so if he does not want to lose the means of subsistence — whereas in the Communist society, where each one does not have a circumscribed sphere of activity but can train

himself in any branch he chooses, society by regulating the common production makes it possible for me to do this today and that tomorrow, to hunt in the morning, to fish in the afternoon, to carry on cattlebreeding in the evening, also to criticize the food — just as I please — without becoming either hunter, fisherman, shepherd, or critic."

Utopian Strains

Now it is obvious to everyone that the material abundance we enjoy in modern America is due to specialized occupations and exchange. If every man were a jack of all trades, living only on what he himself produced, most of the earth's population would shortly starve and the lives of those who remained would be "nasty, brutish, and short." Marx never did accommodate himself to the idea of the division of labor, but communist regimes, of course, have had to bow to reality. Nevertheless, the utopian streak is still there. Leon Trotsky ventured into never-never land when he wrote his *Literature and Revolution* in 1925. Consulting his crystal ball, Trotsky predicted a proletarian paradise in which "the average human type will rise to the heights of an Aristotle, a Goethe, or a Marx. And above this ridge, new peaks will arise."

Marx and Trotsky are bad enough, but theirs is a sober vision compared to that of Charles Fourier who inspired several utopian colonies in nineteenth century America and converted Horace Greeley and other Americans to his views. Fourier would group society into phalanxes comprising 1,620 people each and when the world was thus organized man, beast, and nature would be wholly redeemed. "Men will live to the age of 144," wrote Fourier, "the sea will become lemonade; a new aurora borealis will heat the poles . . . Wars will be replaced by great cake-eating contests between gastronomic armies." Whatever Fourier's mood when he wrote this, the man was obviously insane and thus comparatively harmless; but a kind of madness afflicts even the soberest Socialist. The proletarian paradise is out of this world; heaven cannot possibly be achieved on this earth. To *improve* the conditions of earthly life is every man's job; to *perfect* them is God's. Those who try to establish perfection on earth usurp God's role, and in the name of Man they subjugate men.

Some former Socialists acknowledge the validity of these criticisms, so they crusade for collectivism using a different tack. Thus the new consensus, shaped by the Socialist mold, but completely pragmatic rather than idealistic.

Reinhold Niebuhr, the eminent theologian, was a Socialist most of his life. He left the Socialist Party some twenty years ago saying that its creed "contained even more miscalculations than the liberal creed which it challenged." Does this mean that Niebuhr came over into the conservative or libertarian camp? Not at all. Niebuhr now favors a mixture of freedom and planning, as he would put it, in order that no one of the three major foci of power shall come to predominate. It is the power of Big Business that is the primary object of Niebuhr's concern, and he thinks we need both big government and big unions to cope with Big Business. The position is that power in society assumes three forms — as business, government, and labor, and that each of these must be played off against the other. Let's submit this position to critical analysis, beginning with government.

Two Kinds of Power

Nearly every political theorist until the present day has identified government with the police power. The government of a given society was regarded as the power structure. The head of the government was the commander-in-chief of its armed forces, which were charged with the task of defending the society against foreign

foes. The police protected citizens against criminals, and the legal system offered redress when collisions of interest occurred within society. The government has the power to tax, and various other responsibilities as set forth in the country's constitution. That which distinguishes a government from any other organization within society is that government alone is granted a legal monopoly of coercion.

Anyone not blinded by ideological prejudice knows that the power wielded by government is unlike every other species of power in society. Should you run afoul of the law you will quickly realize that the police, the courts, and the jails are not a branch of General Motors. The army fighting in Viet Nam is not under the control of A.T.&T.; and if some young man you know is drafted, he will be drafted by the government and not by Du Pont or Alcoa. You'll be paying your income tax when due, and you'll pay it to the government. If you fail to pay, you'll be visited by an agent of the I.R.S., not by a Fuller Brush man.

How, then, can a bright theologian like Niebuhr fail to sense the power with which government is endowed? Only because he is blind to the nature of business. Niebuhr has said that the "prestige and power [of] the giant corporation

[with its] right to hire and fire . . . certainly makes big business a part of government." (*New Leader*, August 26, 1951) This is a beautiful example of logic turned inside out. The right to hire and fire is nothing more than an exercise of the right of an owner to say who shall be allowed to use his tools and under what circumstances. There's an automobile registered in your name; but if you are not permitted to use it yourself, nor to decide who shall be allowed to use it and when, then the car cannot rightly be called your property. (Either that, or you have teen-age children!)

Attack on Business

Now, hiring and firing is not a unique function of government, even though government employs millions of civil servants. But if you cannot make your own decision as to who shall work for you in your own factory or store or restaurant or bank or whatever, then you are prevented from exercising the natural responsibility of ownership. Niebuhr's curious observation boils down to the nonsensical assertion that big business, by behaving in a business-like fashion — by hiring and firing — thus demonstrates that it's part of government!

The attack is leveled against

BIG business, and thus it slips under the guard of some people. The size of things is a factor in our judgment of them; we don't like things to depart too far from the norm. In fairy tales and folklore both giants and dwarfs carry overtones of the sinister. Bigness carries the suggestion of inordinate strength, and that is always a threat; so we like to have things the right size. But how do we decide what size is proper for a business? And *who* should decide? Should the government decide how big X industry should be? Or should the consumers of X industry's products decide? I have no hesitancy in saying that the size of a given business should be decided by consumers. If consumers like a given product, they telegraph their fondness to the manufacturer who tools up to produce more of it, increasing his output until diminishing sales give him the clue to cut down.

The theory of the free market, or *laissez faire*, or Classical Liberalism, never contemplated an unregulated economy. *Laissez faire* opposed *government* regulation in order that the economy might be regulated by those most directly affected — the consumers. According to the theory of *laissez faire*, government was to act as an umpire to interpret and enforce the previously agreed upon rules of

the game; government was intended to keep the game of competition going by punishing breaches of the rules. Within the rules, a given business or industry had complete latitude to expand or contract or fail.

"Bigness" Decried

So what *is* a big business? The world's biggest business engaged in the exclusive manufacture of French horns is the Sansone Company which employs about fifteen craftsmen in a loft just north of Times Square. This is technologically feasible. Now, an automobile might be handcrafted in a shop with only a few employees, and such a machine might win the "Indianapolis 500"; but the American consumer favors the kind of car that can be mass-produced by the millions, and so Ford, Chrysler, and G.M. employ hundreds of thousands of men. The appropriate size of an industry varies greatly according to the nature of the enterprise, but the final decision as to the right size of X industry properly rests with consumers. Unless, of course, the proprietor decides he wants to do custom work at his own pace and prefers to stay small.

If you recall your textbook in economics, you'll remember the equation: Land + Labor + Capital → Wealth. Human energy aid-

ed by tools and operating on natural resources produces wealth. Business and industry is somebody making, growing, or transporting things which consumers demand, or performing a service. Human laziness is a factor in economics, and it is a safe bet that men would not work as they do nor as hard as they do if they didn't have to. Men have to work, not because anyone forces them to work, but because the human race would perish if people gave up working. This is simply a fact of life; this is not coercion in the sense in which those unfortunate millions who have perished in Soviet slave labor camps have been coerced. Coercion is not part of the private sector. (Acts of coercion may occur in the private sector but only as criminality.) A unique and necessary feature of government, however, is that society has granted it a legal monopoly of coercion. Government is *the* power structure in a society. But a business cannot exercise power without breaking the law — or else it secures the connivance of government and operates as a cartel.

Given a framework of law which preserves competition and peaceful trade, a business should be as big as consumers want it to be — as evidenced by their buying habits. And business, as such, has no power — not the coercive kind

of power which is the type government must have. The position that we need big government and big labor to contain the threat of big business has the props knocked from under it if "big business" is seen to be a vague term, and when we realize that business as such is not a threat but rather an essential for maintaining the general prosperity.

Unions Are Special

What about "big labor"? The mythology surrounding this question is hard to penetrate, for it is a modern article of faith that to labor organizations is due the major credit for the fact that wages are higher today than they were fifty years ago, and hours of work less. But mere organization does not produce goods; only the application of human effort to raw materials, augmented by tools and machines (capital) produces goods. And our increasing efficiency in production is due to inventions, good management, and above all, to the machinery the average worker has at his disposal. On an average, there is a twenty-one-thousand-dollar investment of capital per worker in American industry. This is why Americans are more productive than workers in other parts of the world, such as Great Britain, where trade union organization has been much tight-

er than here and has been going on since the nineteenth century. Unions do not contribute to our prosperity; they detract from it; they institutionalize unemployment.

Furthermore, national legislation such as the Norris-La Guardia Act and the Wagner Act have granted special privileges and immunities to unions to engage in acts of intimidation and violence which would jail nonunion perpetrators. This is a serious breach of the Rule of Law. And in bargaining with employers within the terms laid down by the N.L.R.B., the discussions proceed with one party's hands tied by partisan legislation.

Let me offer a striking analogy of this situation from the pen of the Harvard economist, Prof. E. H. Chamberlin. He's writing about what is called "bargaining," and says: "Some perspective may be had on what is involved (in labor-management "bargaining") by imagining an application of the techniques. . . in some other field. If A is bargaining with B over the sale of B's house, and if A were given the privileges of a modern labor union, he would be able (1) to conspire with all other owners of houses not to make any alternative offer to B, using violence or the threat of violence if necessary to prevent them, (2) to deprive B himself of access to any

alternative offers, (3) to surround the house of B and cut off all deliveries, including food, (4) to stop all movement from B's house, so that if he were for instance a doctor he could not sell his services and make a living, and (5) to institute a boycott of B's business. All of these privileges, if he were capable of carrying them out, would no doubt strengthen A's position. But they would not be regarded by anyone as a part of 'bargaining' — unless A were a labor union."

Intellectual Error

The intellectuals of our time are bemused by power. Irving Kristol is an intellectual and also a liberal of sorts, but he's nevertheless able to maintain his objectivity. "The liberal," he writes, "is pleased with the increasing concentration of power in the national government, because he sees in it an opportunity to translate his ideals into reality. . . . He is convinced — not always by evidence, often by self-righteousness — that he knows how to plan our economy, design our cities, defeat our enemies, assuage our allies, uplift our poor, and all in all, insure the greatest happiness of the greatest number. And for this knowledge to be effectual, he needs more power over the citizen than Americans have traditionally thought it desirable

for a government to have." (*New Leader*, September 14, 1964)

The liberal is saying, in effect: "We're a lot smarter than the rest of you folks, and possess a keener sense of moral responsibility as well. Why, therefore, should we sit idly by while mankind mindlessly repeats the same damn fool mistakes over and over again?" Well, the worst mistake mankind continues to make is to turn its destinies over to some demagogue who in turn whips people up into mass movements. "People go mad in herds; they recover their sanity one by one." The mob intoxication wears off and then each person can locate for himself those loopholes in logic through which a tiny bit of his liberty trickles away, and he can plug the leaks with sound ideas.

Some conservatives and libertarians spend a lot of time attacking big government. The mythology surrounding big business and big labor can be stripped away; and when we've finished that job, big government remains, towering over us and watching us like Big Brother in Orwell's novel. But the excessive size of government is a secondary effect. A government must be large enough to accomplish its task, and during wartime or to cope with a crime wave it will naturally expand. Our criticism should be directed at govern-

ment doing the wrong things and not at mere size, because whenever government starts doing the wrong things, it will overflow its boundaries and become too big. Government should be large and virile enough to keep the peace, to preserve individual rights, and punish anyone who injures his fellows — as injury is defined at law. But when a government attempts to run the economy and dictate the actions of peaceful people, it usurps improper authority, and thus grows to inordinate size.

Back to Fundamentals

Liberty in human affairs will never be wholly lost, nor ever wholly won. We've been on the losing end for some time now, but it is our great good fortune that whatever runs contrary to the natural grain of things will eventually bring about its own demise. Socialism as a consistent intellectual system has committed suicide, although its practical consequences are still with us. Now we are confronted with the shallow notion that big business is a power structure, as is big government and big labor; and we must somehow prevent the ascendancy of any one of these three powers. Upon analysis, this position is seen to be error piled upon error. A business is as big as consumers want it to be; and if they want it to fail, it fails.

The power displayed by modern unions is a chunk of raw political power bestowed by national legislation on some people over other people. The bestowal of this kind of power is a violation of the principles of the free society and a breach of the Rule of Law. Finally, government has certain indispensable functions to perform and it should perform these tasks with vigor and integrity—and no others.

Once we have the ideas sorted out and rearranged in order, then what shall we do? How shall we act? Well, that's up to you, for in

the nature of the case each man must answer for himself when it comes to deciding where he shall exert his influence. Bonaro Overstreet has set the idea to verse:

You say the little efforts that I make
Will do no good.
They will never prevail,
To tip the hovering scale
Where justice hangs in the balance.
I don't think
I ever thought they would.
But I am prejudiced beyond debate
In favor of my right to choose
which side
Shall feel the stubborn ounces of
my weight. ◆

IDEAS ON LIBERTY

John Stuart Mill

THE WORTH of a State, in the long run, is the worth of the individuals composing it; and a State which postpones the interests of *their* mental expansion and elevation, to a little more administrative skill, or of that semblance of it which practice gives, in the details of business; a State which dwarfs its men, in order that they may be more docile instruments in its hands even for beneficial purposes — will find that with small men no great thing can really be accomplished; and that the perfection of machinery to which it has sacrificed everything, will in the end avail it nothing, for want of the vital power which, in order that the machine might work more smoothly, it has preferred to banish.

IT WAS a pleasing note: "Thanks for your letter. It's so nice to do business with a person instead of a computer."

The comment dealt less with a new-fangled gadget than with a phase of organizationitis. When the job gets bigger than the man, there is a deplorable tendency to overdelegate and lapse into a push-button operation — form letters for all occasions, for example. When a job overflows the limits of one's personal attention, there's the "ghosting" of speeches, letters, books, statements of policy, and so on. And ghost is about all that is left of any man who ceases to be personal: an organism without personality!

Long ago I decided that when my part in FEE goes beyond what I can attend to personally, then FEE is too big for me. I shall write my own speeches and books, dictate my own letters — and sign them. Assistance and counsel? Yes, all I can muster!

Nor is anyone ever "too little" to be eligible for personal attention. It is not my business to pass judgment on who is or isn't important to freedom. No one knows where genius is about to sprout! There comes to mind the story of the man who set forth on a journey to Jerusalem to see the Savior:

Fear Smallness, Not Bigness

LEONARD E. READ

Along the way numerous persons asked for assistance but to each he replied, "Sorry, I haven't time for you; I'm on my way to Jerusalem to see the Savior." In Jerusalem, he learned that one of those by the way-side was the Savior.

The lesson? Treat each person, regardless of race, creed, color, fame, or fortune, as if he were the Lord so as not to pass by the one who may be most important of all. When a man's job is so big he can't follow this rule, then it's bigger than he can handle!

Another test for job-fitness: An individual has moved up the ladder as far as he should go if, on the next higher rung, he could no longer give full personal attention to his assigned role. When a man finds himself behaving as impersonally as a computer, it's time to rejoin the human race!

The aforementioned note with its person-computer comparison also reveals one of the reasons for the general fear of bigness in

business. I do not buy the popular notion that a business is bad because it is big. The size of capital investment, markets, employees, sales, profits tells us nothing about goodness or badness. The lone bandit is a social menace; the biggest corporation in the world — A T & T — is a benefactor. Size simply is a measure of material dimensions but has nothing, as such, to do with social well-being or morality.

Big businesses offer big jobs that require big men; and men of this caliber are a scarce resource. When big men cannot be found, such jobs are serviced by "ghosts," men who are incapable of remaining personal and self-responsible; their roles are bigger than they are.

We observe numerous persons not big enough for the roles assigned to them in small businesses; indeed, some too inadequate to head a family. But the bigger the operation, the greater the probability of more big jobs than big men to fill them. These deficiencies lead careless observers to associate the personal failures with bigness, explaining, in part, their unjustifiable fear of bigness. They overlook the many businesses, formed in response to natural market forces, where most of the big jobs are filled by big men.

There are, however, examples

of bigness formed by coercion, an unprincipled force, where the jobs are too big for anyone. We observe this in big or bloated government where there are countless jobs bigger than any man can competently fill.

When government gets so far out of bounds that its costs cannot be met except by inflation and exorbitant taxes, unnatural bigness in businesses results. Mergers and conglomerates take place, not in response to normal market forces but as organizations to take advantage of unprincipled governmental policies. This sort of giantism tends to create jobs too big for anyone.

The point to keep in mind is that bigness in itself is the wrong criterion for forming our own opinions or framing public policy as to economic enterprises. Public policy should concern itself solely with its own righteousness; it should never serve to encourage unnatural formations of enterprises or to deter enterprises that are natural responses to a free market.

Conceding a sane public policy, then nothing need concern us about the bigness of businesses or jobs except the smallness of ourselves for the roles we try to play. If we are big enough, then we can act like persons rather than computers. ◆

CLARENCE B. CARSON



The Rise and Fall of England

17. THE FALL OF ENGLAND (Part 2)

THE FALL of England should be attributed most directly to the misuse of governmental power by socialists. They turned the power of government on their own people, restricting, inhibiting, and obstructing the exercise of their energy and ingenuity for constructive purposes. Of course, these obstructive activities were not exclusively employed by the Labour Party; socialistic ideas and practices had long since become the common coin for virtually all the politicians, thanks to the Fabians and their aids, witting or unwitting. The Labour Party was only more thoroughgoing than the rest

in the application of the socialist ideas.

The two best symbols of the fall of England, however, were the dependence of England on the United States and American policy and the cutting loose of empire. England's dependence on the United States was heralded by the so-called dollar shortage after World War II, by the applications for loans, by the American subsidies, by the Canadian loans, and by the abandonment of an independent role in the world. (Some Americans are apt to be more conscious of the British influence on American policy than of its being the other way around. Such influence has undoubtedly been considerable. However, my point has to do with actual dependence, not with the direction of flow of in-

Dr. Carson, Professor of History at Grove City College, Pennsylvania, will be remembered for his earlier FREEMAN series, *The Fateful Turn*, *The American Tradition* and *The Flight from Reality*.

This article concludes the current series on England.

tellectual influence.) The loss of independence should be interpreted as an unmistakable sign of the fall from former greatness.

Breakdown of Empire

The dissolution of the British Empire came quickly after World War II. There were three major moves in this direction made by the Labour Party. One of these was the cutting loose of large blocks of territory in the Far East. India was divided and became two countries: Pakistan and India. Ceylon and Burma were granted independence at the same time as India and Pakistan. Ceylon, Pakistan, and India accepted Commonwealth status, but Burma cut loose more completely.

The second move was to change the character of the Commonwealth. The commonwealth arrangement had been one in which all member nations professed their loyalty to the monarch and accepted the dominance of England. The members were referred to as dominions, and thus tacitly recognizing that domination. It became apparent at a conference of prime ministers held in 1946 that this state of affairs was no longer quite acceptable. As one historian summarizes the affair, "the real significance of this conference was that Britain no longer presided as the real and overwhelm-

ing power behind the organization, with her economic and military strength providing its material potential."¹ The word "Dominion" had become irksome. The Dominions Office was replaced in 1947 with a Commonwealth Relations Office. The Commonwealth remains now largely as a relic of former times, a symbol of relations which once existed and remain in memory.

The third move was the withdrawal from the Near and Middle East. This is the fabled land mass in which arose the ancient civilizations; it lies athwart the paths connecting Africa, Asia, and Europe. With the dissolution of the Turkish Empire during and after World War I, the British moved in to assume much of the suzerainty over the area. Shortly after World War II, they began their withdrawal: from Palestine, from Egypt, and from other Moslem countries.

The return of the Conservatives to political power in England in 1951 did not long delay the process of cutting loose much of the rest of what remained of the British Empire. In Africa and the Americas pressures were mounting for independence for numerous remote and obscure provinces.

¹ Don Taylor, *The Years of Challenge* (New York: Frederick A. Praeger, 1960), p. 39.

The following account gives some indication of the process:

. . . The Anglo-Egyptian Sudan became a sovereign state in 1956, and British Somaliland was given independence in 1960. . . Independence was granted to the Federation of Malaya in 1957. . . Status as independent sovereign states was also given to the Gold Coast (rechristened Ghana) in 1957, to Cyprus and Nigeria in 1960, to Sierra Leone and Tanganyika in 1961, to Uganda and Western Samoa . . . in 1962, to Kenya and Zanzibar in 1963, to Malta in 1964 and to Gambia in 1965.²

So it has gone with colony after colony. A goodly number of them have retained commonwealth status, but, as has been indicated, this was coming to mean less and less. There have been breaks from the Commonwealth, too, as, for example, that of the Union of South Africa. The British Empire is only a light shadow of its former self.

It should be emphasized here that England's greatness did not reside in or arise from the possession of an empire. On the contrary, the acquisition of an empire was, in large measure, a reflex of greatness. It is true that from the latter part of the sixteenth

through the latter part of the eighteenth centuries the British had been under the sway of mercantilistic ideas and had acquired an empire of sorts following the practices associated with them. But following the American War for Independence a great change occurred. The British came increasingly under the influence of the ideas of free trade. The greatness of England flowed from the energy and ingenuity of her people, freed as they were from so many restrictions and obstacles to productivity.

Commerce and Culture

The British Isles illustrated the verity of Adam Smith's dicta: that the wealth of a nation consists of the goods and services that a people can command, and that the way to augment these is to trade freely with all others, producing those things in which that nation has some advantage and buying from others what they can more economically produce. The British Isles were well situated and geographically well equipped as a training ground for a seafaring people.

So it was in the Modern Era, the British ventured forth to the far corners of the earth, their ships burdened with goods much sought after by somebody or other. In return, they brought back treas-

² Alfred F. Havighurst, *Twentieth Century Britain* (New York: Harper and Row, 1966, 2nd ed.), p. 486.

ures for the people of their own islands. To facilitate this trade, trading posts were established, investments were made, native production was bolstered, political control was extended, and so on. By the latter part of the nineteenth century, some Englishmen were beginning to attach value to the Empire itself, and the British began to formalize it once again. But this was probably more defensive than anything else, for other nations were now turning to the acquisition of colonies and to the erection of barriers to trade.

It is important to remember, too, that British ships did not carry goods only; they carried at least the appurtenances of civilization to many of the darkest parts of the world. Britain was, in the nineteenth century, the center of a great civilization and exemplified many of its finest achievements: of government, learning, discipline, ordered liberty, thought, and institutions.

It should be obvious, but it is not to many people today: the attainments of civilization are not equally distributed around the world. Cultural relativism has taken its toll. Many talk as if all peoples are on an equal plane of achievement and development. Of course, this is nonsense, however high-flown the language in which

such notions may be garbed. The customs and habits of many people are and have been barbaric, their institutions cruel and restrictive, their religions a hodgepodge of superstitions, their economies a melange of inhibitions to economy. The British offered to those willing to learn some chance of amelioration.

Two Faces of Power

The spread of British influence was generally the leading edge of civilization in the greatest days of England. That is not to say that the British were always just in their rule, that every innovation they championed was an improvement, or that barbarians were always transformed into civilized peoples. On the contrary, there is little enough that the wisest of men can do to help others, and human nature is too much flawed for us to hope that good intent was always the ruling passion. Indeed, it is most likely that the British sought mainly their own good in what they did. Yet the benefits from this extended to many other peoples.

Even so, it is doubtful that an empire is an ideal arrangement either for those who have one or for the peoples who fall in some way under imperial rule. Such power does indeed offer opportunities for its abuse. As it is

desirable that each man stand on his own feet, so it may be desirable that each people direct their own course. In the abstract, an excellent case can be made against empires and an equally good case can be made for national independence. In some sort of imaginary world, the cutting loose of the empire by the British might have had entirely salutary results. England might have prospered as it basked in the good will of peoples freed from its tutelage. Some such idealism may have inspired some of those who had a hand in the dissolution. There is a hint of this posture in the following statement of John Strachey, a prominent Labourite: "That daemonic will to conquer, to rule, and sometimes to exploit, which first possessed us as a sort of emanation from the Gangetic plain two hundred years ago, has left us. And thank heaven it has."³

Unprepared for Freedom

Whether it is fortunate or unfortunate, we do not live in the imaginary world of socialists or even in the abstract world of rationalists. We live in a very real world where power holds sway, where peoples are variously situated to maintain their independence before it, where peoples of

different backgrounds, religions, and heritage lay claim to and vie for control of a given territory, where there are some who have little to no aptitude for governing territories of the extent of nation-states, and where other power flows in to fill the vacuum of that withdrawn.

In a number of instances, independence, rather than bringing peace, brought bitter struggles and contests. So it was for India. That land had been held together, it appears, only by British mediation and control. Once these were withdrawn, India was divided between irreconcilable Moslems and Hindus. The ensuing creation of two separate countries brought its own train of horrors:

A veritable Walpurgisnacht ensued, since an understanding for peaceful exchange of populations proved to be the merest euphemism. Millions wrenched from their ancestral homes, were driven blindly toward unknown, promised lands. Plunder and arson, wholesale rape and massacre befell hapless victims of the partition.⁴

What happened in Palestine is a somewhat more familiar story. Jews claimed the territory as their ancestral homeland. In 1945 and after, they poured into Palestine in increasing numbers. Many

³ John Strachey, *The End of Empire* (New York: Random House, 1960), p. 217.

⁴ Arthur J. May, *Europe Since 1939* (New York: Holt, Rinehart and Winston, 1966), p. 429.

Arabs lived in the area, and claimed the land by possession. The British withdrew in 1948 in favor of the United Nations. That body proceeded to partition the land, a portion of it being granted to the Jewish state of Israel. The Arab countries in general and Arab residents in particular resented and resisted the United Nations action. To the present day, the conflict remains unresolved.

The Thrust of Communism

The most drastic impact of British withdrawal from colonial possessions, along with the withdrawal from theirs of other European powers, has been the thrust of communism. A host of ideologies were promulgated in the nineteenth century, most of them more or less socialistic and all of them erosive of civilization, for they were assaults upon the foundations of civilization — the inherited culture, the learning of the ages, revealed religion, the older institutions, and so on.

The most barbaric of these ideologies — excepting possibly anarchism — was the one promulgated by Karl Marx and Frederick Engels. It is the one that twentieth century communists claim to represent most faithfully. Once in power, communists are, of all socialists, the ones most

willing to use force and violence to achieve their ends, particularly on the international scene. They are the ones who have taken advantage most tenaciously of the opportunities for the spread of power opened by the withdrawal of Britain and other colonial powers.

Indeed, there is a close connection between communist doctrine and the abandonment of empires by governments socialistic in character. Marxists have held that empires are instruments for capitalistic exploitation of backward peoples. Western socialists of whatever hue have accepted this charge at face value generally. One writer notes that in England an "idealistic picture of a Socialist Galahad riding to the rescue of the oppressed and enslaved Colonial Empire . . . had been presented in so much Socialist writing before and during the war. . . ." It was not surprising, then, that "to the new generation of nationalist leaders arising in the Colonies it was a system of exploitation built up through the years by which the imperialist oppressors had waxed fat at the expense of backward peoples. Indeed, earlier generations of Socialists had told them so."⁵ Western socialists have played into the hands of the communists. Acting

⁵ Taylor, *op. cit.*, p. 101.

on general socialist premises, they have cut away empires as they gained the opportunity, and pressed generally for it to be done everywhere. As they have done so, the international communist movement has moved into these areas thrusting for control and the extension of the totalitarian power of communism.

A New World of Barbarism

The end of the British Empire has been accompanied by the spread of a new barbarism in the world. As Western power has been withdrawn, much of Africa has reverted to tribalism. Much of Asia has come directly under the Hammer and Sickle. Communists vie for power in Arab lands, and disorder spreads from land to land under the revolutionary impetus provided by Moscow and Peking. The security to property which governments once provided has gone from most of the world, and that individual liberty which it so effectively buttressed is in so many places a thing of the past. Britain was once the center from which ideas and practices for securing liberty and property were advanced around the world. This is no longer the case. An England under the pervasive influence of Fabian socialism has lost the power to protect civilization, the vision to discern its lineaments,

and the will to take decisive stands against barbarism. The England that once was is no more.

The fall of England is not absolute, of course. It is relative to the powers of other nations, relative to strength and influence once wielded, relative to that place which she once occupied. There remains, of course, the relics of an empire in the Commonwealth of Nations. There remains the relic of British financial leadership in the world in the Sterling Bloc. Indeed, everywhere one examines, there are relics of former greatness: in universities which retain a vestige of former leadership, in a monarchy which is almost purely ceremonial, in a House of Lords which awaits the next blow to its position from Commons, of craftsmanship in such fine names as Rolls Royce, of religion as remain in a still established Church of England, of empire in ceremonial visits to out-of-the-way places by royalty and ministers. The habit of greatness can still be sighted in self-confident ambassadors, in literate if somewhat decadent writers, and even in an occasional will to lead expressed by some Britons. These are, however, faded reflections of glories past, as things stand.

There was even some economic revival in the 1950's and going into the 1960's. The Conservatives

in power from 1951 to 1964 restored a modicum of domestic tranquillity to the United Kingdom. There was even talk once again of British affluence. The value of the pound was stabilized on the world market in the interim between two socialist governments. The iron and steel industries were denationalized. Controls were already being relaxed in certain areas before the return of Conservatives, and they were much more generally removed thereafter. As rationing ended, so did the shortages it had produced. One historian notes that the "lot of the average English family improved. The 1950's witnessed a housing boom, and by 1961 one family in four lived in a post-World War II dwelling. The scars of war disappeared. . . . The by-products of the affluent society also included increasing numbers of supermarkets and other self-service stores . . . , the general acceptance of an annual two-week vacation for most families, and, by 1962, the ownership of a television set by four families in five."⁶ This renewed prosperity, of sorts, should be attributed to the efforts and energy of the English people and almost exclusively to private industry.

The return of Labour to power in 1964 under the guidance of Harold Wilson was the signal for new troubles and an accentuation of old ones. The pound has been devalued once more. The United States has been called on to help shore up the currency. Britain has suffered from the flight of physicians and other professions from a land of severely delimited opportunity. The will to nationalize is no longer very strong; indeed, there appears to be little enough enthusiasm for socialism itself. Yet, its tentacles are firmly fastened on the country.

What of the Future?

The time has not come, of course, to pronounce the fall of England as final. That England has fallen from its former greatness there should be no doubt. Whether that land will rise again to greatness, whether her people will lapse into the kind of historical slumber that has happened to many former great kingdoms and empires, or whether some foreign invader will arrive to smash the relics and drive the inhabitants into mountain redoubts no one can know at this time. The eastern branch of the Roman Empire survived for nearly a thousand years at Constantinople after Rome itself had fallen to the Barbarians. Spain is still a nation-

⁶ Walter L. Arnstein, *Britain: Yesterday and Today* (Boston: D. C. Heath, 1966), p. 363.

state several centuries after greatness has fled. Western Europe has had several rises and falls during the Christian Era, and this is more particularly true of France. There may always be an England, but the issue is by no means settled. There was a time when there was no England, and it may be so again. The islands have been there for ages, but they have had many and diverse inhabitants.

There is a sense in which we can be glad that the present England is not great and powerful. Such influence as a socialist government could give is hardly needed in the world. The welfare state is all too barren and lifeless to provide succor for the spirit of man. If England is to revive and prosper, it will surely be because her leaders and people have some

great vision before them, something that appeals not only to the flesh but to the spirit, something that will instill discipline, that will call forth the best efforts of her people. There are, of course, demonic visions as well as good ones. Communism is such a demonic vision, and its prophets now move restlessly over the earth seeking minds to seduce. The British are under the sway of neither such a demonic vision nor of one that could provide again new impetus to civilization.

There is, however, in England's great history both the key to that country's revival and to the recovery of civilization. Surely, all men of good will hope that they will rediscover these great ideas and beliefs and give them vitality once more. ◆

IDEAS ON LIBERTY

International Order

PLANNING on an international scale, even more than is true on a national scale, cannot be anything but a naked rule of force, an imposition by a small group on all the rest of that sort of standard and employment which the planners think suitable for the rest. . . . To undertake the direction of the economic life of people with widely divergent ideals and values is to assume responsibilities which commit one to the use of force; it is to assume a position where the best intentions cannot prevent one from being forced to act in a way which to some of those affected must appear highly immoral.

POLITICAL INTERVENTION IN MEDICINE

RICHARD E. HUNT

IN TRYING to define the nature of current problems in human relations it is essential to first define man's basic nature. Behavior then in keeping with this basic nature will lead to harmony and happiness in human existence, the aim of all rational, moral men.

Man is a being of volitional consciousness. He is constantly faced with the choice of thinking rationally or evading reality. Knowledge comes from his conscious perception of his environment, that is the real world in which he lives, concepts are then formed based on reality as it exists and the integration of these concepts leads to advances as yet undreamed of.

We all have only one basic right and that is the right to lead our own life and seek our own happiness. Man has sole, individual re-

sponsibility for his actions (his life) and must assume these responsibilities. We are not all equal in any ability. Each one of us is different. Each one of us has strengths and weaknesses in mind and body, and it is immoral for one to gain strength by exploiting the weakness of another; just as it is immoral for one to use his weakness as a claim on another's strength. Only through evasions, lies, and tricks is one able to avoid punishment for his errors and reward for his accomplishments. There is no status quo; there are no guarantees of success; there is no basic minimum; and by the same line of reasoning there are no limits to the productivity of men's minds under a system of free, voluntary cooperation.

Our country was founded to assure "life, liberty, and the pursuit of happiness" for all who would pursue these goals, not for any

Dr. Hunt is in the solo private practice of anesthesiology in Santa Rosa, Calif. He received his doctor of medicine degree from Cornell U. Medical College, New York. His article is reprinted here by permission from *The AMA* (American Medical Association) *News* of October 28, 1968.

one segment of the population, not just for the politicians, not just for the white people, not just for the Negro people. We all have the right to lead our own lives. All the other things currently referred to as such are not rights. They are privileges. Education, automobiles, medical care, color TV, good housing, etc. are all basically produced by the conscious effort of men's minds and they must be earned by the recipients. If they are not, if they are taken by force, legislative action, lies or tricks from the people who produce them and given to others simply because someone says he needs them, there is the immediate creation of the old slave-master relationship. In this case we have the absurd situation of the producer being the slave of the man who "needs" his product because the government has forced it to be so. The products of men's minds and labor both tangible and intangible are being taken out of the hands of the producers by political intervention in every segment of our lives.

Political intervention is responsible for the moral degradation and misery we are rushing toward. Those people in government who feel they can improve on reality, who feel they can "plan" things and do better than the law of supply and demand are thoroughly evil and immoral because

of the inevitable lowering of living standards their planning creates. It makes no difference whether they do this with conscious intent or are merely well meaning but naive. The end result is the same — misery, poverty, lack of respect for law and order, and bloodshed. I hold the politicians who advocate this intervention as well as those who would cooperate with them in the "planning," be they physicians or businessmen, personally responsible for the mess this country is in today.

Most physicians believe in free enterprise. They recognize that the affluence and high standard of living which Americans and others in the free world enjoy today is due to voluntary cooperation of thoughtful, rational men in a free market. The high standard of medical care we have today is due to the freedom under which we have practiced in the past, and most patients realize this, too. We are traders in a free market. We trade services for money which represents the productivity of our patients in their respective fields. Because our services are so important, we occupy a position of relatively greater influence in our society. We are well educated and do our best for our patients because it is in our rational self-interest and the interest of our pa-

tients to do so. We are not infallible. We are men, not gods. We make errors and we do our best to learn from them. But today the malpractice suits against doctors are attempting to penalize physicians for not being infallible! The grotesqueness of this travesty of justice staggers the imagination of any rational man.

Many people feel today that capitalism is good for the rich people, for the "Wall Street financiers" or for the privileged and that capitalism is designed to keep the poor people in a position of subservience and poverty. Nothing could be further from the truth. This is a lie which has been furthered and nurtured ad nauseam by every collective political system in history both current and past. I refer now to the Nazis, all forms of communism or socialism, and to the welfare statists and social planners in this country today. The truth is that capitalism is the only system which has ever given every citizen a chance to improve himself and puts a stop to coercive monopolies which tend to fix prices and wages thereby insuring that those in a lower economic position will never be able to improve their lot. Coercive monopolies, price and wage fixing, and poverty are results only of governmental interference. There is no other way it can be done except by legislation.

The free market operates in exactly the opposite way and is therefore the only moral choice for rational men to make today.

With the above in mind it is with intense regret that I see the medical profession publicly demonstrate its willingness to cooperate in governmental schemes which overtly claim to have interest in improving medical care. You doctors are in error who say that if the medical profession supports and collaborates with these governmental health programs, they will succeed in improving the quality of medical care. This is another way of saying that if the programs fail to live up to the great expectations of the politicians, it will be the physicians who are to blame. The programs were doomed to failure as efforts to benefit mankind just as every other socialistic plan has caused poverty, misery, and bloodshed in the past. Only naive men would accept such blame and guilt. We as physicians in our own self-interest and that of our patients should never accept such a position whether it is placed on us by the government or by another physician. We must place the guilt where it belongs — on the men who drew up the laws and on those who support governmental interference in the practice of medicine. ♦

ufactured just for local use, is now being produced for export as well.

Such items as firecrackers, Chinese foodstuffs, and bamboo manufactures once formed a major part of the export list. But by 1955, a wide range of consumer goods were being manufactured, including torches, nylon gloves, electric clocks, and enamelware. Current exports have moved further into the industrial range: plastics, cameras, transistor radios, air conditioners, water-heaters, light machinery (such as pumps and generators), and precision engineering products (e.g., watch parts and aircraft components) are now made in Hong Kong.

Hong Kong's shipbreaking industry is the largest in the world. At first, the scrap was utilized in the local construction industry; but this, too, is now being exported. With the development of the shipbuilding industry, yachts, and trawlers were exported, mainly to the United States. Tugs, lighters, and barges were built for Borneo, Kuwait, and Ceylon.

Hong Kong's industrial development thus proceeded along classic lines, from the simpler consumer goods to the more sophisticated varieties; from light industrial products to the intermediate types. Hong Kong has never suffered from inability to import heavy in-

dustrial goods, which supposedly hampers the development of many areas.³ Nor is there a Five- or a Ten-Year Plan or other such centralized resource allocation in Hong Kong. Indeed, no government "planner" might have expected Hong Kong to set an example of rapid development. It has few, if any, of the textbook preconditions for successful development.⁴ The domestic market for many of its exports is narrow or nonexistent. It has no natural resources (with the exception of an excellent harbor), and no coal, oil, or other domestic fuel supply. The tillable area — 13 per cent of a total of less than 400 square miles — is of poor quality. Hong Kong thus has to import virtually all its food, fuel, and raw materials. Even drinking water is pumped in from China.

No Tools for Planning

The Colony has other handicaps from a planner's point of view: it lacks some of the most elementary government statistics and other guides for control over the economy. Figures on registered industrial employment and daily wages began to be collected in 1947. Trade figures were added the fol-

³ Cf. J. Bhagwati, *op. cit.*

⁴ Cf. G. Meier and R. Baldwin, *Economic Development: Theory, History, Policy* (New York: Wiley, 1959), ch. 16.

lowing year. A Retail Price Index was constructed in 1953 and an Index of Wage Rates the following year. But there are still no official national income estimates, or even an Index of Industrial Production. There are no official balance-of-payment figures, no restrictions on trade and payments, no export duties, no central bank; banking regulation is negligible. Consequently, the government simply has no basis for applying the various fiscal, monetary, and other measures recommended in most modern textbooks on public finance and development.

For most of the past twenty years, the highest income-tax rate was 12½ per cent (currently 15½ per cent); taxes on earnings and real property, and import duties on a narrow range of commodities (chiefly tobacco, wines, and drugs) are the main sources of revenue. Up to 1955, primary education (which is not compulsory), subsidized housing, basic medical services, and other "welfare" items accounted for slightly more than one-third of total government expenditure, with an equal proportion being spent on roads, water supply and other "economic" services. By 1968, "welfare" expenditures had risen to two-thirds of the total, the total having increased from an average of HK \$271 million in the years

1948-55 to HK \$1,800 million in 1968. (U.S. \$1.00 = H.K. \$6.00.) The increased provision of such services was made possible by rising productivity.

Hong Kong has no minimum wage legislation, a negligible amount of labor legislation, and only a few very weak unions. Yet, take-home pay doubled between 1958 and 1967. The retail price index rose only 9 per cent in the interim, so this represented a substantial increase in real earnings. Living standards rose significantly, as exemplified at a basic level by changes in diet. Per capita rice consumption fell, while its quality improved, and more meat and vegetables were consumed. Imports of frozen meat rose from 26,000 tons in 1955 to 121,000 tons in 1965. Hong Kong thus combined rapid economic growth with a rise in living standards.

Quotas and Restrictions

Hong Kong's development has proceeded entirely without government-to-government "aid." Indeed, other governments have sought to curb their imports of goods manufactured in the Colony. The first quotas were imposed in 1954, by the governments of the U.S.A., Pakistan, and Thailand. The next year a number of South-East Asian governments followed suit, but Hong Kong manufactur-

ers switched to markets in Africa and Latin America. In 1958, the U.K. government imposed limits on imports of textiles and clothing manufactured in Hong Kong; the U.S. government began limiting such imports in 1963.

The story behind these last restrictions is revealing. It begins with the so-called agricultural price support policy of the U.S. government, which among other things, maintains the domestic price of U.S. cotton above the world level. The Department of Agriculture, then finding itself laden with "excess" supplies of cotton, added an export subsidy to offset the price support. Meanwhile, imported textiles were beginning to replace U.S.-made textiles in U.S. markets, as foreign manufacturers bought cotton (including American cotton) at world — not U.S. — prices, while their labor costs were well below the American level. American manufacturers turned to Washington for protection against losses; and, in 1961, a "countervailing" import duty was imposed — to offset the export subsidy to offset the price support. Hong Kong textiles, however, sold so well despite this additional burden that import quotas were placed in 1963. Hong Kong manufacturers have responded by improving the quality of their exports.

Other countries restricting Hong Kong imports by means of heavy duties, quotas, and the like include Australia, Canada, France, Ghana, New Zealand, Nigeria, Norway, Rhodesia, Singapore, Switzerland, Tanzania, Uganda, and the West Indies.

Laissez-Faire

How did Hong Kong achieve all this? It has been suggested that the availability of capital and the presence of a large refugee population — obviously possessed of a certain amount of get-up-and-go are perhaps the two chief factors contributing to Hong Kong's success.⁵ But those individuals who came as refugees to Hong Kong possessed their enterprising qualities even before they arrived; nor does a waterless rock off the Chinese coast offer the best prospects for investment. The difference lay in the economic environment, in the free markets created by policy: "Almost complete *laissez-fairism* unleashed human potentialities, paralysed in other countries by elaborate control systems."⁶ The government made no attempt to impose or preserve any particular resource allocation, but provided instead the stable legal, fiscal, and monetary framework

⁵ Cf. *The Economist* (London), 19 October, 1968.

⁶ E. F. Szczepanik, *op. cit.*, p. 65.

that the market requires for optimal functioning. This use of the pricing system meant the full utilization of the empirical knowledge of ever-changing circumstances, which can never be centralized, but is only available scattered among individuals.⁷ Resource allocations were thus determined, via profit and loss, by international consumer preference.

Hong Kong's economic growth was part of this general process. Investment in directions where returns were rapid and large meant that output and thus real incomes were raised rapidly; this, in turn, made higher saving and investment possible — but in continuously more sophisticated types of machinery, which permitted not only further increases in production but also diversification of output. Resources were thus created where none existed before.

One fundamental point must be stressed: the course of Hong Kong's development could scarcely have been predicted *before* it occurred, even on the basis of a detailed knowledge of the past growth of the now-developed nations. No one, in 1947, had any idea of what a developed Hong Kong might look like! It was only

by the market process that this, in fact, became evident.

This logic is capable of wider application. In 1750, on the basis of the knowledge available then, it would hardly have been possible to “plan” in advance for the development of the North Atlantic region. Both North American and Western Europe were still relatively underdeveloped, and no one knew, in concrete terms, what shape any development might take! This illustrates the contradiction in what is termed “planned economic development”: since we do not know what a developed Africa, Asia, and Latin America might look like, we are necessarily limited to planning for the reproduction of what has already been achieved, in the past, elsewhere! The market process, on the other hand, sets no such limitations; it is adapted to the realization of hitherto latent and unknown possibilities. Inasmuch as the underdeveloped nations represent, as it were, a vast realm of such unrealized potentialities, it is above all essential in these areas to create the environment for a market economy.⁸ ♦

⁷ See F. A. Hayek, “The Use of Knowledge in Society” and “The Meaning of Competition,” in *Individualism and Economic Order* (London: Routledge and Kegan Paul, 1949).

⁸ See F. A. Hayek, *Competition as a Discovery Procedure* (forthcoming publication by the Institute of Economic Affairs, London) and his remarks in *What's Past Is Prologue* (Irvington, New York: Foundation for Economic Education, 1968).

THE STRANGE WORLD OF

Ivan Ivanov

SECRETARY of Defense Melvin Robert Laird picked himself a good man when he asked Professor G. Warren Nutter of the University of Virginia to become his chief adviser in the Pentagon on the economic potential of those nations which we must assume will be our enemies should any major war develop. The latest proof of Nutter's soundness as a thinker and researcher is a little book called *The Strange World of Ivan Ivanov* (World Publishing Co., \$5), which contrasts the life of an average head of household in Soviet Russia with that of John Doe, average American.

The book has a score of good features, not the least of which is Professor Nutter's love for a humorous story. But what makes it really noteworthy is that Professor Nutter is not fooled for a minute about the meaning of the Soviet menace. The Russian economy creaks and groans at every joint; it can't satisfy human desires for the good life. But this same econ-

omical product that is about a third of our own, manages to support a fearsome military establishment. Professor Nutter is able to report both sets of facts, the economic and the military, to his boss, which means that nobody in high executive place in Washington should be misled about Soviet capabilities.

Ivan Ivanov, the Russian common man, gets the short end of the stick precisely because his rulers regard intercontinental ballistic missiles, an ABM system, submarines, tanks, MIG planes, and a huge standing army as top priority matters. But it is an old story that totalitarian governments can only produce for war. You can't plan to produce for peace, for peace assumes almost as many personal objectives as there are human beings. One man will want a car, one a special kind of house, one the leisure to go fishing instead of behaving like an economic man. There is no way of catering to this sort of thing except by a free market system,

which, by definition, a totalitarian state cannot tolerate and still hold on to its monopoly of power.

Being a Mont Pelerin economist, Warren Nutter understands this thoroughly. He isn't surprised that the Soviet economic strength, or lack of it, is a poor gauge of its military power, and vice versa. He tells a story about a Western military aide watching a Soviet aircraft battery in action in World War II. The man was fascinated by the accuracy of the guns and the skill with which they were handled. When the action was over, the aide tried to light his pipe with Soviet-made matches. A dozen of them broke. Throwing the remaining matches to the ground, the exasperated fellow turned to his companion and asked, "How can people who make and man guns like those produce matches like these?"

This is the Soviet economy in a single joke. It's something to worry about in war. But it will never, never catch up with the West in times of peace.

Tied to the Land

Agriculture in Soviet Russia is incredibly inefficient. It uses a labor force nine times that of ours, yet manages only to produce an output some 70 or 80 per cent as large. There are one hundred acres of arable land for every

tractor in America as compared with four hundred in Russia. The Soviet peasant keeps the Russian cities fed from his little private plot, which he is permitted to keep by a Communist Central Committee that knows famine always follows when the private plots are abolished. Countrymen in Russia are not permitted to move into the cities without special permit; if they were not, to all intents and purposes, serfs, bound to the soil as much as any peasant in the times of the czars, there would be a mad rush to get out of the villages. Only the industrial workers in Russia are allowed to quit their jobs. The result is an annual turnover of 22 to 30 per cent. The Soviets can't admit there is any unemployment, since everyone is supposed to work. But in the large cities there is actually an unemployment rate of 8 per cent, while 25 to 30 per cent of the population are normally without jobs in the small and medium-size cities.

The "general welfare" of Ivan Ivanov is a travesty of the phrase. By our standards, says Professor Nutter, Ivan lives in a slum and enjoys a standard of life half-way up to the U.S. poverty line. The U.S. has 1.4 automobiles per family; the Soviets have two cars for every 135 families. In America there are 480 telephones per

thousand persons; in Russia the figure is 30 per thousand.

How Freedom Is Curbed

Material wealth, of course, is not everything. But Ivan Ivanov does not enjoy the blessings of liberty in his slum. If he wants to write, he is up against a state monopoly of everything from newspaper presses to book publishing companies, to say nothing of the forests that provide the material for paper. Russian authors who permit their work to be published abroad without Central Committee permission are still jailed, even as in the days of Stalin. If Ivan Ivanov wants to join his fellows in a crowd, it had better be for a government purpose, such as demonstrating before the Red Chinese Embassy or assembling on May Day to watch the soldiers file past.

Attendance at church is permitted; but if Ivan Ivanov is not an atheist, he can't hope to join the Communist Party. Ivan has a democratic right to vote, but the candidates he is asked to support are all designated by the government. Ivan's son goes to school, but his textbooks are centrally selected, and his literacy permits him only to read the party press and such ancient classics as are deemed politically safe. (He can, of course, listen to foreign broadcasts, but he had better not act

on anything he hears.) Since neither Ivan nor his son can have any private property beyond a few bonds and personal effects, no private defenses can be rigged up against the state.

The upper classes in the Soviet Union, meaning the big bureaucrats, army officers, and party functionaries, get the best of everything, from country villas to choice seats at the ballet. But Ivan Ivanov can only look at the good things of life from afar. He must shop at the state stores, he must apply for housing from the state, he goes to state schools for education. If Ivan Ivanov lives in a city, it will be in a space that is unbelievably confined. On an average, there are 2.3 persons living in each room in the Soviet cities.

So it goes inside Russia. It is small wonder, then, that the satellite countries such as Hungary and Czechoslovakia hunger to return to their old Westward orientation. The Soviets are bound to extend their tyranny outward, or the communist bloc would completely disintegrate.

If it were just a matter of economic competition, the West would have nothing to worry about. Unfortunately, the Communists know how to subvert. And they have achieved "nuclear parity" with us, which means that we can't laugh them off. ◆

- ▶ **EDMUND BURKE: A GENIUS RECONSIDERED** by Russell Kirk (New Rochelle, N. Y.: Arlington House, 1967), 255 pp., \$5.
- ▶ **THE SPECIOUS ORIGINS OF LIBERALISM: THE GENESIS OF A DELUSION** by Anthony M. Ludovici (London: Britons Publishing Company, 1967), 192 pp., \$4.

Reviewed by Edmund A. Opitz

NO BOOK about Burke is a substitute for reading the man himself; but it is helpful to have a manual which supplies a ground plan, so to speak. We need to know something about Burke's life and career; his education, intellectual lineage, and major preoccupations. Russell Kirk has written a fine primer, which may also be read with profit by anyone wishing to assess Burke's contribution to the stock of Western thought about man and society. Burke's genius was evoked by the events which engaged his professional political interest; by the growing tension over the American Colonies, by the British in India, and especially by the revolutionary events in France.

Burke was a public man and most of his literary efforts were in the form of speeches occasioned by issues which no longer concern us; but to the examination of

these issues Burke brought a powerful mind, a set of enduring principles, and a richly stocked background of historical knowledge. His Speech on Conciliation with the American Colonies is part of our history, and so is the Speech on American Taxation; but they are of more than historical interest. Viscount Morley once observed that these two speeches, plus Burke's Letter to the Sheriffs of Bristol, "... comprise the most perfect manual in our literature, or in any literature, for one who approaches the study of public affairs, whether for knowledge or for practice."

Then there is the long and prescient work on the French Revolution. Many people, then and now, view the upheaval in France as a movement of emancipation, and Burke, too, championed liberty. "It is our inheritance," he wrote. "It is the birthright of our species. We cannot forfeit our right to it but by what forfeits our title to the privilege of our kind." Why then did he oppose the French Revolution with all the vigor at his command? Because he viewed these events as unleashing a set of ideas which are hostile to liberty. Majoritarianism or popular sovereignty appears to remove the old shackles which have hamstrung "the people," only to replace them with new restraints

on individual persons—in the name of “the people”! Thus emerges totalitarian democracy with tyranny over each in the name of all.

Burke opposed the theoreticians who regarded society as a mere mechanical arrangement of parts, to be disassembled at will and slapped together again according to some late model speculation. He did not, however, slip into the opposite error of supposing society to be an organism; but society is somewhat analogous to a living thing in that social change is not to be accomplished on the instant by a kind of surgical transplant technique. We of the modern world have had sufficient experience with revolution, one would think, to know that this crude method at best gets rid of a few rats by burning down the barn. People are involved in any kind of social change; and if persons are not to be violated, devel-

opment and progress in society must be accomplished prudently and by almost imperceptible degrees under the radiating influence of ideas. This insight, and the patience that goes with it, is what Burke instills in a reader.

If we were to paste today's label on the system Burke opposed it would read “Liberalism.” This body of doctrine has been ably criticized in recent years, but Mr. Ludovici manages to drive in a few shafts from his own unique perspective. This man, in his ninety-first year, and with a score of books behind him, is a much neglected thinker. He's an aristocrat who is critical of European aristocracies, an artist who has watched the world grow uglier, an individualist in an age of mass man. The modern world will not like what this gifted man says about it, which is one measure of the importance of hearing him out. ♦

THE FREEMAN ON MICROFILM

Microfilm copies of current as well as of back issues of **THE FREEMAN** may be purchased from:
Xerox University Microfilms
300 N. Zeeb Road
Ann Arbor, Michigan 48106

the Freeman

VOL. 19, NO. 8 • AUGUST 1969

- Floating Exchange Rates** J. Enoch Powell 451
The case for reliance on the market rather than exchange controls as the guide to international trade.
- Capital Gains** George Hagedorn 461
It's not real income being taxed, but the principal of the thing.
- Money and the Market** Paul L. Poirot 464
The market origin of money and its vital importance for business accounting and management.
- The Forgotten Man** William Graham Sumner 470
Builders of Utopia always seem to forget to provide for the one who pays.
- Protected to Death** Henry Hazlitt 481
A government that kills off the producers is hardly protecting consumers.
- The Best Audience Is One!** Leonard E. Read 483
Reasons why the scatter-gun is harmful rather than helpful in the promotion of ideas on liberty.
- Tariff War, Libertarian Style** Gary North 488
He who strikes the second blow starts the fight: why it's better to trade goods than to trade blows.
- Education in America:**
11. Creativity George Charles Roche III 497
Concerning the individual nature of the creative process and how it is thwarted by institutionalized conformity.
- The Consequences Are Absolute** June I. Ward 504
Man faces many choices, but the consequence of each is fixed and immutable.
- Book Reviews** 507
"Frederic Bastiat: Ideas and Influence" by Dean Russell
"The Economy of Cities" by Jane Jacobs
"Free Speech and Plain Language" and
"The Book of Journeyman," both by Albert Jay Nock

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.



Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "Protected to Death."

FLOATING EXCHANGE RATES

THE RT. HON. J. ENOCH POWELL, M.P.

MY THEME is human folly. It is a theme so prolific and inexhaustible that one wonders at the survival of a species incessantly preoccupied with the assertion of absurdities, that is, with the denial of salient facts about the environment in which it exists.

All nations have their own local and national nonsense; but on none of these would I presume to address you. I am in a foreign country. Decency, therefore, forbids me to expatiate upon the foibles of Britain; and good manners debar me from referring to those of my hosts. There is, however, no lack of material on that account, because you and we and many other nations participate together in one and the same grand nonsense, which is respectfully referred to as "the interna-

tional monetary system." This huge pyramid or Tower of Babel is constructed upon a simple but perfectly adequate foundation. This is the assertion that the values of the different national currency units in terms of one another and of ounces of pure gold ought not to vary from month to month or from year to year or even from decade to decade—at least, unless they are altered by a committee decision among the nations. It is similar to, and as absurd as, asserting that all the prices of stocks and shares are to remain unaltered unless and until this one or that is revised by the Stock Exchange Commission.

I will not detain you by arguing, what is obvious, that neither in the one case nor the other will the prices ever be right—except, by some remote chance, for an instant of time. Apart from this

From an address of May 19, 1969, before Trustees and guests of The Foundation for Economic Education.

extreme exception, they are all bound to be more or less wrong, in one direction or the other, all the time. Of course, if the various national currencies *were* gold, chopped into bits of different sizes, or gold represented by pieces of paper which could instantly and unconditionally be exchanged for a specified bit of gold, then indeed their respective values in terms of one another would be, if so desired, immutable, because they would all be one and the same stuff.

This used, until just after I was born, to be the case; and the memory like the memory of so much else prewar (which to me means "pre-World War I) still haunts mankind and is part of the etiology of the collective aberration I am discussing. This was specially plain when we in Britain plunged into it in 1925 by what was miscalled "going back onto gold." After a decade of war and confusion, at last the blessed, the magic, the prewar equation of £3:17:10½ sterling with an ounce of fine gold occurred in the market. It was a nostalgic moment, and small wonder if we tried to grapple it to ourselves forever, saying, like Faust to the passing hour: "Oh, tarry yet; thou art so fair."

Within six or seven years the decision was found to be unsus-

tainable and presently it became widely accepted that it had also been inherently wrong and one of the causes of the depression into which we and other countries descended around 1930 and from which some recovery was perceptible after 1931. It is one of the ironies of our age that those who wholeheartedly accepted this view hastened to re-establish the system of 1925 again after 1944 and have maintained it pertinaciously ever since, explaining that all that was wrong in 1925 was the particular figure chosen to be fixed.

\$35 an Ounce

You in the United States still live under the influence of a similar popular emotion. Having once asserted, thirty-five years ago, that the price of fine gold was \$35 an ounce, you have persisted in that assertion as though the mere repetition could make and keep it true. There is an enormously deep human yearning—which finds multifarious religious expression—for something changeless and eternal to which to cling: "O Thou that changest not, abide with me."

Here was an equation, closely allied with the concept of the nation itself, something around which in any case the human instinct for survival and diuturnity strongly centers—the equation be-

tween a piece of gold and a dollar bill, the very symbol of America. Surely its permanence could be asserted and, being asserted, be secured? Once again, if and so long as that dollar bill was instantly and unconditionally exchangeable with gold, the statement would be a truism and therefore true; but when it ceased to be so exchangeable, there was no reason why, except for a brief chance moment, the price of gold in terms of dollars or of dollars in terms of gold, should remain at any particular figure: the conditions of supply and demand, of production and desirability, of the two things having no specific and necessary relationship. Yet, to maintain the assertion, you have more than half emptied Fort Knox and spun a web of controls and compulsions around American citizens.

Trapped by Error

So here are our two nations, along with others, making assertions about the respective values of our domestic currencies which are manifestly untrue, and assertions about the stability or permanence of those respective values which are manifestly absurd. Yet to these assertions we are committed by dint of habit and repetition and the most solemn and repeated asseveration.

This is no new phenomenon. In-

deed, as I have suggested, one form or another of it is perfectly normal. Consequently, we have ample experience from which to predict with assurance how people will react in order to defend and shore up the untruth and absurdity, because, of course, being untrue and absurd, it is always threatening to collapse. One reaction — I will not dilate on it at any length — is to shout at anyone who points out the untruth or absurdity, to drive him away with stones and curses, and, in primitive times, if possible to kill him. Those who in recent years have been so bold as to talk in public about a floating pound or a market price for gold will be personally familiar with this kind of treatment.

The next reaction is to invent a range of imaginary terrors depicting what would happen if the untruth or absurdity were abandoned. This may, psychologically, be an attempt to frighten oneself out of thinking, and is perhaps close kin to those medieval elaborations of the horrific torments which awaited those who questioned the dogmas of ecclesiastical authority. These superstitious fears are, I believe, worth extensive and patient examination, because they illustrate one of the great dangers to freedom, whether it be freedom of thought and

speech, or of trade and economic decision. This is that, once freedom has been lost, it can so easily be made to appear impracticable, and indeed chimerical.

Unfounded Fears

As soon as the price of an article is controlled, men are soon persuaded that unless it were controlled, the article would be unobtainable: if food prices were decontrolled, they imagine they would starve; if house rents were freed, they imagine they would perish of exposure. Thus the loss of a freedom becomes self-perpetuating through fear of the unknown, and habit soon teaches men to believe there is no alternative to the state in which they find themselves. This is cognate with the awkward fact that while the effect of control is easy to argue — “if the government fixes the price, then that is the price which will apply” — the practicability and superiority of freedom are in the last resort demonstrable only experimentally, by experience.

We know that men can walk erect on two legs, because in fact they do; but if we had been kept for long enough on all fours, we should treat with skepticism and ridicule any bold spirit who suggested that it would be much easier and simpler to walk about. We should have become convinced

that any such dangerous and unproven experiment would speedily result in broken noses or cracked skulls.

The terrors with which imagination has invested the simple notion that gold and the various national currencies should be allowed to price themselves, like anything else, in the market and that all the contortions and controls designed to fix their respective prices are futile and harmful, find close parallels wherever the market has been distorted or destroyed. Hence, in examining the superstitious fears attendant on the preservation of “the international monetary system,” we are confronting the same imaginary monsters as bar the road to every freedom.

I take the first. “We should be plunged into uncertainty, and never know the exchange rates from one day to the next.” This is the cry of the prisoner of the Bastille, who pitifully longed for the security of his confinement. He, however, did at least get regular meals and live in the same old cell. The irony today is that the very people who express this fear never know at present a moment’s freedom from anxiety. Day by day the headlines scream at them about impending devaluation, or revaluation, or some other abrupt and disagreeable contin-

gency. The pains they dread are those with which they are already suffering — but in a specially acute form, for one more uncertainty and unknown is added to all those which exist anyhow: namely, the uncertainty as to whether, when, and how the arbitrary fixed price will be altered.

An Added Uncertainty

There is no uncertainty in this world quite so great as the uncertainty about what a government is going to do next. These uncertainties already have to be taken into account in every transaction in which the future exchange value of currencies is a factor. In the jargon, only "spot" is fixed while "forward" varies from day to day, reflecting as best it can the opinions which those concerned hold about the future.

The moral is this. We do not banish change and uncertainty by pretending, or asserting, that they do not exist. We thereby only make them even harder to anticipate and to guard against. A premium has always to be paid to insure against the unknown. That premium will be higher if the unknown includes the actions and decisions of politicians and if trends and changes in the real world are not constantly being reflected, genuinely and freely, by changing market prices. What a

terrifying position it would be if the spot prices on the Stock Exchange were pegged — and incidentally, therefore, rigged and subsidized by the controlling authorities — while only the futures were allowed to move.

I have disposed, just now, incidentally of the argument that international trade would be inhibited by a higher cost of insurance against currency risks, by pointing out that the opposite would in fact be expected. I pause only to note that this argument is a special form of the general claim that control is economical and minimizes costs by substituting certainty for uncertainty — a proposition which any person or trade with practical experience of state control finds highly satirical. The actual effect is to replace continuous adjustment by large, jerky, and belated concessions to a reality it is no longer possible to deny or defy — in this context, the sudden, long-anticipated but long-delayed jolts of devaluation and revaluation.

Planned Chaos vs. Freedom

Sometimes, however, it is simply stated as self-evident that the growth of world trade would suffer if the respective currencies and gold were continuously priced against one another in the market. This is a recognizable variant of

the well-known "chaos" superstition, whereby the operation of the market in any area is described as "chaotic," immediately creating by this metaphor the impression that the movement of individuals and their relations with one another are impeded. We are so familiar with such terms as "traffic chaos," "administrative chaos," "chaos and dark night," that the mere mention of the word is sufficient not merely to suspend judgment but to neutralize experience.

People who are perfectly and daily familiar with the market where it exists — in the shopping center, for example, or on the stock exchanges — will instantly persuade themselves wherever they are not accustomed to it that it would produce "chaos." This impression is reinforced by the application of the solemn and impressive term "system" to the opposite. It is wonderful what can be achieved by giving to the, truly chaotic, behavior of national governments in the last twenty years the title of "the international monetary system," and describing as "a threatened collapse of the system into monetary chaos" the prospect of those governments being forced to recognize the true respective values of their currencies.

The "system" — to call it for

once by its nickname — incidentally necessitates, and has in fact always necessitated, the repeated and abrupt interference of governments in the trade and investment of their subjects, internal and external: changes of taxation, import controls, import deposits, import surcharges, alterations of interest rates, prohibitions on loans. To be able seriously to argue that such a system is actually favorable to international trade is striking evidence of the depth to which superstition has penetrated. The fear of the unknown like all fear renders its victims irrational and blind to their surroundings.

The Course of Trade

Another superstitious fear — we may be more familiar with this in Britain than you are here — is that if the exchange rate of a country's currency were to fall, it would be unable to buy the raw materials for its industries or even the food which it needs. This is a particular version of the general cry in defense of control: "If it were not there, we should starve."

There is, of course, absolutely no rational basis for this fear. If a given number of British products of a certain kind exchange for a given amount of raw material or finished goods in Brussels or Buenos Aires or New York on one

day, so they do the next day, irrespective of any alteration overnight in the exchange value of sterling. The supply and demand equation in Brussels or Buenos Aires or New York is unaffected by the number of pounds the exporter gets for his francs or pesos or dollars when he changes them to come home, or by the number of pounds the importer has to find to buy the goods in francs or pesos or dollars. The realities are unaltered: the same volume of British goods and services exchanges in the outside world for the same volume of foreign goods and services. In other words, our ability to buy what we want from abroad is unaffected: our standard of living remains absolutely unchanged.

What would happen is that if the exchange rate fell, and consequently importers had to find more pounds while exporters earned more pounds, there would be a shift—ever so slight, but enough and just enough to produce a balance without borrowing—away from imports and toward exports. The shift would be so slight as to be imperceptible—less, at the moment, than one per cent of the national product or much less than the gain which we make year by year in production—and the shift in jobs would, of course, be even smaller still.

This tiny margin is the sole extent to which Britain's standard of living is being, even temporarily, maintained by the rest of the world: it is a margin so narrow that the economic growth even of a single average year is sufficient to swamp it. Yet, it is the only basis for the accusation which the British positively enjoy leveling against themselves, that they "imagine the rest of the world owes them a living."

"Balance of Payments"

Another common but equally irrational fear that prevails in countries which, under a system of fixed parities, inevitably have what is called "a deficit on the balance of payments," is that if the current parity were not artificially maintained but were to be replaced by a free and therefore fluctuating and at first presumably lower valuation, foreigners would, as the phrase goes, "take their capital out." The victims of this delusion imagine, as many of us do in Britain, that they would thereby be impoverished, like a village which has been pillaged by a horde of marauders.

In the first place, no productive capital, whoever it belongs to, can be shipped abroad: these assets are, as you might say, landlord's fixtures, and the refineries, retorts, and furnaces are there to

stay. The most that a foreigner who holds shares in them can do is to try to find somebody to buy the shares from him for cash, and then exchange the cash for foreign currency. The capacity of the country to produce goods and services remains the same.

Let us, however, follow through what would happen. To the extent that foreigners decide to exchange their shares, or other interest-bearing securities, for the cash of the country, the demand for cash is increased and for shares and securities is lowered. In other words, the prices of the shares and securities fall, and the interest obtainable on them — or the reward for surrendering one's cash in exchange for them — correspondingly increases. When the foreigners, having realized their securities, proceed to convert them into other currencies, to that extent they drive down the rate of exchange of the currency *out of* which they are getting in favor of those *into* which they are getting; and thus, in effect, they obtain a lower rate of return on their money — or suffer a loss of value, whichever way you like to look at it — in the new situation compared with the old. Thus, the more foreigners "take their money out," the more the inducements not to do so mount up, in the form of higher rewards for stay-

ing and severer penalties on going. It is a sobering experience which, even with fixed parities, has befallen a number of investors in Britain in recent years.

So the fear of a "rush of money out of the country" is pure bogeyman. I have spelled it out in terms of the foreign holder; but obviously the same logic applies to one's own nationals. By all means, if they like to exchange their assets for cash and then convert and invest it abroad, good luck to them! They take the consequences, but none of the rest of us suffers. If internal interest rates rise somewhat in consequence, that is nothing to the rise in rates which we have actually suffered in the effort to "keep up with the Joneses." In itself, a fall in the rate of exchange neither harms nor impoverishes a country. Indeed, there is no such thing as a "high" exchange rate or a "low" exchange rate, but only a "right" exchange rate and a "wrong" exchange rate.

Projecting a Trend

Then comes another "but," introducing another superstitious fear. "But if we let the exchange rate go free, it may fall and fall and never stop." This is, in fact, a very common argument against the market in any area where it does not already prevail: if prices

are free to rise, they will go on rising forever; or alternatively, if prices are free to fall, they will go on falling forever. It is, of course, nonsense, but none the less dangerous for that. This is why, when food prices were controlled, people feared they would skyrocket otherwise: so long as the price of an egg is controlled at 6 pence, you cannot prove that this does not prevent it from rising to one shilling, or two shillings or any figure you care to name. When the pound is pegged at \$2.40, there are people who come to you, serious, educated adults, and say that if it were free, it would fall to \$1.00. It is their version of the two-shilling egg. One retort, as above, is: "Well; and if so, what of it?" But another, perhaps more suitable for the weaker brethren, is: "No, it wouldn't; because if the discrepancy between the fixed price and the free price were anything like that, nothing on earth under our sort of conditions — not even a combination of central bankers — would be able to maintain the present fixed price for any length of time." But all this illustrates once again the force of the superstitious fear of the unknown.

Inflation Jitters

My last group of superstitions centers around inflation. We have

been having a bad dose of these superstitions in Britain lately, because it has paid the politicians to support (whether knowingly or not) the myth that a fall in a country's exchange rate automatically causes a general rise in prices. This served both as a bogey to protect the absurdity of the fixed rate system, and also as a blind to cover the causes of the higher prices which actually occurred in the fiscal year 1968 when the pound sterling was devalued.

When a market exchange rate is substituted for a fixed exchange rate, two things happen; the deficit (or surplus) — that is, the loan to or from foreigners of a certain quantity of goods and services — disappears; and secondly, relative prices alter internally so as to accommodate that change. Other things being equal, the result would be a general rise (or fall) in prices, the total of goods and services available being that much less (or more). However, as I have pointed out, the proportion was in our case minute and, in any event, more than compensated for by the rise in domestic output. There would, therefore, have been no general rise in prices if other factors had been neutral.

After the change-over from a fixed to a market rate has taken place, further changes in the rate

will cause an alteration in some internal prices relative to others if, but only if, there is a change in the terms of trade; that is, if a given quantity of a nation's goods and services exchanges for more or fewer than before in the outside world. When this happens, there may also, but will not necessarily, be a rise or fall in the gross national product in consequence and thus, in the absence of other factors, a general fall or rise in prices.

However, the principal context in which inflation appears in this whole debate is the belief that fixed rates of exchange are a safeguard against domestic inflation, and — according to taste — either prevent the politicians from indulging in it or force them to keep control upon it. There are three answers to this, at different levels. One is that fixed rates of exchange demonstrably do not prevent domestic inflation, and that there is no correlation between the stability or otherwise of domestic prices in various countries and their showing in deficit or surplus under the system of fixed exchange rates.

The second answer is one I am entitled to give with confidence as a working politician: it is that if there were no such thing as the balance of payments, if the country concerned were the only

inhabited land on the globe, the politicians would still be punished by the electorate for indulging in more than a certain mild degree of inflation. The true sanction on inflation, and the true penalty for practicing it, is the effect on people of the defeat of expectations and the shift of power from person to person, class to class, governed to government, which it causes. That is what the politician has to answer for when he meets his constituents.

But the third, and last, answer is a defiance. "If we here want to inflate our currency, what business is it of any other country, provided we do not try to insist on everybody else financing us? That is, provided we accept the consequences in terms of truthful exchange rates, it is part of our sovereign independence to do as we will with our own domestic currency and to be as much, or as little, pseudo-Keynesian as we please."

Finally, Common Sense and Reason Become Suspect

I conclude by confronting the last and most dangerous of the demons which keep people imprisoned in the cage of control and falsification, once the spring door has closed behind them. This is, that common sense and reason themselves become suspect. "If

you were right," the prisoners protest, "we would have walked out of prison long ago; if the bars were illusory, we should not then have all lain in fetters so many years. What you say is too simple and obvious to be true. Away with you; you are a false prophet." So the prisoners are made to act as their own wardens, and the world has witnessed these last twenty-five years, if it would but look, the ironical spectacle of whole nations wrestling with conundrums, commonly miscalled "economic problems," which are the creation of their own persistence in absurd, and manifestly absurd, practices.

How, then, if rational argument thus becomes counterproductive, are the superstitions to be destroyed and the imaginary pris-

oners liberated? Don Quixote turned sane on his death bed, but that cure will not do. My own guess is that sooner or later, quite accidentally and unpredictably, an inrush of reality occurs, against which even the most entrenched superstitions and self-punishing delusions are not proof, and the edifice of control and falsification collapses, leaving the former victims out in the open, bewildered but intact. That will be the moment, with encouraging and reassuring words, to approach and say: "That's all right. There was nothing to be afraid of all along. I told you so!" This uttered, it will only remain to turn smartly away, and open the attack upon some ensuing folly. ♦

Capital Gains

GEORGE HAGEDORN

AT THIS TIME the whole Federal income tax system is under scrutiny, with the possibility that substantial changes will be made in it. In the discussion, the subject of

tax treatment of capital gains is being brought up. Frequently, the attitude is expressed (or implied) that capital gains are, after all, simply one kind of income which should be taxed in the same way as any other.

Mr. Hagedorn is Economist and Vice-President of the National Association of Manufacturers. This article is from his column in NAM Reports, June 9, 1969.

We see this assumption em-

bodied in some of the statistical horror stories, intended to illustrate how wealthy taxpayers get away with murder. The usual procedure is to show that the taxpayer really pays a much lower rate on his income than the schedule of tax rates would suggest he should. In the computation of his "actual" tax rate, capital gains are included in the divisor, on a par with the wages, dividends, and interest received.

The same view appears more explicitly in a statement by Professor Robert Eisner, of Northwestern University, recently included in the *Congressional Record*. After protesting generally against tax "loopholes," Professor Eisner goes on to say: "Most conspicuous and substantial are the huge amounts of income now enjoyed in the form of capital gains." A little later he argues: "For those who take the capital gains route of earning money, taxes are of course minimal. . . ."

This raises a question which we will try to analyze in this column. Are capital gains simply another form of income — to be logically included in income totals, and taxed, on the same basis as any other form?

We may note, first, that the Department of Commerce, in its compilations of the national income, does *not* include capital gains. This

is a matter of well-established statistical practice on which there is no dispute among experts. The reasons for it are obvious. To include in the total of the national income an item resulting solely from the revaluation of existing assets would be to give a completely false picture of the state of the economy. We cannot make each other prosperous by selling each other things which have been around all along, even if we raise the figure on the price tag. There is no real income for the nation in such exchanges.

But this still leaves the question of whether capital gains may be a real item of individual income. Is it possible, in some strange way, that a realized capital gain is an integral part of a person's income, without being part of the total national income?

This question is often dismissed impatiently with the comment that anyone may spend capital gains in just the same way he spends his salary or his dividends. A person, if he chooses, may spend *all* of his past savings and not only the part he regards as a capital gain. But this doesn't mean that when we draw down on past savings they become current income.

When this is brought up, the argument usually shifts to another ground. It is contended that a person may spend his capital gain,

and still leave his savings intact.

This sounds persuasive until we analyze its implications. Suppose your savings are in the form of ten acres of land, for which you originally paid \$900 an acre but which are now worth \$1,000 an acre. You might figure that you could sell one acre and spend the money on consumption without impairing your original savings. After all, you would still have \$9,000 worth of land left. It sounds good but, if the price kept going up and you kept selling land an acre at a time and spending the money, it would be hard to maintain indefinitely that you weren't impairing your savings as your landholdings declined toward zero.

It seems clear that when the government taxes capital gains, it is taking a share, not of the individual's current income, but of his past savings. The fact that the market might have revalued the assets in which those past savings are embodied doesn't change that situation.

Of course, political leaders who pride themselves on being "pragmatic" may brush all this aside. Capital gains are there and, since the government needs revenue, why not tax them? A fine theoretical distinction as to whether they are or are not income may seem beside the point.

We will not comment on this pragmatic view beyond pointing out that it would be hard to combine it with moralistic protests of outrage at the present special tax treatment of capital gains. We do feel some qualms at the thought that the government could justifiably tax anything that is handy, simply by declaring it to be income.

We suppose that some form of the pragmatic argument will continue to prevail and that capital gains will continue to be taxed. We hope, however, that political pragmatism will include some recognition of the practical effects of capital gains taxation on the economy.

The impairment of individuals' past savings by capital gains taxation is matched by an equal impairment of the nation's supply of capital for use in production. The fact that such impairment, in either sense, is currently made good from other sources doesn't change the matter.

Presently there are strong voices calling for more severe tax treatment of capital gains, on the ground of equity as among taxpayers. It seems to us a case of an invalid argument being used to support an economy-damaging proposal. ♦

MONEY **and the MARKET**



JOGGING is great for the circulation, but it is no cure for inflation. A man simply can't outrun a printing press.

"A printing press run wild" is not a perfect definition of inflation, but it will do for a start. The details have to do with the exchange of goods and services and with the money supply which serves as the medium of exchange and the foundation for economic calculation or business accounting.

Goods and services can be exchanged directly as a matter of barter. But the process is primitive and cumbersome. Supply and demand are continuously changing for each item; in the absence of money, there is no easy or convenient way for any buyer or seller to compare various costs of production or to determine the profit or loss from his operations.

If he is to specialize in production and trade, really go into the business of serving consumers, he needs a special tool: a unit of accounting or economic calculation — a medium of exchange that will enable him to compare with reasonable accuracy the cost of one commodity or service with the cost of various other factors of production. In other words, he needs a money so that he can know the money prices at which economic goods are available for trade.

This is not to imply that anyone ever sat down and logically invented money. Tradesmen probably discovered by a process of trial and error and long experience that some particular item of commerce was more universally traded, more easily recognized, more readily accepted than most other items —

perhaps some precious metal such as silver or gold. Whatever it was that thus facilitated trading came to be used as the medium of exchange or money — and then it was possible to determine the money prices of other scarce and valuable resources.

It's true, of course, that money is a great convenience to traders. It facilitates the process. And it's doubtless true that money was discovered or came into use because traders found it helpful. But the great value of money and the most important reason for having a monetary unit is that it permits the entrepreneur to operate in a businesslike manner. It makes possible the record keeping and cost accounting by which he can determine, with workable accuracy, the profit or loss from various operations, combinations of resources, transactions. It takes enough of the guesswork out of the process to enable competitive private enterprise to function in an open market and to efficiently serve the most urgent wants of consumers. It is the essential lifeblood of specialized industrial production and trade.¹

The future is always uncertain,

¹ For further development of the importance of money for economic calculation, see *Human Action* by Ludwig von Mises (Chicago: Regnery, 1966 revised edition), especially pp. 212-231 and 398-478.

to be sure. The conditions of supply and demand for each and every item of commerce are constantly changing. And the most successful entrepreneur is the one who can most accurately predict or guess the direction of such change and plan his operations accordingly. Money prices, of course, do not eliminate the uncertainties of the future in an ever-changing world. Prices simply extract from the giant computer of the market place the most accurate possible representation of the latest available conditions of supply and demand. Not perfect, but something; and this is information vital to the conduct of business and trade.

Formulas for Perfection Are Doomed to Fail

There is a grave temptation among those who appreciate the necessity of money to try to set forth its specifications and create an artificial money system that would perfectly serve the purpose of trade. The natural money that grows out of trade — gold, for instance — is subject to more or less unpredictable changes in purchasing power: the discovery of new mines or mining techniques might augment the supply; or various new nonmonetary uses for the metal or a popular urge to hoard gold would affect the demand. In other words, gold is a monetary

yardstick that might shrink or expand in general purchasing power from time to time. So the temptation is to create an artificial yardstick that might be of stable purchasing power. Instead of relying on the market to determine what the money unit ought to be and how much of it there ought to be, some men believe that a better money system can be provided through government definition, regulation, and control; if it is to be gold (or whatever else may be chosen as money), let government regulate the supply and set the price in order that the money unit may have greater stability; let government take charge of coinage or printing to assure that each monetary unit is of the precise weight and fineness as advertised; let government devise an index of the cost of living or of purchasing power as a guide to the quantity of coins or other monetary units to be allowed in circulation.

To yield to such temptation is to mistake the nature and purpose of money. Money comes into being only as the result of trading in the market. Artificial money substitutes are relatively worthless as the tool for economic calculation upon which industry and trade depend — the greater the artificiality, the less the value for monetary purpose.

Stop the Counterfeiters

There is one useful service government can perform with respect to money. It can apprehend and punish counterfeiters who might try to substitute "fool's gold" for the real thing, thus to withdraw goods and services from the market by defrauding rightful owners. But governments are rarely content to limit their activities to the defense of life and property. Politicians bend easily to popular demand, and will as quickly serve the purposes of counterfeiters or other pressure groups as they would serve the purposes of honest and peaceful men and women. This is why no honest, peaceful person ever should delegate to government any responsibility for or control over the money system, other than to stop counterfeiters.

Anything the government does must be paid for in taxes. There is hardly any limit to what a government will attempt to do if it can gain control of the money system and resort to inflation as a method of taxation to extract goods and services from rightful owners. And this is one of the major reasons why the market relies upon gold as money. Governments have discovered no way to artificially augment or inflate the supply of gold.

Unfortunately, not all consumers and — more unfortunately still

— not all businessmen understand the vital necessity for a market-originated and market-regulated money if the market economy is to survive. In consequence of such misunderstanding, governments have been authorized—or, at least, permitted—to tamper with the money system until inflation has become the order of the day in practically every significant nation of the world. “Paper gold,” we are told, “is better than the real thing!” And it’s true that fiat money affords one of the most effective ways for government to get control of all scarce resources, including people. But for honest, hard-working men and women, this is not a condition to be preferred above any other. Nor is an inflationary situation one that can last indefinitely, for it destroys the source of its sustenance—the market economy of competitive private enterprise.

Fueling the Fires of Inflation

Because they do not understand the cause and the nature of inflation, businessmen as well as consumers at every level of income and property-ownership turn more and more to government to uphold their particular interest at the expense of other persons or groups. But by this process of begging for relief, they delegate to government additional powers

that only aggravate the basic problem and further fuel the fires of inflation.

For example, many of the aged have placed their faith in Social Security, which leaves them entirely dependent upon the future taxing power of government. The personal thrift and saving so vital to future production of goods and services are thus discouraged. Under pretense of keeping faith with senior citizens, Social Security benefit payments are continuously escalated to try to keep pace with the ever-rising cost of living. So, taxes must be raised; yet there are larger and larger Federal deficits financed by new printings of “paper gold.”

It bears repeating here that government-created fiat monies, artificial and irredeemable paper promises that have been declared legal tender, are not the same as real money originating through voluntary trade; nor do these fiat monies adequately serve to facilitate business and trade and provide a useful unit of business accounting. This fiat money, as in the case of any other form of government price fixing, only creates shortages or surpluses that amount to waste of economic resources. For instance, the irredeemable paper simply induces buyers and sellers to stop trading and start hoarding. Gresham’s

Law that bad money drives out good money means that tradesmen will hoard gold instead of going about their business as usual. Sophisticated recipients of irredeemable paper promises hasten to convert the paper into any and every available tangible resource. If they can't redeem in gold, they will try to redeem in some other form of real property. They may not realize it, but they are trying to find something that will serve as money.

So it is that the prices of real property are bid up to levels that reflect not only anticipated annual earnings but the higher resale price that is to be expected with further inflation. And the government collects a tax on the so-called capital gains whenever an owner can be tempted or forced to sell; or else it imposes an inheritance tax likely to ruin the business in case the late owner could not rid himself of it in time.

Misuse of Scarce Resources

Instead of plowing earnings back into productive but taxable enterprises that would serve the wants of consumers, businessmen are tempted by such policies of exorbitant taxation to divert earnings into tax-exempt charitable trusts that more often than not become propaganda agencies for the socialistic principles upon

which they are based. So, the revenues of competitive private enterprise are diverted, by taxes or through various tax loopholes, to causes that are detrimental rather than conducive to perpetuation of the market economy. The profits or rewards consumers have designated for those who best served them are thus turned against the consumer-oriented system of private ownership and trade.

Businessmen are bound to do their best to avoid the impact of heavy taxation. They seek special depletion allowances to quickly write off the value of natural resources that are being used in the course of production. Also, they apply for extra-rapid depreciation schedules on tools and equipment and other production facilities; or they try to add a cost-of-living clause in the depreciation schedule so that the write-off of the old machinery will be sufficient to cover the higher-priced new machinery at time of replacement.

This is not to condemn the businessman for trying to do his best with his business. But these efforts at tax avoidance tend to be largely wasted, in the long run. And they certainly do nothing to halt the inflation that is causing the problem. Changing the rules of accounting to accommodate an encroaching socialism is certain to ruin the accounting system, but

it will not curb the socialistic trend. Socialism affords no way to make use of the money prices of a free market; business accounting or economic calculation is a unique feature of the market economy.

Creating the Climate for Trade

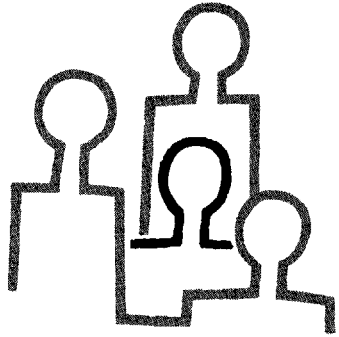
Instead of wasting time and effort to change the system or the principles of economic calculation and accounting—instead of asking the government to grant tax-exemption and at the same time to assume power to regulate and control more and more of the economy, including control over money and over people—the first order of business ought to be the limitation of government and the preservation of the only kind of a free market economy in which business can logically function for the satisfaction of the wants of the consumers.

Only when money and its regulation and control is taken from government and left to the market, only then can entrepreneurs and consumers enjoy the blessings of private ownership and competitive enterprise, specialized indus-

trial production, and free trade. And free trade in gold is the key to sound money and sound business procedure.

Finally, it should be understood that all the wasted resources and the wasted efforts of businessmen to avoid the consequences of government tampering with money ultimately mean fewer goods and services available at prices the poorest of consumers can afford. This is not a deliberate war against the poor. Government planners and spenders fully intend to help the poor through various welfare programs. But these very programs lead to the government deficits that lead in turn to inflationary policies that distort and eventually dry up the operations of business and trade. The resultant hoarding of economic resources, by those who can afford to fight against inflation in that manner, isolates from the market resources that good business practice otherwise would have made available as efficiently as possible for use by the poor. The ultimate victims of inflation are the ones who can least afford the malinvestment of scarce resources. ♦

THE FORGOTTEN MAN



WILLIAM GRAHAM SUMNER

THERE IS no such thing on this earth as something for nothing. Whatever we inherit of wealth, knowledge, or institutions from the past has been paid for by the labor and sacrifice of preceding generations; and the fact that these gains are carried on, that the race lives and that the race can, at least within some cycle, accumulate its gains, is one of the facts on which civilization rests. The law of the conservation of energy is not simply a law of physics; it is a law of the whole moral universe, and the order and truth of all things conceivable by man depends upon it. If there were any such liberty as that of doing as you have a mind to, the human race would be condemned

William Graham Sumner was Professor of Political and Social Science in Yale University when he delivered his memorable speech on "The Forgotten Man" in 1883, portions of which are presented here.

to everlasting anarchy and war as these erratic wills crossed and clashed against each other. True liberty lies in the equilibrium of rights and duties, producing peace, order, and harmony. As I have defined it, it means that a man's right to take power and wealth out of the social product is measured by the energy and wisdom which he has contributed to the social effort.

Now if I have set this idea before you with any distinctness and success, you see that civil liberty consists of a set of civil institutions and laws which are arranged to act as impersonally as possible. It does not consist in majority rule or in universal suffrage or in elective systems at all. These are devices which are good or better just in the degree in which they secure liberty. The institutions of civil liberty leave each man to run

his career in life in his own way, only guaranteeing to him that whatever he does in the way of industry, economy, prudence, sound judgment, and the like, shall redound to his own welfare and shall not be diverted to someone else's benefit. Of course, it is a necessary corollary that each man shall also bear the penalty of his own vices and his own mistakes. If I want to be free from any other man's dictation, I must understand that I can have no other man under my control. . . .

"The Poor and the Weak"

Now you know that "the poor and the weak" are continually put forward as objects of public interest and public obligation. In the appeals which are made, the terms "the poor" and "the weak" are used as if they were terms of exact definition. Except the pauper, that is to say, the man who cannot earn his living or pay his way, there is no possible definition of a poor man. Except a man who is incapacitated by vice or by physical infirmity, there is no definition of a weak man. The paupers and the physically incapacitated are an inevitable charge on society. About them no more need be said.

But the weak who constantly arouse the pity of humanitarians and philanthropists are the shift-

less, the imprudent, the negligent, the impractical, and the inefficient, or they are the idle, the intemperate, the extravagant, and the vicious. Now the troubles of these persons are constantly forced upon public attention, as if they and their interests deserved especial consideration, and a great portion of all organized and unorganized effort for the common welfare consists in attempts to relieve these classes of people. I do not wish to be understood now as saying that nothing ought to be done for these people by those who are stronger and wiser. That is not my point. What I want to do is to point out the thing which is overlooked and the error which is made in all these charitable efforts.

The notion is accepted as if it were not open to any question that if you help the inefficient and vicious you may gain something for society or you may not, but that you lose nothing. This is a complete mistake. Whatever capital you divert to the support of a shiftless and good-for-nothing person is so much diverted from some other employment, and that means from somebody else. I would spend any conceivable amount of zeal and eloquence if I possessed it to try to make people grasp this idea. Capital is force. If it goes one way it cannot go another. If you

give a loaf to a pauper you cannot give the same loaf to a laborer. Now this other man who would have got it but for the charitable sentiment which bestowed it on a worthless member of society is the Forgotten Man. The philanthropists and humanitarians have their minds all full of the wretched and miserable whose case appeals to compassion, attacks the sympathies, takes possession of the imagination, and excites the emotions. They push on towards the quickest and easiest remedies and they forget the real victim.

The Simple, Honest Laborer

Now who is the Forgotten Man? He is the simple, honest laborer, ready to earn his living by productive work. We pass him by because he is independent, self-supporting, and asks no favors. He does not appeal to the emotions or excite the sentiments. He only wants to make a contract and fulfill it, with respect on both sides and favor on neither side. He must get his living out of the capital of the country. The larger the capital is, the better living he can get. Every particle of capital which is wasted on the vicious, the idle, and the shiftless is so much taken from the capital available to reward the independent and productive laborer.

But we stand with our backs to the independent and productive laborer all the time. We do not remember him because he makes no clamor; but I appeal to you whether he is not the man who ought to be remembered first of all, and whether, on any sound social theory, we ought not to protect him against the burdens of the good-for-nothing. In these last years I have read hundreds of articles and heard scores of sermons and speeches which were really glorifications of the good-for-nothing, as if these were the charge of society, recommended by right reason to its care and protection. We are addressed all the time as if those who are respectable were to blame because some are not so, and as if there were an obligation on the part of those who have done their duty towards those who have not done their duty. Every man is bound to take care of himself and his family and to do his share in the work of society. It is totally false that one who has done so is bound to bear the care and charge of those who are wretched because they have not done so.

The silly popular notion is that the beggars live at the expense of the rich, but the truth is that those who eat and produce not, live at the expense of those who labor and produce. The next time

that you are tempted to subscribe a dollar to a charity, I do not tell you not to do it, because after you have fairly considered the matter, you may think it right to do it, but I do ask you to stop and remember the Forgotten Man and understand that if you put your dollar in the savings bank, it will go to swell the capital of the country which is available for division amongst those who, while they earn it, will reproduce it with increase.

"The Working Classes"

Let us now go on to another class of cases. There are a great many schemes brought forward for "improving the condition of the working classes." I have shown already that a free man cannot take a favor. One who takes a favor or submits to patronage demeans himself. He falls under obligation. He cannot be free and he cannot assert a station of equality with the man who confers the favor on him. The only exception is where there are exceptional bonds of affection or friendship, that is, where the sentimental relation supersedes the free relation. Therefore, in a country which is a free democracy, all propositions to do something for the working classes have an air of patronage and superiority which is impertinent and out of place.

No one can do anything for anybody else unless he has a surplus of energy to dispose of after taking care of himself. In the United States, the working classes, technically so called, are the strongest classes. It is they who have a surplus to dispose of if anybody has. Why should anybody else offer to take care of them or to serve them? They can get whatever they think worth having and, at any rate, if they are free men in a free state, it is ignominious and unbecoming to introduce fashions of patronage and favoritism here. A man who, by superior education and experience of business, is in a position to advise a struggling man of the wages class, is certainly held to do so and will, I believe, always be willing and glad to do so; but this sort of activity lies in the range of private and personal relations.

I now, however, desire to direct attention to the public, general, and impersonal schemes, and I point out the fact that, if you undertake to lift anybody, you must have a fulcrum or point of resistance. All the elevation you give to one must be gained by an equivalent depression on someone else. The question of gain to society depends upon the balance of the account, as regards the position of the persons who undergo the respective operations. But nearly

all the schemes for "improving the condition of the working man" involve an elevation of some working men at the expense of other working men.

When you expend capital or labor to elevate some persons who come within the sphere of your influence, you interfere in the conditions of competition. The advantage of some is won by an equivalent loss of others. The difference is not brought about by the energy and effort of the persons themselves. If it were, there would be nothing to be said about it, for we constantly see people surpass others in the rivalry of life and carry off the prizes which the others must do without. In the cases I am discussing, the difference is brought about by an interference which must be partial, arbitrary, accidental, controlled by favoritism and personal preference.

I do not say, in this case, either, that we ought to do no work of this kind. On the contrary, I believe that the arguments for it quite outweigh, in many cases, the arguments against it. What I desire, again, is to bring out the forgotten element which we always need to remember in order to make a wise decision as to any scheme of this kind. I want to call to mind the Forgotten Man, because, in this case also, if we

recall him and go to look for him, we shall find him patiently and perseveringly, manfully and independently struggling against adverse circumstances without complaining or begging. If, then, we are led to heed the groaning and complaining of others and to take measures for helping these others, we shall, before we know it, push down this man who is trying to help himself.

The Abuse of Legislation

Let us take another class of cases. So far we have said nothing about the abuse of legislation. We all seem to be under the delusion that the rich pay the taxes. Taxes are not thrown upon the consumers with any such directness and completeness as is sometimes assumed; but that, in ordinary states of the market, taxes on houses fall, for the most part, on the tenants and that taxes on commodities fall, for the most part, on the consumers, is beyond question. Now the state and municipality go to great expense to support policemen and sheriffs and judicial officers, to protect people against themselves, that is, against the results of their own folly, vice, and recklessness. Who pays for it? Undoubtedly the people who have not been guilty of folly, vice, or recklessness. Out of nothing comes nothing. We cannot collect taxes

from people who produce nothing and save nothing. The people who have something to tax must be those who have produced and saved.

When you see a drunkard in the gutter, you are disgusted, but you pity him. When a policeman comes and picks him up you are satisfied. You say that "society" has interfered to save the drunkard from perishing. Society is a fine word, and it saves us the trouble of thinking to say that society acts. The truth is that the policeman is paid by somebody, and when we talk about society we forget who it is that pays. It is the Forgotten Man again. It is the industrious workman going home from a hard day's work, whom you pass without noticing, who is mulcted of a percentage of his day's earnings to hire a policeman to save the drunkard from himself.

All the public expenditure to prevent vice has the same effect. Vice is its own curse. If we let nature alone, she cures vice by the most frightful penalties. It may shock you to hear me say it, but when you get over the shock, it will do you good to think of it: a drunkard in the gutter is just where he ought to be. Nature is working away at him to get him out of the way, just as she sets up her processes of dissolution to

remove whatever is a failure in its line. Gambling and less mentionable vices all cure themselves by the ruin and dissolution of their victims. Nine-tenths of our measures for preventing vice are really protective towards it, because they ward off the penalty. "Ward off," I say, and that is the usual way of looking at it; but is the penalty really annihilated? By no means. It is turned into police and court expenses and spread over those who have resisted vice. It is the Forgotten Man again who has been subjected to the penalty while our minds were full of the drunkards, spendthrifts, gamblers, and other victims of dissipation. Who is, then, the Forgotten Man? He is the clean, quiet, virtuous, domestic citizen, who pays his debts and his taxes and is never heard of out of his little circle. Yet, who is there in the society of a civilized state who deserves to be remembered and considered by the legislator and statesman before this man?

State Regulation and Control

Another class of cases is closely connected with this last. There is an apparently invincible prejudice in people's minds in favor of state regulation. All experience is against state regulation and in favor of liberty. The freer the civil institutions are, the more weak or

mischievous state regulation is. The Prussian bureaucracy can do a score of things for the citizen which no governmental organ in the United States can do; and, conversely, if we want to be taken care of as Prussians and Frenchmen are, we must give up something of our personal liberty.

Now we have a great many well-intentioned people among us who believe that they are serving their country when they discuss plans for regulating the relations of employer and employee, or the sanitary regulations of dwellings, or the construction of factories, or the way to behave on Sunday, or what people ought not to eat or drink or smoke. All this is harmless enough and well enough as a basis of mutual encouragement and missionary enterprise, but it is almost always made a basis of legislation. The reformers want to get a majority, that is, to get the power of the state and so to make other people do what the reformers think it right and wise to do. A and B agree to spend Sunday in a certain way. They get a law passed to make C pass it in their way. They determine to be teetotallers and they get a law passed to make C be a teetotaller for the sake of D who is likely to drink too much.

Factory acts for women and children are right because women

and children are not on an equal footing with men and cannot, therefore, make contracts properly. Adult men, in a free state, must be left to make their own contracts and defend themselves. It will not do to say that some men are weak and unable to make contracts any better than women. Our civil institutions assume that all men are equal in political capacity and all are given equal measure of political power and right, which is not the case with women and children. If, then, we measure political rights by one theory and social responsibilities by another, we produce an immoral and vicious relation. A and B, however, get factory acts and other acts passed regulating the relation of employers and employees and set armies of commissioners and inspectors traveling about to see to things, instead of using their efforts, if any are needed, to lead the free men to make their own conditions as to what kind of factory buildings they will work in, how many hours they will work, what they will do on Sunday, and so on.

The consequence is that men lose the true education in freedom which is needed to support free institutions. They are taught to rely on government officers and inspectors. The whole system of government inspectors is corrupting

to free institutions. In England, the liberals used always to regard state regulation with suspicion, but since they have come to power, they plainly believe that state regulation is a good thing — if *they* regulate — because, of course, they want to bring about good things. In this country each party takes turns, according as it is in or out, in supporting or denouncing the noninterference theory.

Who Is the Victim?

Now, if we have state regulation, what is always forgotten is this: Who pays for it? Who is the victim of it? There always is a victim. The workmen who do not defend themselves have to pay for the inspectors who defend them. The whole system of social regulation by boards, commissioners, and inspectors consists in relieving negligent people of the consequences of their negligence and so leaving them to continue negligent without correction. That system also turns away from the agencies which are close, direct, and germane to the purpose, and seeks others.

Now, if you relieve negligent people of the consequences of their negligence, you can only throw those consequences on the people who have not been negligent. If you turn away from the agencies which are direct and cognate to

the purpose, you can only employ other agencies. Here, then, you have your Forgotten Man again. The man who has been careful and prudent and who wants to go on and reap his advantages for himself and his children is arrested just at that point, and he is told that he must go and take care of some negligent employees in a factory or on a railroad who have not provided precautions for themselves or have not forced their employers to provide precautions, or negligent tenants who have not taken care of their own sanitary arrangements, or negligent householders who have not provided against fire, or negligent parents who have not sent their children to school.

If the Forgotten Man does not go, he must hire an inspector to go. No doubt it is often worth his while to go or send, rather than leave the thing undone, on account of his remoter interest; but what I want to show is that all this is unjust to the Forgotten Man, and that the reformers and philosophers miss the point entirely when they preach that it is his duty to do all this work. Let them preach to the negligent to learn to take care of themselves. Whenever A and B put their heads together and decide what A, B, and C must do for D, there is never any pressure on A and B. They consent to

it and like it. There is rarely any pressure on D because he does not like it and contrives to evade it. The pressure all comes on C. Now, who is C? He is always the man who, if let alone, would make a reasonable use of his liberty without abusing it. He would not constitute any social problem at all and would not need any regulation. He is the Forgotten Man again, and as soon as he is brought from his obscurity you see that he is just that one amongst us who is what we all ought to be. . . .

The One Who Pays

Such is the Forgotten Man. He works, he votes, generally he prays — but he always pays — yes, above all, he pays. He does not want an office; his name never gets into the newspaper except when he gets married or dies. He keeps production going on. He contributes to the strength of parties. He is flattered before election. He is strongly patriotic. He is wanted, whenever, in his little circle, there is work to be done or counsel to be given. He may grumble some occasionally to his wife and family, but he does not frequent the grocery or talk politics at the tavern. Consequently, he is forgotten. He is a commonplace man. He gives no trouble. He excites no admiration. He is not in any way a hero (like a popular orator); or a prob-

lem (like tramps and outcasts); nor notorious (like criminals); nor an object of sentiment (like the poor and weak); nor a burden (like paupers and loafers); nor an object out of which social capital may be made (like the beneficiaries of church and state charities); nor an object for charitable aid and protection (like animals treated with cruelty); nor the object of a job (like the ignorant and illiterate); nor one over whom sentimental economists and statesmen can parade their fine sentiments (like inefficient workmen and shiftless artisans). Therefore, he is forgotten. All the burdens fall on him, or on her, for it is time to remember that the Forgotten Man is not seldom a woman. . . .

It is plain enough that the Forgotten Man and the Forgotten Woman are the very life and substance of society. They are the ones who ought to be first and always remembered. They are always forgotten by sentimentalists, philanthropists, reformers, enthusiasts, and every description of speculator in sociology, political economy, or political science. If a student of any of these sciences ever comes to understand the position of the Forgotten Man and to appreciate his true value, you will find such student an uncompromising advocate of the strictest

scientific thinking on all social topics, and a cold and hard-hearted skeptic towards all artificial schemes of social amelioration.

A Wasted Productive Force

If it is desired to bring about social improvements, bring us a scheme for relieving the Forgotten Man of some of his burdens. He is our productive force which we are wasting. Let us stop wasting his force. Then we shall have a clean and simple gain for the whole society. The Forgotten Man is weighted down with the cost and burden of the schemes for making everybody happy, with the cost of public beneficence, with the support of all the loafers, with the loss of all the economic quackery, with the cost of all the jobs. Let us remember him a little while. Let us take some of the burdens off him. Let us turn our pity on him instead of on the good-for-nothing. It will be only justice to him, and society will greatly gain by it. Why should we not also have the satisfaction of thinking and caring for a little while about the clean, honest, industrious, independent, self-supporting men and women who have not inherited much to make life luxurious for them, but who are doing what they can to get on in the world without begging from

anybody, especially since all they want is to be let alone with good friendship and honest respect. Certainly the philanthropists and sentimentalists have kept our attention for a long time on the nasty, shiftless, criminal, whining, crawling, and good-for-nothing people, as if they alone deserved our attention.

The Forgotten Man is never a pauper. He almost always has a little capital because it belongs to the character of the man to save something. He never has more than a little. He is, therefore, poor in the popular sense, although in the correct sense he is not so. I have said already that if you learn to look for the Forgotten Man and to care for him, you will be very skeptical toward all philanthropic and humanitarian schemes.

It is clear now that the interest of the Forgotten Man and the interest of "the poor," "the weak," and the other petted classes are in antagonism. In fact, the warning to you to look for the Forgotten Man comes the minute that the orator or writer begins to talk about the poor man. That minute the Forgotten Man is in danger of a new assault, and if you intend to meddle in the matter at all, then is the minute for you to look about for him and to give him your aid. Hence, if you care for the Forgotten Man, you will be

sure to be charged with *not* caring for the poor. Whatever you do for any of the petted classes wastes capital. If you do anything for the Forgotten Man, you must secure him his earnings and savings, that is, you legislate for the security of capital and for its free employment; you must oppose paper money, wildcat banking, and usury laws, and you must maintain the inviolability of contracts. Hence, you must be prepared to be told that you favor the capitalist class, the enemy of the poor man.

***Needed: an Understanding
and Practice of Liberty***

What the Forgotten Man really wants is true liberty. Most of his wrongs and woes come from the fact that there are yet mixed together in our institutions the old medieval theories of protection and personal dependence and the modern theories of independence and individual liberty. The consequence is that the people who are clever enough to get into positions of control, measure their own rights by the paternal theory and their own duties by the theory of independent liberty. It follows that the Forgotten Man, who is hard at work at home, has to pay

both ways. His rights are measured by the theory of liberty, that is, he has only such as he can conquer. His duties are measured by the paternal theory, that is, he must discharge all which are laid upon him, as is always the fortune of parents.

People talk about the paternal theory of government as if it were a very simple thing. Analyze it, however, and you see that in every paternal relation there must be two parties, a parent and a child, and when you speak metaphorically, it makes all the difference in the world who is parent and who is child. Now, since we, the people, are the state, whenever there is any work to be done or expense to be paid, and since the petted classes and the criminals and the jobbers cost and do not pay, it is they who are in the position of the child, and it is the Forgotten Man who is the parent. What the Forgotten Man needs, therefore, is that we come to a clearer understanding of liberty and to a more complete realization of it. Every step which we win in liberty will set the Forgotten Man free from some of his burdens and allow him to use his powers for himself and for the commonwealth. ◆

Protected to Death

THE FEDERAL TRADE COMMISSION now wants to require all forms of cigarette advertisements to carry the following warning: "Cigarette smoking is dangerous to health and may cause death from cancer, coronary heart disease, chronic bronchitis, pulmonary emphysema, and other diseases."

In other words, the cigarette industry would be ordered to commit suicide.

Personally, I own no tobacco stocks and haven't smoked a cigarette since the age of 11. I am even willing to concede that the substance of the proposed warning may be true. Nevertheless, certain aspects of it strike me as odd.

It is perhaps true that if you smoke two packs of cigarettes a day, you may end up 20 years from now with lung cancer. But it is almost certainly true that if you were to drink two quarts of whisky at a sitting, and could hold

it down, you would end up dead within 24 hours. Yet the FTC is not planning to force the whisky, gin, or vodka distillers to announce that their product is even mildly dangerous to health.

Moreover, once this compulsory warning precedent is established, logic and nondiscrimination would require that it be applied across the board. There is evidence that excessive quantities of milk and butter lead to excessive cholesterol in the arteries, which may also lead to coronary heart disease, which may also lead to death. Should not the dairies be forced to print this warning on their milk cartons?

Driving an automobile may also cause death. Should not the auto companies be compelled to print this warning on the outside of the driving-seat door?

Under the guise of "protecting the consumer," Congress in recent

years has been delegating to appointive administrative boards life-and-death powers over private industries.

An outstanding case was the law of 1962, passed during the alarm caused by the thalidomide tragedy in that year. Prior to 1962, Federal law already gave the Food and Drug Administration power to prevent the marketing of unsafe drugs. The old law allowed a new drug to be marketed if the government took no action within 60 days after an application was filed.

But the new law inaugurated a few very dubious legal and administrative precedents. It required that a new drug must be shown to be "effective" as well as safe. It put the burden of proof on the industry to supply "substantial evidence" that a drug was effective before it was permitted to go on the market. And it allowed a government official to withhold a drug from the market indefinitely simply by not acting on the application.

This gave bureaucrats power of life or death over a product or a company. They have not hesitated

to use or abuse this power. As one result, there has been a dramatic fall in the number of new drugs reaching the market.

The FDA has tried to discourage the sale of nearly all vitamin tablets. It recently took initial steps to ban from the market about 90 fixed combinations of antibiotics because in its own opinion they aren't needed. It says that neither the drug companies that put them out nor the doctors that prescribe them know what they are doing. It seems never to have occurred to the FDA that, so long as a product is not shown to be unsafe, the best way to find out whether it is effective is to allow it to be tried.

Thus one industry after another is in danger of slow strangulation from bureaucratic controls.

When will Congress learn that in the long run the best way of "protecting the consumer" is to encourage the competition of producers, to treat the consumer as a responsible adult and not as a half-wit and to allow him to make his own decisions and his own mistakes? ◆

Copyright 1969, *Los Angeles Times*. Reprinted by permission.

1

The best audience is one!

LEONARD E. READ

TIME AND AGAIN, over the years, friends of the freedom philosophy have urged FEE to go on radio, TV, and into other public media. Or, "Get that excellent article in the *Reader's Digest*; it reaches millions."¹ Implicit in such advice is the notion that ours is a selling rather than a learning problem, that the job is to insinuate our ideas into the minds of others rather than having something in our own minds that others will wish to share. There is an inversion of the educational process.

Let me state my own position at the outset: Were some philanthropist to say, "Put FEE on TV and I'll foot the bill," my answer

would be, "No, thank you." And that would be to turn down millions of dollars. Why would I reject such an offer? Not because of any objections to the use of our material in public media; far from it! I simply frown on wasting other people's money and I have an aversion to kidding myself.

Any experienced lecturer or personal counselor, who ignores applause and accurately assesses results, knows full well that the best audience is one, though he may not know the reason why!

The biggest live audience I ever addressed was 2,200. But the applause must have been for "a good show" rather than for any ideas that might have been garnered, for I have yet to find the slightest trace of any ideological impact or of any lasting interest aroused by that lecture.

¹ No one "gets" an article in the *Reader's Digest* any more than in *THE FREEMAN*. Editors and publishers do their own getting precisely as you get your own ideas.

Often, when I have been scheduled to address a convention or an annual meeting, a friend in that community has at the same time arranged for a small, invitational gathering. The big affair pays my expenses in dollars, and little more. But the small one invariably yields handsomely in terms of FEE's objectives.

Experiences with Groups

My experiences over several decades attest to the fact, and I believe many teachers would confirm, that the smaller and more personal the audience the better are the educational results. From the inexperienced, however, comes the general insistence on "reaching the masses." Nor should we expect any change in this fallacious attitude unless we are able to explain *why* the best audience is one.

In the case of a national convention, for instance, the program chairman may share my ideas on liberty and invite me for this reason and this alone. His aim is to "educate" the members or, at the very least, to get them interested in the freedom philosophy. Overlooked is the fact that he may be the only one attending the convention who is really interested in these ideas. The others, by and large, couldn't care less; they are not looking for my ideas and, as a

consequence, do no "drinking in" at all. I might as well have spoken to so many cemetery headstones.

However, if the message is presented in a highly entertaining manner, audiences will loudly applaud and, on occasion, give the speaker a standing ovation. And the speaker, unless severely realistic, may think they are approving his message rather than the entertainment he furnished. More often than not, the program chairman is primarily interested in "a warm body" who can amuse. If all of his speakers are rousinglly applauded, his associational fellows will adjudge him the best chairman they ever had — and that's the reward he seeks. But from the speaker's standpoint, the honorarium comes pretty close to all that counts.

The smaller invitational gathering is another matter. Only those accept the invitation who are interested in the ideas for which the speaker is reputed. As a result, such sessions often continue for hours with a give and take of ideas edifying not only to the guests but to the speaker as well. Parenthetically, of the small gatherings, a FEE Seminar with many hours of concentration on and discussion of the freedom philosophy is the best of all when viewed in the light of our aims. But in all of these smaller sessions the

“drinking in” is incalculably greater than in the large, wholly impersonal conventions.

However, even these small get-togethers, rewarding as they have been over the years, do not measure up educationally to the man-to-man confrontation between two individuals, each in a high spirit of inquiry.² One times one beats 2,200 times zero!

A lecturer, if at all experienced, “feels” an audience. He knows whether or not they’re listening. There comes to mind an audience of 500 really first-rate people. I knew they were not tuned in, that I wasn’t even entertaining them. Later that night, the reason dawned: the lighting or, rather, the lack of it; I had been speaking in near darkness, as ineffective as if through the loudspeaker of a radio.

A few weeks later, when asked to give the same lecture before an equally first-rate audience, I arranged to be spotlighted. Never have I had a more responsive audience. There’s a good reason why stages have footlights. I do not wish to leave the impression, however, that the responsive audience “got the message”; only that they

were listening and were, at least, entertained.

Such are the highlights of my experience which lead me to the conclusion that the best audience is one. Bearing in mind that “getting the message” of the freedom philosophy is the sole problem here at issue, let us now examine how the educational process works as related to our aims.

The Process of Education

In the first place, no person can ever grasp these ideas who has not done some thinking about them on his own. A truism: “A man only understands that of which he has already the beginnings in himself.” In a word, regardless of how powerful a magnet may be, it can never attract straw or sawdust. This fact drastically limits the number of those who are educable in economic, moral, and political philosophy. It makes nonsense of the notion that educating the masses is even a remote possibility.

Next, of the few who have done some thinking on these matters for themselves, only that fraction of them are further educable who eagerly seek additional enlightenment. A person who is satisfied with what he knows will never add to his knowledge, and one might as well talk to a book as to him.

There is a further crucial point,

² “My definition of a University is Mark Hopkins at one end of a log and a student at the other.” Attributed to James A. Garfield in a letter accepting nomination for Presidency — July 12, 1880.

well expressed by Cardinal Newman:

The general principles of any study you may learn by books at home, but the detail, the color, the tone, the air, the life in it, you must catch all these from those in whom it already lives.³

"You must *catch* all these from those in whom it already lives"! You can "catch" the idea that the best audience is one far easier when it is made available for reading than you can by listening to the same idea over radio or TV or as a member of a large audience. When reading, you can reread but you do not relisten to the difficult ideas in speeches, that is, not when the speaker is before large audiences. But if you are one of a dozen in a discussion session, where you are in personal contact with the one "in whom it already lives," there is a back-and-forth exchange which brings you and the other to a common level of understanding, that is, if you "have the floor" to the exclusion of the other eleven.

When the audience is you and you alone, you do, in fact, "have the floor." Assuming that the teacher is intelligent and that you

³ From "What Is a University?" reprinted in *The Essential Newman*, ed. V. F. Blehl (New York: New American Library, Inc., Mentor, 1963) p. 162.

are at once eager to know and perceptive, you will become a better teacher yourself as a result of the experience. There is no other get-together in which the transmittal of ideas is so assured of success as in this one-to-one arrangement. The best audience is always one!

The experiences and reasons I have cited are enough to convince me that the best audience is one, but there is a deeper reason which, if I understood and could explain, would be even more convincing. It's in the area of radiation. There is an enormous dissipation of radiating energy in large audiences. The "sending" is weakened by spreading it out, and the attention — "receiving" — markedly diminishes. I know this to be true from experience and not from analysis, just as I know that the law of attraction — magnetism — works its wonders, though I do not know why.

Hurrying in Wrong Direction

The rebuttal to these observations is heard over and over: The process is too slow.

Overlooked are two unassailable facts. The first is that no ground is gained except as new teachers of the freedom philosophy come into existence. And good teachers are not made from large audiences. *Any effort, such as FEE's, which does not result in more*

teachers is meaningless. And the hope must be that they will far excel our own capabilities.

The second is that ours is definitely not a numbers problem in the sense of tens of thousands or millions; like every constructive movement of ideas throughout history, ours is exclusively a quality problem. Studying the history of movements, it is clear that you alone could turn the world toward freedom were you competent enough. Until you reach that state of competence, it will behoove others of us in our varied endeavors to try to fill in where there may be deficiencies.

True, the educational process is slow, but it alone merits our attention and effort. While the propagandizing, proselytizing, selling-the-masses techniques get quicker results, the results are no good; they lack any upgrading quality. Indeed, they tend to turn uncom-

mitted citizens away from the freedom philosophy. It is folly to hurry in the wrong direction! As Charles Mackay expressed it in the preface to the 1852 edition of *Extraordinary Popular Delusions and the Madness of Crowds*, "Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they recover their senses slowly, one by one."

Above all, we must bear in mind that good results depend on the power of attraction which, in turn, rests on excellence. Any individual can assess his own competence in this respect by merely observing the extent to which others are seeking his tutorship on free market, private ownership, limited government, and related concepts.

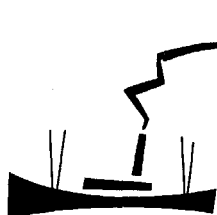
If, hopefully, the seekers be numerous, may they appear one by one, for that is the magic number of the perfect audience. ♦

IDEAS ON LIBERTY

The Maturing Process

THOSE ON OUR SIDE who are looking to the young to lead this nation back to freedom will look in vain. For most of us, it is only with age, if ever, that we acquire the wisdom to be content to live under always imperfect rules that will permit us imperfect men to make our own imperfect decisions, with consequences for each man and for all men that no one can fully predict and that will always be something less than the New Jerusalem.

TARIFF WAR



Libertarian Style

GARY NORTH

"COMMON SENSE ECONOMICS" is a phrase used to describe the economic reasoning of the proverbial man in the street. In many instances, this knowledge may rest on principles that are essentially correct. For example, we have that old truism that there are no free lunches. If some of our professional experts in the field of governmental fiscal policy were to face the reality of this truth, they might learn that even the skilled application of policies of monetary inflation cannot alleviate the basic economic limitations placed on mankind.¹ Such policies can make things worse, of course, but they are powerless to do more than redistribute the products of industry, while simultaneously redi-

stributing power in the direction of the state's bureaucratic functionaries.² On the other hand, not all of the widely-held economic beliefs are even remotely correct; some of these convictions are held in inverse proportion to their validity. The tariff question is one of these.

The heart of the contradictory thinking concerning tariffs is in the statement, "I favor open competition, but. . . ." Being human, men will often appeal to the State to protect their monopolistic position on the market. They secretly favor security over freedom. The State steps in to honor the requests of certain special interest groups—which invariably proclaim their cause in the name of the general welfare clause of the Constitution—and establishes sev-

¹ Cf. Gary North, *Marx's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968), pp. 56-57.

Mr. North is a Ph.D. candidate in history at the University of California, Riverside.

² Bertrand de Jouvenel, *The Ethics of Redistribution* (New York: Cambridge University Press, 1951), pp. 72-73.

eral kinds of restrictions on trade.

Fair trade laws are one example. They are remnants of the old medieval conception of the so-called "just price," in that both approaches are founded on the idea that there is some underlying objective value in all articles offered for sale. Selling price should not deviate from this "intrinsic" value.³ Monopolistic trade union laws are analogous to the medieval guild system; they are based in turn upon restrictions on the free entry of nonunion laborers into the labor market.

Tariffs, trade union monopolies, and fair trade laws are all praised as being safeguards against "cut-throat" competition, i.e., competition that would enable consumers to purchase the goods they want at a cheaper price — a price which endangers the less efficient producers who must charge more in order to remain in business. The thing which most people tend to overlook in the slogan of "cut-throat competition" is that the person whose throat is slashed most deeply is the solitary consumer who has no monopolistic organization to improve his position in relation to those favored by Statist intervention.

People are remarkably schizophrenic in their attitudes toward

competition. Monopolies of the supply of labor are acceptable to most Americans; business monopolies are somehow evil. In both cases, the monopolies are the product of the State in the market, but the public will not take a consistent position with regard to both. The fact that both kinds operate in order to improve the economic position of a limited special interest group at the expense of the consumers is ignored. Business monopolies are damned no matter what they do. If they raise prices, it is called *gouging*; if they cut prices, it is *cutthroat competition*; if they stabilize prices, it is clearly a case of *collusion restraining free competition*. All forms may be prosecuted. No firm is safe.

The State's policies of inflation tend to centralize production in the hands of those firms that are closest to the newly created money — defense industries, space-oriented industries, and those in heavy debt to the fractional reserve banking system. It is not surprising that we should witness a rising tide of corporate mergers during a period of heavy inflationary pressures, as has been the case during the 1960's in the United States. Yet, with regard to business firms (but not labor unions), the courts are able to take action against almost any firm which

³ Gary North, "The Fallacy of 'Intrinsic Value,'" *THE FREEMAN* (June, 1969).

is successfully competing on the market.

As Dr. Richard Bernhard has pointed out, "What is becoming illegal under federal law in the United States is monopolizing — as the law now defines monopolizing; and, since this is now considered a crime, it is possible that perfectly legitimate business actions by one firm may, if they 'inadvertently' lead to monopoly power, put a firm in jeopardy of the law."⁴ Thus, we see a rational economic response on the part of business firms — consolidation for the sake of efficiency on an increasingly inflationary market — prosecuted by the State which has created those very inflationary pressures. There is an inconsistency somewhere.

Tariffs Are Taxes

A tariff is a special kind of tax. It is a tax paid directly by importers for the right to offer foreign products for sale on a domestic market. Indirectly, however, the tax is borne by a whole host of people, and these people are seldom even aware that they are paying the tax.

First, let us consider those in the United States. One group af-

ected adversely by a tariff is that made up of consumers who actually purchase some foreign product. They pay a higher price than would have been the case had no duty been imposed on the importer. Another consumer group is the one which buys an American product at a high price which is protected by the tariff. Were there no tariff, the domestic firms would either be forced to lower their prices or shift to some line of production in which they could compete successfully. Then there is the nonconsumer group which would have entered the market had the lower prices been in effect; their form of the "tax" is simply the inability to enjoy the use of products which might have been available to them had the State not intervened in international trade.

Others besides the consumers pay. The importer who might have been able to offer cheaper products, or more of the products, if there had been no tariff, is also hurt. His business is restricted, and he reaps fewer profits. All those connected with imports are harmed. Yet, so are exporters. They find that foreign governments tend to impose retaliatory tariffs on our products going abroad. Even if those governments do not, foreigners have fewer dollars to spend on our products, be-

⁴ Richard C. Bernhart, "English Law and American Law on Monopolies and Restraints of Trade," *The Journal of Law and Economics* (1960), p. 142.

cause we have purchased fewer of theirs.

Two groups are obviously aided. The inefficient domestic producer is the recipient of an indirect government subsidy, so he reaps at least short-run benefits. The other group is the State itself; it has increased its power, and it has increased its revenues. (It is conceivable to imagine a case where higher revenues might in the long run result from lower tariffs, since more volume would be involved, so we might better speak of short-run increases of revenue.) We could also speak of a psychological benefit provided for all those who erroneously believe that protective tariffs actually protect them, but this is a benefit based on ignorance, and I hesitate to count it as a positive effect.

A *second* consideration should be those who are hurt abroad, although we seldom look at those aspects of tariffs. Both foreign importers and exporters are hurt, for the same reasons. The fewer foreign goods we Americans buy, the fewer dollars they have to spend on American goods and services. This, in turn, damages the position of foreign consumers, who must restrict purchases of goods which they otherwise might afford. This leaves them at the mercy of their own less efficient producers, who will not face so

much competition from the Americans, since the availability of foreign exchange (U.S. dollars) is more restricted.

The tariff, in short, penalizes the efficient on both sides of the border, and it subsidizes the inefficient. If we were to find a better way of providing "foreign aid" to other countries, we might provide them with our goods (which they want) by purchasing their goods (which we want). That would be a noninflationary type of aid which would benefit both sides, rather than our present system which encourages bullies in our government and creates resentment abroad.

Protecting Vital Industries

What about our vital industries, especially our wartime industries? If they are driven out of business by cheaper foreign goods, what will we do if we go to war and find our trading patterns disrupted? Where will we find the skilled craftsmen?

There is some validity to this question, but it is difficult to measure the validity in a direct fashion. It is true that certain skills, such as watchmaking, might be unavailable in the initial stages of a war. There are few apprentice programs available in the United States in some fields. Nevertheless, if there really is a need

for such services, would it not be better to subsidize these talents directly? If we must impose some form of tax subsidy, is it not always preferable to have the costs fully visible, so that benefits might be calculated more efficiently?

A tariff is a tax, but few people ever grasp this fact. Thus, they are less willing to challenge the tax, re-examine it periodically, or at least see what it is costing. Indirect taxes are psychologically less painful, but the price paid for the anesthetic of invisibility is the inability of men to see how the State is growing at their expense. What Tocqueville referred to as the "Bland Leviathan" — a steadily, imperceptibly expanding State — thrives on invisible and indirect taxes like inflation, tariffs, and monthly withdrawals from paychecks.⁵ It ought to be a basic libertarian position to discover alternative kinds of tax programs, in an effort to reduce the economic burden of the State by making the full extent of taxation more obvious.

Trade War, Statist Style

One advantage of the direct subsidy to protected industries is that such subsidies would not normally result in trade wars. When one

nation sees its products discriminated against by another State, it is more apt to retaliate directly. It threatens to raise tariffs against the offending country's products unless the first country's tariffs are reduced. If there is no response, pressures arise within the threatening country's State bureaus to enforce the threat. That, it is argued, will frighten other nations which might be considering similar moves. So the tariff war is born. The beneficiaries are the inefficient on both sides of the border and the State bureaucrats; the losers are all those involved in trade and all consumers who would have liked to purchase their goods at lower prices. This kind of war is therefore especially pernicious: it penalizes the productive and subsidizes the unproductive.

There are many reasons why these wars get started. During periods of inflation, certain countries wish to keep their domestic currencies from going abroad. These currencies, if they have international acceptability, are grounded in gold or in reserve currencies theoretically redeemable in gold. Foreign central banks can ask for repayment, and the inflating nations can be put into extreme financial embarrassment when too many of these claims are presented at one time. So they try to restrict purchases of foreign

⁵ Robert Schuettinger, "Tocqueville and the Bland Leviathan," *THE FREEMAN* (January, 1962).

goods by their domestic populations. Tariffs are one way of accomplishing this end. Tariffs, in short, prevent international "bank runs," at least for limited periods of time.

Another cause is the fear of State bureaucrats during times of recession or depression that domestic industries will not be favored when domestic populations buy from abroad. This was the case under the infant neomercantile philosophies so popular in the 1930's.⁶ The depression was accompanied by a wave of tariff hikes in most of the Western nations, with reduced efficiency and economic autarchy as a direct result. Domestic manufacturers cry for protection from foreign producers. What they are crying for with equal intensity is protection from the voluntary decisions of their own nation's domestic purchasers; it takes two parties to make a trade, and protection from one is equally protection from the other.

The effect of tariff wars is reduced efficiency through a restriction of international trade. Adam

Smith, in the opening pages of *Wealth of Nations*, presents his now famous argument that the division of labor is limited by the size of the market. Reduce the size of the market, and you reduce the extent of the division of labor. The cry for protection should be seen for what it is: a cry for a reduction in efficiency.

In a country like the United States, where less than 5 per cent of our national income stems from foreign trade, the cry is especially ludicrous. We hurt the other nations, whose proportion of international trade to national income is much higher (West Germany, Japan), without really aiding very many of our own producers. But there are so few vocal interest groups representing those who benefit from freer trade, while those who have a stake in the intervention of the State make certain that their lobbyists are heard in Washington. The scapegoat of "unfair foreign competition" may be small, but being small, it is at least easy to sacrifice.

The Balance of Trade

In precapitalistic days, economists believed that nations could experience permanent "favorable" balances of trade. A favorable balance was defined as one where you sold more goods abroad than you imported, thus adding to the na-

⁶ "The interests which, in times of prosperity, find it hard to enlist support for their conspiracies to rob the public of the advantages of cheapness and the division of labor, find a much more sympathetic hearing." Lionel Robbins, *The Great Depression* (London: Macmillan, 1934), p. 65.

tional gold stock. Wealth was defined primarily in terms of gold (a position which, even if fallacious, makes more sense than the contemporary inclination to define wealth in terms of indebtedness). Prior to the publication of *Wealth of Nations* (1776), the philosopher, David Hume, disposed of the mercantilist errors concerning the balance of trade. His essays helped to convert Adam Smith to the philosophy of classical liberalism. Hume's essay, "Of the Balance of Trade," was published in 1752 in his *Political Discourses*; it established him as the founder of modern international trade theory.

The early arguments for free trade still stand today. Hume focused on the first one, which is designated in modern economic terminology as the *price rate effect*. As the exported goods flow out of a nation, specie flows in. Goods become more scarce as money becomes more plentiful. Prices therefore tend to rise. The converse takes place in the foreign country: its specie goes out as goods come in, thus causing prices to fall. Foreign buyers will then begin to reduce their imports in order to buy on the now cheaper home markets; simultaneously, consumers in the first nation will now begin to export specie and import foreign goods. A long-run

equilibrium of trade is the result.

A second argument is possible, the *income effect*. Export industries profit during the years of heavy exports. This sector of the economy is now in a position to effect domestic production, as its share of national income rises. It will be able to outbid even those foreign purchasers which it had previously supplied with goods.

Last, we have the *exchange rate effect*. If we can imagine a world trading community in which we have free floating exchange rates on the international currency markets (which most governments hesitate to permit), we can see the process more easily. In order to purchase domestic goods, foreigners must have a supply of the exporting nation's domestic currency. As demand for the goods continues, the supply of available currency drops lower. Foreigners competitively bid up the price of the exporting nation's currency, so that it costs more to obtain the currency necessary to buy the goods. This will discourage some of the foreign buyers, who will turn to their own markets. Where we find fixed exchange rates, the same process exists, but under different circumstances. Either black markets in foreign currencies will be established, or else some kind of quota restrictions will be placed on the

availability of the sought-after currency, as demand rises for exchange. Foreigners will simply not be able to obtain all the currency they want at the official price. Thus, what we witness is an equilibrating process of the exchange of goods; there can be no long-run imbalance of trade. No nation can continue to export more than it imports forever.

Tariff War, Libertarian Style

When some foreign State decides to place restrictions on the importation of goods from another country, what should be the response of that latter country's economic administrators? Their goal is to make their nation's goods attractive to foreign purchasers. They should want to see the international division of labor maintained, adding to the material prosperity of all involved. If this is the goal, then policies that will keep the trade barriers at low levels should be adopted. Instead, there is the tendency to adopt retaliatory tariff barriers, thus stifling even further the flow of goods. This is done as a "warning" to other nations.

If the 1930's are anything like representative years of such warnings, then we should beware of conventional tariff wars. In those years a snowballing effect was produced, as each nation tried to

"out-warn" its neighbor in an attempt to gain favorable trade positions with all others. The result was the serious weakening of the international specialization of labor and its productivity. At a time when people wanted cheaper goods, they imposed trade restrictions which forced prices upward and production downward.⁷ Professor Mises' old dictum held true: When a State tries to improve economic conditions by tampering with the free market, it usually succeeds in accomplishing precisely the results which it sought to avoid (or *officially* sought to avoid, at any rate).

The best policy for "retaliation" would be to *drop* all tariff barriers in response. A number of things would result from such action. For one thing, it would encourage the importation of the goods produced by the offending country. Then the three effects described earlier would go into operation. The offending nation would find that its domestic price level would rise, and that its citizens would be in a position to buy more foreign goods (including the goods of the discriminated country). What would be done with the currency or credits in the hands of citizens of the high tariff nation?

⁷ Wilhelm Röpke, *International Economic Disintegration* (London: Hodge, 1942), ch. 3.

They could not spend it at home. If we, as the injured party, continued to make it easy for our citizens to buy their goods, we would provide them with lots of paper money which could be most easily used to buy our goods in return. We would gain the use of the consumer goods produced abroad, and we would be losing only money. We would be getting the best possible goods for our money, so the consumer cannot complain; if we had imposed retaliatory tariffs, consumers would have had to settle for domestically produced goods of a less desirable nature (since the voluntary consumption patterns are restricted by the imposition of a tariff). Our prices would tend to go down, making our goods more competitive on the international markets.

The tariff is a self-defeating device. As American dollars came into the high tariff nation, they could be exchanged for our gold. But this would tend to increase the rate of inflation in that country, as the gold reserves would

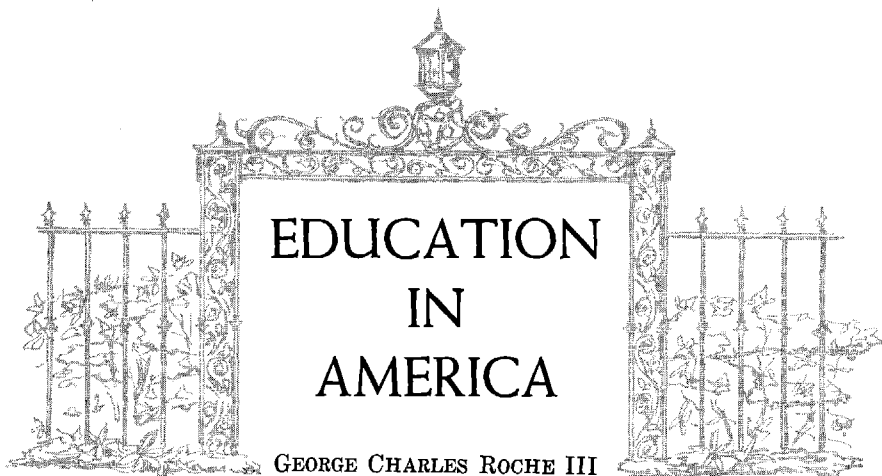
most likely serve as the foundation for an expansion of the domestic money supply. Domestic prices would climb, and the citizens would attempt to circumvent the tariffs in various ways. Black markets in foreign currencies and goods are established; foreign goods are purchased in spite of tariff barriers; pressures for freer trade can arise, especially if the discriminated nation has wisely refused to turn to retaliation in the traditional way.

The statist tariff war is irrational. It argues that because one's citizens are injured by one restriction on foreign trade, they can be aided by further restrictions on foreign trade. It is a contemporary manifestation of the old cliché, "He cut off his nose to spite his face." It is time that we accept the implications of David Hume's two-hundred-year-old arguments. The best way to overcome restrictions on trade, it would seem, is to establish policies that encourage people to trade more. ◆

IDEAS ON LIBERTY

Free Trade

FREE TRADE is such a simple solution for so many of the world's ills. It doesn't require endless hours of debate in the United Nations . . . or any other world-wide debating society. It requires only that *one nation* see the light and remove *its* restrictions. The results will be immediate and widespread.



11. *Creativity*

“THE CHIEF wonder of education is that it does not ruin everybody connected with it, teachers and taught,” Henry Adams once remarked. Such may indeed be the sad consequence of an education that fails to teach people to think, to participate in some small way in the creative process which distinguishes man from animal.

If we would better understand the creative process, we might begin with the recognition that creativity does not originate in and cannot be measured by stand-

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

ardized controls. The concepts of standardization and creativity are mutually exclusive. Our society’s continuing attempt to judge its success by the degree of “consensus” it achieves, by the extent to which it imposes “adjustment” on the individuals who are its members, is a demonstration of our failure to realize the mutually exclusive nature of that relationship. We seem to insist that the individual will find fulfillment to the extent that he makes his peace with the system.

It is true enough that we must be able to live and work with our fellows. But, is mere “adjustment”

enough? A *Fortune* study undertaken a few years ago asked 150 corporation presidents and 150 personnel directors whether, if they *had* to choose, they would prefer: (1) the adaptable administrator, skilled in managerial techniques and concerned primarily with human relations and with making the corporation a smooth-working team; or (2) a man with strong personal convictions who is not shy about making decisions likely to upset tested procedures. The vote: the presidents divided half-and-half; the personnel men, 3-to-1 in favor of the administrator.¹ This preference for "adjustment" over creative leadership is widespread in our society.

Adjustment vs. Creativity

When creative capacity is sacrificed to adjustment, the results are likely to be futile and uninspiring. In fact, human beings owe most of their conspicuous historical advances to periods when "adjustment" and control could not be forced upon social life. The dead hand of conformity and spontaneous forces of creativity simply do not act in concert. The periods historians usually describe as "civilized" were invariably triggered by lapses of enforced con-

formity, thus making possible a creative flowering.

There can be no such thing as "creativity on command," because genuine originality arises within the individual, not the collectivity. That aristocratic element in creativity implies a reliance upon higher standards than can be expected of society as a whole. The personal aspect of creativity cannot be mass-produced. Indeed, the process works in reverse. Confucius had the idea that if an individual could only come to terms with his own personality and develop his own potential, that development would extend, in ever-widening circles, throughout a larger and larger area of influence, first touching those nearest the individual, finally spreading to the community at large. Since societies on the whole have proven notoriously unwilling to accept high standards and truly advanced ideas, the result of such individual creative development, when it has occurred, has been the apparent "social maladjustment" of the unique and creative personality, whose only guilt consists in his possessing more wisdom than society can accept. When societies have chosen to penalize such "maladjustment" and have demanded conformity, they often have destroyed the creative impulses which gave them viability.

¹ William H. Whyte, Jr., "The New Illiteracy," *The Public Schools in Crisis*, ed. by Mortimer Smith, p. 108.

**Creation in the Service of Truth
and a Higher Morality**

Thus, society is obligated to allow freedom to the creative individual or risk its own destruction. A form of that same obligation applies to the creative individual. Unless his capacities are used to serve truth, the creative individual is also finally destroyed. Those who live immediately *after* a period of free creativity are especially vulnerable in this regard. Because previous creative genius has already "thought through" a problem, subsequent generations often feel it unnecessary to rethink it, thus failing to recreate the solution within themselves. Few men have realized that the true must be not only discovered, but perennially *rediscovered* and *redefined*. Any moral code which does not allow for individual, internal *expansion* of an ethical ideal is doomed to extinction. In Ortega's words, "The good is, like nature, an immense landscape in which man advances through centuries of exploration."²

There are signs that the modern world displays little enthusiasm for advance along such lines. We seem to feel that we can free the whole world from material concerns, but one need ask, "What does it profit a man to free the

whole world if his soul is not free?"³

And how free are our souls if we are valued by the world around us only for our ability to shed our personalities, to "adapt" to the values and standards of our society, to suffer the death and burial of the originality and creative capacity which should give us our identities?

In this world of utilitarian and materialist values, we seem to have forgotten that truth is not the servant of man. Unless the individual is the servant of truth, both he and his society are doomed. Society cannot do without the services of the creative individual; the creative individual is likewise doomed unless his capacities serve a higher morality than his own devising. The individual achieves his fulfillment only as he overcomes his own limitations and transcends himself in service of a higher ideal.

... If there is no God, as Truth and Meaning, if there is no higher Justice, then everything flattens out, and there is neither any one nor any thing to which man can rise. If on the other hand, man is God, the situation is flatter still, hopeless and worthless. Every qualitative value is an indication that in the path of man's life there lies something higher than man.

² José Ortega y Gasset, *Meditations*, p. 37.

³ George Santayana, *Character and Opinion in the United States*, p. 118.

And that which is higher than man, i.e., the divine, is not an exterior force standing above and ruling him, but that which, in him, makes him truly man — his higher freedom.⁴

The Key to Creation

True education must recognize the individual nature of originality and creativity. No matter how dynamic the teacher, the effective force in genuine education is the student's will to learn and to grow. All learning and discovery, with or without a teacher, takes place deep in the individual's personality. Sir Isaac Newton, when asked how he had reduced the vast quantity of physical phenomena to apparent simplicity, replied, "*Nocte dieque incubando*" (turning them over day and night). The one fact which we know about that "turning" process was that it demanded a tremendous withdrawal into self, tremendous thought and introspection.

To compare Newton's answer with the methods all too common in modern academic research provides a revealing insight. First the researcher "structures" a research project, gathers a team of co-workers, and requests foundation grants in support of his work — then, if the corporate judgment so wills it, the "team project" be-

gins. That such research provides "facts," one cannot deny. It is less clear that it yields the intuitive perceptions which can be achieved when a gifted individual takes those facts and "turns them over day and night."

The collective approach to wisdom is forever suspect. Emerson once insisted:

Ours is the age of the omnibus, of the third person plural, of Tammany Hall. Is it that Nature has only so much vital force, and must dilute it if it is to be multiplied into millions? The beautiful is never plentiful.⁵

"The beautiful is never plentiful." How true. When we complain of the "failures of our age," do we not label ourselves unrealistic? Haven't all ages and all societies been filled with shortcomings? The great achievements have always been individualistic. Indeed, any original achievement implies separation from the majority. Though society may honor achievement, it can never produce it.

The morning after Charles Lindbergh flew the Atlantic non-stop from New York to Paris, an associate of Charles Kettering rushed into the research expert's laboratory in Dayton, Ohio, shouting: "He made it! Lindbergh landed safely in Paris!" Kettering

⁴ Nicholas Berdyaev, *The Realm of Spirit and the Realm of Caesar*, p. 40.

⁵ Emerson: *A Modern Anthology*, ed. by Alfred Kazin & Daniel Aaron, p. 182.

went on working. The associate spoke again: "Think of it — Lindbergh flew the Atlantic alone! He did it all by himself!" Kettering looked up from his work momentarily and remarked quietly: "When he flies it with a committee, let me know."

It seems as if the Deity dressed each soul which he sends into nature in certain virtues and powers not communicable to other men, and sending it to perform one more turn through the circle of beings, wrote "*Not transferable*" and "*Good for this trip only*," on these garments of the soul. There is something deceptive about the intercourse of minds. The boundaries are invisible, but they are never crossed.⁶

If each of us is to perform his unique function, each must be free to do so. The word "freedom" means nothing unless it consists first of all in freedom of personality, the individuality possible only if a person is a free creative spirit over whom neither state nor society is omnipotent. The individual must be free to listen to that still small voice within:

There is a time in every man's education when he arrives at the conviction that envy is ignorance; that imitation is suicide; that he must take himself for better or worse as his portion; that though the wide universe is full of good, no kernel of

nourishing corn can come to him but through his toil bestowed on that plot of ground which is given to him to till. The power which resides in him is new in nature, and none but he knows what that is which he can do, nor does he know until he has tried.⁷

The individual who is thus cultivating his own little piece of the universe may well be engaged in the production of a unique and valuable vision, a vision which no collection of men, no "consensus" can possibly evaluate:

... the only difference is that what many see we call a real thing, and what only one sees we call a dream. But things that many see may have no taste or moment in them at all, and things that are shown only to one may be spears and water-spouts of truth from the very depth of truth.⁸

Intuition

These "water-spouts of truth from the very depth of truth" are the product of individual intuition. Such intuition operates largely outside the conscious mind. It goes under many names and is subject to many interpretations, ranging from "a flash of insight into Absolute Truth" to "promptings from a guardian angel." Those who are responsive to such promptings are the creative among us. Probably many more of us

⁷ *Ibid.*, p. 99.

⁸ C. S. Lewis, *Till We Have Faces*, p. 277.

⁶ *Ibid.*, p. 215.

might participate in Creation if we would only respond to our intuitions, if we would fan the tiny spark into a flame. Unless we leave the individual free to do that job for himself, unless we prepare him for such an expectation, we do not have an educational system worth its name.

The Role of a Demanding Environment

Granted the necessity for intuition, how does a man learn to discipline himself and respond to the call when it comes? Imagination there must be, but imagination disciplined by intellect. The development of intellect demands work and academic standards. Only an education with a well-developed hierarchy of values, demanding much from the individual, can lay the groundwork for the union of imagination and intellect which allows creative thinking.

What are some of the elements in such a hierarchy of values? One necessary element would be a well-developed memory — reminding the world that lasting accomplishment is produced not by the easily-pleased forgetter of hard truths, but by the man who remembers and understands reality, even when it is most painful. Another element would be a well-established set of values which the individual has accepted as his own. A distinguished psychiatrist has recent-

ly made it clear that sound character formation is not possible unless the individual clearly knows who he is and what he believes.⁹ Here again, lasting accomplishment has never come from those willing to shift their personality or their principles for a more comfortable “adjustment” with the world. Accomplishment, intuition, and creativity have always come from those who knew who they were and what they believed, even when they suffered at the hands of the world for their firm grasp of reality and personal identity.

Self-Esteem

Such creative people, knowing who they are and what they value, tend to reflect self-esteem. A recent study of self-esteem among young boys reflected a high correlation between what the boys did and what they *thought* they could do. Those boys coming from homes where parents maintained a close interest in them, where parents demanded high standards of behavior and performance, where firm discipline was a fact, not a debating point, proved to be boys of strength and achievement, capable of creative application of intellect, personality, and imagination.

⁹ William Glasser, *Mental Health or Mental Illness?* p. 15.

The findings from these studies concerning the factors that contribute to the formation of high self-esteem suggest important implications for parents, educators and therapists. They indicate that children develop self-trust, venturesomeness and the ability to deal with adversity if they are treated with respect and are provided with well-defined standards of value, demands for competence and guidance toward solutions of problems. It appears that the development of independence and self-reliance is fostered by a well-structured, demanding environment rather than by largely unlimited permissiveness and freedom to explore in an unfocused way.¹⁰

Just as the individual must be free to pursue his intuition, so he must be the product of a disciplined environment to develop properly his capacities of intellect and imagination. Once again, those

¹⁰ Stanley Coopersmith, "Studies in Self-esteem," *Scientific American*, Feb. 1968, p. 106.

interested in education are faced with the necessity of providing freedom for the individual to choose, but defining it as freedom to choose within an already established framework of values. It appears to be true that man can only be genuinely free when he accepts the discipline of a higher standard. Perhaps each of us can only be a creator to the extent that he is in harmony with The Creator.

The man who lives his own vocation and follows his own destiny is the creative man, since his life is in full agreement with his true self. It is the business of education to allow the individual to develop that harmony of capacity and opportunity, of intent and fulfillment, of creativity and creation, which provides the chance for the individual to use his life in pursuit of everlasting goals and achievements. ◆

*The concluding piece in this series will discuss
"A Philosophy of Growth."*

The Consequences Are ABSOLUTE

JUNE I. WARD

CONTRARY to much popular belief, we of the planet earth live by certain unalterable absolutes. In America since the late 1800's our intelligentsia have been trying to teach us that this is not true. "The only absolute is change," they say — which statement is a contradiction in terms, since by sound definition an absolute is that which does *not* change.

There are in fact certain absolutes that no amount of wishing, hoping, praying, or hiding will destroy. The basic one is — we live in a world where nothing is given to mankind except life itself and the elements of the earth. Even these so-called free gifts cannot be used without some effort on the part of the recipient. It is then safe to say absolutely: *Nothing is free.*

Now, if this is a basic natural

law, then the human beings on this earth must take it into consideration when they build philosophical, political, religious, and economic systems. But do they? Our philosophy is based on pragmatism — whatever works is true; our politics are based on compromise — promise them anything, but get elected; our religions are built on humanitarianism — man's highest good comes from serving other men; and our economic beliefs tell us we can spend, waste, destroy, and borrow indefinitely without coming to a day of reckoning — we never have to pay a debt we owe ourselves.

Let us apply this law of built-in costs to just one of these fields of human endeavor. Let us explore the damage done to our economic life as a result of ignoring the absolute — *nothing is free!*

Goods come into existence by the use of three things: elements (matter), thought (ingenuity),

Mrs. Ward is a housewife and full-time student at Bowling Green University in Ohio, majoring in American history.

and labor (energy). Man takes the elements of the earth, applies thought, and then proceeds with his labor to bring into being a result or good which is useful to him. If man does not think or if he reasons incorrectly, he suffers want and the elements are wasted. If he applies labor alone, his harvest is meager and might not sustain him. Only when he applies both thought and labor to the material universe does he produce an adequate harvest.

By taking thought, mankind has been able to harness the earth's elements in the form of energy to make them work for him. In this way — that is, by using capital — he can reap a larger harvest than would be possible by the use of his manual labor alone. But no matter how ingenious man's technology, he can never come to the place where he no longer needs matter, thought, and labor (all three) to produce goods.

But what are the new breed economists telling us? "We have achieved perpetual motion through our harnessing of energy. Man no longer needs to work because he has machines to work for him. All man needs to do now is redistribute the produce and we will all have enough."

We are free to hold all manner of beliefs about this world, but we are not free to select the conse-

quences of our beliefs. If we ignore the law which states, "A force cannot be applied in any direction without an equal force in the opposite direction," or, more simply, *Nothing is free*, we will still reap the consequences of that law.

If we *ignore* the fact that a totalitarian trend is generated whenever any society tools up for the political redistribution of goods, if we presume that a totalitarian society can produce enough goods and services so that society en masse can have a high standard of living, and if we believe that a secure "utopia" is a positive good, we still have the problem of price.

The price, fellow men, is freedom. Cradle-to-grave economic security demands that the receiver give up his conscious volition, become a robot, and allow himself to be spoon-fed by the giver of this "good."

"But that is not what the seeker of security is looking for," you say. "What he really wants is to live without mundane tasks and have complete freedom to do what he wishes with his time." Now, there's a noble aim — and one which is impossible to achieve in this world. The world can support a few nonproducers, but not nonproducers in large groups. This is true because many men have sufficient ingenuity and energy to

produce more than they personally need and are willing to do so as long as they are allowed the decision as to its distribution. When they are no longer allowed this decision, they cease to overproduce, because they know that no one has the right to make them work for others. In the realm of human endeavor, the division of labor is from choice, not, as is true with the lower forms of life, from physiological differences.

In the last fifty years America has been more and more ignoring the absolute, *Nothing is free*, and we have come to a time of decision. We can recognize this law and gradually reverse our direction, slowly lopping off those segments of our economy which are doles and, over a period of years, become once again free and self-reliant; or we can continue in the

path we're on and become completely totalitarian and impoverished like the rest of the world; or we can try to retain our freedom in a partially controlled economy until we go down in an economic heap with a world-sized monetary collapse.

We have these three choices — but we have no choice about the end results of the path we take. These results are preordained by law and will come to pass regardless of our wishes in the matter. That is the way the laws of nature operate.

If we choose the wrong path at this point in time, one can always retain the hope that human freedom will ultimately rise like the Phoenix from the ashes of its own funeral pyre with renewed youth and beauty. ♦

IDEAS ON LIBERTY***Franklin Pierce***

I READILY, and I trust feelingly, acknowledge the duty incumbent on us all, as men and citizens, and as among the highest and holiest of our duties, to provide for those who, in the mysterious order of Providence, are subject to want and to disease of body or mind, but I cannot find any authority in the Constitution for making the Federal Government the great almoner of public charity throughout the United States. . . . It would, in the end, be prejudicial rather than beneficial to the noble offices of charity. . . .

From a Veto Message in 1854

Bastiat's Influence

IT IS a sobering experience to read Dean Russell's *Frederic Bastiat: Ideas and Influence* (Foundation for Economic Education, \$2). Not that Mr. Russell's intellectual biography of the great French pioneer of the "freedom philosophy" lacks its exhilarating moments. Bastiat had his triumphs, many of which came after his premature death in 1850 of tuberculosis. Under the Second Empire of Louis Napoleon French commercial policy took a more liberal turn (ironic, inasmuch as the Second Empire was essentially a dictatorship). It was Bastiat's influence that caused the Emperor of the French to draw back from the extreme protectionist policy that had been the rule ever since the first Napoleon. But the "interventionist" fallacies which Bastiat exposed in many a witty parable have as many lives as a thousand cats, and the sobering quality of Mr. Russell's book derives from the obvious parallels that may be drawn between early nineteenth century France and the present day in both England and the U.S.

When Bastiat went up to Paris from his childhood home at Murgon in southwestern France, it was the time of Louis Blanc, the socialist, and Proudhon, the anarchist. Marx had not yet succeeded in evolving what he called "scientific socialism" (a contradiction in terms if there ever was one), but socialist ideas were in the air nevertheless. Blanc believed the State owed every man a living, and he had organized the movement for National Workshops. Well, it was just a few months back that Senators Eugene McCarthy and Abe Ribicoff were telling us that it is the duty of government to become the "employer of last resort" if people can't find jobs in the free enterprise system. The fact that Bastiat had exposed all sorts of government compulsions as a drag on job-creating production and consumption has yet to penetrate large areas of the modern consciousness. But what a prophet Bastiat was!

Writing about Bastiat's career as a legislator, Dean Russell quotes the Bastiat "Law of Bureaucracy."

Said Bastiat, "I am a firm believer in the ideas of Malthus when it comes to bureaucrats. For their expansion in numbers and projects is fixed precisely by Malthus' principle that the size of the population is determined by the amount of the available food. If we vote 800 million francs for government services, the bureaucrats will devour 800 million; if we give them two billion, they will immediately expand themselves and their projects to the full amount." These words date back to December of 1849, which means that what we now know as Parkinson's Law was formulated by Bastiat a century and more before Parkinson told us that the bureaucrat's work always expands to fill the time available to do it.

Bastiat, the Economist

Dean Russell does not make any exaggerated claims for Bastiat's originality as an economist. After all, the ideas which Bastiat expressed in his major work, *Harmonies of Political Economy*, had been present for the most part in Adam Smith and Jean Baptiste Say. Say's famous "law of markets," which emphasizes the truism that production creates its own purchasing power (in wages, interest, and dividends), is simply a statement of the "harmony of interests" that is the result of a free

market. And Adam Smith's figure of the "invisible hand" is Bastiat in a metaphor.

The prime virtue of Bastiat as an economist resided in his style, which turned the "dismal science" into something full of life and sparkle. Beyond that, Dean Russell thinks Bastiat's greatest contribution was as a theorist of government. Actually, Bastiat did not go much beyond Adam Smith in his definition of the duties of the State. He thought government should be limited to providing the courts, the police, and the money system needed to guarantee equal justice to all. Well, Adam Smith had said before Bastiat that governments were instituted among men to provide cheapness, safety, and health, which meant that there must be a free economy (to keep prices low), a good police force and adequate preventive measures to keep the environment clean. But Bastiat, with his genius for the sardonic turn of phrase, summed up the case for the anti-statists in words that will never be forgotten when he remarked that "the State is the great fiction by which everybody tries to live at the expense of everybody else." Herbert Spencer was never able to beat that for memorable verbalization, and only the late Isabel Paterson, among moderns, has come close to Bastiat when it

comes to giving anti-interventionist ideas an epigrammatic turn.

Before I knew anything of Bastiat I was impressed by Mrs. Paterson's statement that the Reconstruction Finance Corporation, a Hoover Republican idea, was the inevitable precursor of the Rooseveltian Works Progress Administration. Said Mrs. Paterson, when the RFC tried to bail out U.S. corporations in the 1929-32 period, "You can't put J. P. Morgan on the dole and keep poor people from demanding their share." And, of course, it turned out just that way. But Mrs. Paterson's wisdom was simply a restatement of Bastiat's warning to the "upper classes" of France. In his *Harmonies of Political Economy* Bastiat had chastised the upper classes for setting a "fatal example for the masses." "Have they not," so Bastiat wrote of the upper classes, ". . . had their eyes turned perpetually toward the public treasury? Haven't they always tried to secure from government more special privileges for themselves as manufacturers, bankers, mine owners, land owners? Haven't they even gotten subsidies from the public treasury for their ballets and operas? . . . And yet they are astonished and horrified when the masses adopt the same course! When the spirit of greed has for so long infected the wealthy class-

es, how can we expect it not to be adopted by the suffering masses?"

Proponent of Free Trade

Dean Russell is especially good in showing how Bastiat became the link between the early successes of Richard Cobden and the Anti-Corn Law League in England and the work of Michel Chevalier in converting the government of the French Second Empire to a moderate tariff policy. Bastiat, the friend of Cobden, had never been able to combat the anti-English prejudices of his own countrymen during his lifetime. Realizing that the French masses would never adopt an English idea, Cobden had warned Bastiat that free trade must first be sold in France to an intellectual and governmental elite. But Bastiat was a popularizer, and hence constitutionally unable to resist making a mass appeal. Unable to stir either the masses or the elite to accept free trade, he left it up to his disciple, Michel Chevalier, to move the legislators and the elite of a later period to turn things around.

Bastiat's ideas were in the ascendancy in the 1850-1914 period; even in protectionist America the free traders kept forcing the issue until they achieved a victory with the Wilsonian Underwood Tariff. After World War I, however, mer-

cantilist ideas came back into vogue. There were Keynes in England, the New Deal in the U.S., Hjalmar Schacht in Germany. Things haven't improved since World War II. But Bastiat's principles are incontrovertible, for the "freedom philosophy" is in accord with man's instinct for life. As the 1968 events in Czechoslovakia proved, the demand for freedom will re-emerge in the most unpromising places. It can be suppressed with bayonets, but the men with the bayonets cannot force a society to produce beyond the subsistence point. Bastiat will have his great revival when the world has had enough of the high-cost measures that intervention and protectionism entail. ♦

► **THE ECONOMY OF CITIES** by Jane Jacobs (New York: Random House, 1969, 268 pp., \$5.95)

Reviewed by Robert M. Thornton

CITIES CAME FIRST, declares Jane Jacobs; urban man antedates the farmer; agriculture and animal husbandry were "invented" in prehistoric cities and "exported" to rural areas when cities grew crowded. Similarly with industry, for do we not see manufacturing plants, the latest "export" of cities, moving into the countryside? This matter of priority is important, for cities, according to Mrs.

Jacob's thesis, are the rejuvenating or reproductive element of the whole economy. As go the cities, so goes the nation. Hence the importance of understanding just what makes cities rise and prosper. The answer, Mrs. Jacobs continues, is the emergence of new enterprises with opportunities for men to work, repeated not once but many times over and over. When cities fail to do this (Detroit, Pittsburgh, and New York are some of the examples she offers), they stagnate and the whole economy slides into a decline.

What is needed to revive the decaying cities of our nation? Not massive injections of money; for while money is needed, creativity is more important—entrepreneurs with new ideas for using wealth to create more wealth. (The same is true of "underdeveloped" nations and minority groups; they could generate their own capital by creating new work.) To whom do we look for the creation of *new* work? Not so much to large, well-established companies as to small companies and new companies not bound by the old ways of doing things or the sterile divisions of labor that often go with mass production of undifferentiated goods and services. One is reminded of Gerald Heard when Mrs. Jacobs speaks of the dangers of overspecialization and superefficiency.

Look what happened to the ants with their strict division of labor!

What do we do? Well, in one sense, we can *do* nothing. Mrs. Jacobs, like F. A. Hayek, understands that you do not just put a city together like a child playing with building blocks. Rather you try to set up the right conditions which will permit, and even encourage, a city to grow more prosperous, trusting to human creativity for the rest. What are some of the conditions? Mrs. Jacobs explains that "enterprises serving city consumers flourish most prolifically where the following four conditions are simultaneously met: (1) different primary uses, such as residences and working places, must be mingled together, insuring the presence of people using the streets on different schedules but drawing on consumer goods and services in common; (2) small and short blocks; (3) buildings of differing ages, types, sizes and conditions of upkeep, intimately mingled; and (4) high concentrations of people."

Eight years ago, in her *The Death and Life of Great American Cities* (reviewed in *THE FREEMAN* January, 1962), Jane Jacobs took a lonesome stand in opposition to city planning and critical of "the Federal bulldozer." Now, once again, she takes a solitary position startlingly different from

most of those who proffer diagnoses of urban malaise. Implicit in the whole book is the idea, familiar to readers of *THE FREEMAN*, that where government or unions or business have the power to restrict competition or in any way thwart new ways of doing things, there will eventually be stagnation. What puzzles the reader is why Mrs. Jacobs fails to come out and say it plain and clear, especially with regard to government. No monopoly, business or union, can exist without at least the tacit approval of the political powers. But whatever the reason, libertarians and conservatives may rejoice that still another book, and a most fascinating and unusual one, is added to the stack of volumes defending individual liberty and the free market against central planning by the State. ♦

- ▶ **FREE SPEECH AND PLAIN LANGUAGE** by Albert Jay Nock (Freeport, N. Y.: Books for Libraries Press, 1968, 343 pp., \$9.50)
- ▶ **THE BOOK OF JOURNEYMAN** by Albert Jay Nock (Freeport, N. Y.: Books for Libraries Press, 1967, 114 pp., \$6.50)

Reviewed by Robert M. Thornton

ADMIRERS of the late Albert Jay Nock — editor of *THE FREEMAN*, 1920-24 — will be pleased that two of his long out-of-print books have

been republished. *Free Speech and Plain Language*, a collection of essays issued in 1937, includes the morale-raising "Isaiah's Job." The short pieces which comprise *The Book of Journeyman* were first published by the *New Freeman* in 1930. Nock, a first rate social critic, was chiefly interested in the quality of civilization in the United States; this is the theme that knits together most of these essays.

A truly civilized society, Nock contends, encourages the full collective expression of all five social instincts — the instincts of expansion and acquisition, of religion and morals, of beauty and poetry, of social life and manners, and of intellect and knowledge — and permits none to predominate at the expense of the rest. When a society goes on the rocks, as they've all done sooner or later, it is the collective overstress of one or more of these fundamental insights that wrecked it.

Nock indicted American society for leaving "the claim of too many fundamental instincts unsatisfied; in fact, we are trying to force the whole current of our being through the narrow channel set by one instinct only, the instinct of workmanship; and hence our society exhibits an extremely imperfect type of intellect and knowledge, an extremely imperfect type of religion and morals, of beauty and

poetry, of social life and manners." The trouble with our civilization, then, is that "it makes such limited demands on the human spirit; such limited demands on the qualities that are distinctly and properly humane, the qualities that distinguish the human being from the robot on the one hand and the brute on the other."

Nothing can be done about this problem unless people acquire a brand-new ethos: "We have hopefully been trying to live by mechanics alone, the mechanics of pedagogy, of politics, of industry and commerce; and when we find it can not be done and that we are making a mess of it, instead of experiencing a change of heart, we bend our wits to devise a change in mechanics, and then another change, and then another." But "it is the spirit and manners of a people, and not the bewildering multiplicity of its social mechanisms, that determines the quality of its civilization."

A thorough reading of Nock's social criticism gives an excellent perspective on the age we live in; it may help us understand why so many of the young are disgruntled with life as they see it lived in this nation today. Nock is the most charming of writers, and has proved a better prophet than many of his highly touted contemporaries. ◆

the Freeman

VOL. 19, NO. 9 • SEPTEMBER 1969

Value — the Soul of Economics	W. H. Pitt	515
Why inject anti-economic frictions into such a smooth-running mechanism as the market?		
Student Power and All That	Benjamin A. Rogge	519
The Professor offers some ideas on who ought to be in charge on campus.		
Freedom IS Responsibility	Bertel M. Sparks	522
Not the guaranteed life, but self-responsibility — that is freedom!		
Two Concepts of Equality	Edmund A. Opitz	529
Men who desire an equality in matters of justice must be free to differ in other respects.		
On Economic Rights	David Kelley	541
There's an important difference between the natural rights to one's own life and property and the spurious claims against others.		
Education in America:		
12. A Philosophy of Growth	George Charles Roche III	546
In conclusion, education for individuality turns out to be an individual rather than a collective responsibility.		
Too Mad to Laugh!	D. Elton Trueblood	554
Persons consumed by righteous indignation may do more harm than good for "the cause."		
Tax Policy	Hans F. Sennholz	556
A search for policies of taxation consistent with the ideal of a limited government and a free economy.		
Beyond the Law	Manas	564
"Coercion does not intrude upon the becoming of good men, which is a process entirely separate from the control and prevention of bad behavior."		
Book Reviews:		573
"The Treaty Trap" by Laurence W. Beilenson		
"Enemies of the Permanent Things" by Russell Kirk		

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "Too Mad to Laugh" and "Beyond the Law."

W. H. PITT

VALUE

The soul of economics

The processes of the market are those of a free-running, frictionless machine; and the insertion of "anti-economic" frictions into the mechanism — what is this but the most disastrous vandalism?

IT SEEMS to me that there are two stages in the formation of "value" and that it starts with a subjective, personal, evaluation, by individuals, of the usefulness of an article for the satisfying of their desires. Some of us, having a particular desire for an article, make our subjective evaluation of it in deliberate fashion; others, lacking the particularity of that desire, or perhaps not requiring the article quite so urgently, make only subconscious measurement of its usefulness, that is, of its utility.

The second stage occurs when those with immediate purpose for the article cast around for the

means of acquiring it. A few will manufacture it for themselves, even though this, in terms of time and effort, is probably the most expensive process. Others, economizing a little, will combine their efforts in a cooperative production. But most of us, on desiring something, but not being in such desperate need of it as to warrant our manufacturing it for ourselves, will get it "in the market," doing so by exchanging for it some other article or service for which our regard, as vendor, is not at that moment so high. While those manufacturing the item for themselves may seem to have but little effect upon "the market," their outlays in time and effort are nevertheless seen and noted by

Mr. Pitt, of Bayswater in Victoria, Australia, describes himself as a "publicist for freedom." He is a frequent contributor to journals such as *The Australian Financial Review*.

everyone, and form the ultimate base for the price structure. In the market, you see no concern for the reasons, whatever they be, that activate individuals to expend their effort; the concern is for the amount of our effort, were we manufacturing the article for ourselves.

In deciding upon an exchange in the market, we commence from our knowledge of the cost in time and effort were we to make the article for ourselves, either individually or cooperatively. But being rational, intelligent humans, we seek always to satisfy our desires with the least expenditure, whether this be measured in time, effort, money, or in other commodities or services. Therefore, we seek out those who, with an abundance of the article, or having a facility greater than our own for its production or, having a desire greater than our own for the commodity or service which we can provide in exchange, will offer the article we desire at a price that will give us a saving in our exertion.

When there are several who will thus offer us the article, the desire to minimize our exertion induces us to seek the best offer, thereby testing the market to its limit and attaining the greatest possible saving. The market is thus a mechanism for the economizing or con-

serving of human energy—the most excellent mechanism of all, not only in that it permits the immediate conservation of energy, but also in that, by acting as a register and indicator, it steers the whole community toward a constantly increasing conservation of energy. It thus promotes the maximizing of results and the minimizing of effort.

The Objective Expression

In order properly to appreciate the functioning of the market, there has to be recognition of the fact that everyone who “goes to the market” and participates in the exchange of goods and services, does so in order to save himself effort. Any proposed transaction must offer a benefit to both vendor and purchaser, otherwise it will not take place. This is so even when an article or service is offered at a price well below “true value.” In every case the offerer is satisfied that in making the deal he is receiving a benefit and is achieving something that he otherwise could not. He may regret that he takes his decision at a time when the article or service with which he is parting will bring him less in return than it might at some other time: but at the moment of decision he sees it to be advantageous that he should sell. The advantage is that failure

then to make the decision could involve him subsequently in a greater exertion. The market, thus, is a place where goods and services are evaluated, subjectively, by individuals, the evaluation then being made evident, objectively through price, to others. Price, one might say, is the indicator, the objective expression of and the evidence of value: and value roots in, and is at every stage concerned with, the saving or economizing of effort.

Money, the Ultimate Refinement

That this view of value is correct receives support from the everyday meaning that attaches to the word "economics." Where this word occurs on its own, it is, in general, used in its deepest and widest meaning and, concerned for the prosperity of the community as a whole, deals with the fruitfulness of our over-all activity and therefore with our over-all economy of effort. But when specific fields of activity are in mind, an appropriate definitive is used: we talk, for example, of "the economics of the sugar industry" and conclude that prospects for the industry here in Australia will be good if, or even because, the political or climatic conditions in other sugar areas are disastrous and throughout the world there will be deleterious effect upon both

other sugar producers and all sugar consumers.

In either the particular case or the general, it is the maximizing of results through the economizing of effort that is our concern. It is our instinct for economizing effort that has led to the use of one or another particular commodity as a unit for the measurement of values. Through the subsequent use of tokens for these commodities, what we now call "money" has developed and it is its potency in the economizing of time and effort that makes money the ultimate refinement in the mechanism of the market and the greatest of all our servants.

"Price" cannot be the same thing as "value." It is the measure of value and the objective indicator for the monetarily acceptable figure, dictated by all our varying individual evaluations, at or around which transactions customarily occur. It is a characteristic of "price" that it allows of a benefit for both the vendor and the purchaser, being above the evaluation of the vendor and below that of the purchaser, each of whom, necessarily, approaches the market in search of different satisfactions. Like all mechanisms, the market, with its function for the economizing of time and effort, is servant alike to the good, the compassionate, and the perceptive

as well as to the evil, the inconsiderate, and the oblivious. We interfere with it at our peril, for the interference is interference with the economizing of time and effort, the penalty thus being automatic, widespread, and assured. This is the lesson of the ages as well as of our immediate logic.

In an inquiry into economics we must commence with the question as to just what it is that we are economizing. Clearly, the answer is that our inquiry concerns the process whereby human beings economize in their time and effort, that is, in their exertion; for the economizing of time and effort is the mainspring of rational intelligent human activity. With this in mind, we can accurately determine what value is and how it is to be measured, what price is and how it is expressed, what the market is and how it operates, what the true rights of property are and how these rights are not only violated by long-established legal wrongs but also threatened by further legalistic damaging of the automatic processes of the market. These processes are those of a free-running, frictionless machine; and the insertion of "anti-economic" frictions into the mechanism — what is this but the most disastrous vandalism?

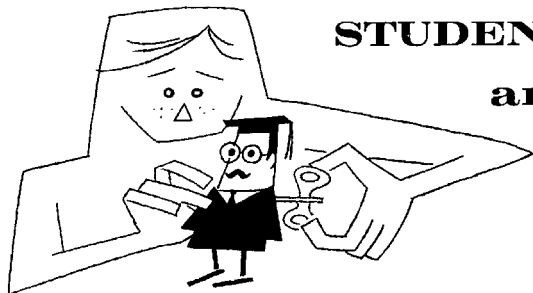
The Essential Simplicity

It seems to me that correct theorizing in the realms of economics is an essential prerequisite to the preservation and growth of freedom in its beautiful entirety or in any of its sparkling facets. Until there is a widespread understanding of the essential simplicity of each section of the market mechanism, there cannot help but be unending attempts at interference with the market. These interferences can, of course, never be such as wholly to destroy the market (and freedom) but they can never fail to harm it. Understanding of the processes of the market can come only with appreciation of two facts, the one that the science of economics has as its concern the economizing of our time and effort, and the other that value, which the most percipient perhaps of my friends calls "the soul of economics," can have reference not to cost in terms of labor or effort, not to either of utility or gain, not, although the relationship gets closer, even to scarcity, but only to the saving or economizing of effort.

Summarizing, then: articles of trade are evaluated, subjectively, according to the amount of exertion which their possession will save for the possessor: and their price, manifested objectively in

the market, must always be above their desirability as evaluated by the vendor and below their desirability as evaluated by the purchaser. Exactly the same processes of subjective evaluation and objective pricing occur with services. In the case of services the outcome of exertion is intangible and is promptly dissipated, whereas in the case of articles of trade (com-

modities) the effect of exertion is applied to material substances and is there for a time stored up in tangible form. In each case, both vendor and purchaser, both practitioner and client, first consider the effect of past exertion and then aim to conserve future exertion. In the estimation of future conserved effort lies the core and center of *value*. ♦



STUDENT POWER and all that

BENJAMIN A. ROGGE

THE QUESTION is this: To whom does Wabash or any college or university belong? To the current students? to the alumni? to the faculty? to the administration? to the Board of Trustees? to "society"? to some mixture of these agencies?

The answer to this question is of some importance. Perhaps, though, it should be made even more specific: Where does sov-

ereignty lie in a given college or university? Who's in charge around here?

Rogge-type answers:

(1) A college exists, in theory, in whole or in part, to serve its students. In the same way, Steck's Men's Store exists, in part, to serve the students of Wabash College. But Steck's Men's Store does not belong to its customers and Wabash College does not belong to its students (past or present). "Student power," in the sense of a claim by students of a right to

Dr. Rogge is Chairman of the Department of Economics at Wabash College in Indiana. This article is reprinted by permission from the *Wabash Bachelor*, Spring, 1968.

make decisions that relate to their college or university, is thus of no substance or standing.

This is not to say that a college or university administration is always acting wisely if it ignores the wishes and the recommendations of its students. It means only that, when the chips are down, the students can rightly be told to get the hell out of the administration building and to stop interfering with the conduct of college business.

(2) The faculty members of a college are employees of the college and, by definition, a college does not belong to its employees. Again, this is not to say that a college administration is necessarily unwise if it delegates authority over (say) the curriculum to its faculty. But again, when the chips are down, the college can rightly say to any faculty member for any reason whatsoever, "Go away!" A human being has a right to believe in and espouse communism or laissez faire capitalism or any other piece of nonsense but he has no right to be paid by someone else for doing so, against the will of that someone. So-called academic freedom is in reality a denial of freedom — the freedom of those to whom a school belongs to put the resources under their control to the uses they believe appropriate. Again, a school is surely

unwise if it refuses to permit a wide range of views to be presented to its students but it is not denying anyone his natural-born right if it takes this unwise position.

Administration Delegated Control

(3) The members of a college administration are also employees of the college — hence they cannot be the ones to whom the college belongs. In practice, they are the ones to whom control is usually delegated by the "owners" and they are the visible source of authority on the campus. Unfortunately, many college administrations in this country seem to have abdicated (not delegated) their authority to some combination of students and faculty members (or athletic departments). The result is a kind of tragicomic anarchy — although for short periods of time on some campuses it can be very exciting (even intellectually exciting) for everyone involved. A college should be actually run by the administration — not the faculty. As Sidney Hook has put it, "Give the intellectual everything he wants — but power."

(4) Does it follow that it is to the Board of Trustees that a college or university really belongs? In the case of a private college the answer would seem to be yes. It is this Board that has legal control

of the assets that the college has acquired. It is this Board that, in theory, is responsible for seeing that the assets are used for the purposes for which they were and are made available to the college.

In the case of the public college, the answer is somewhat more complex. Here the Board must ultimately answer to those who largely pay the piper — the taxpayers of the jurisdiction involved. When the taxpayer in California screams, "We've got to get those Lefties and Hippies out of Berkeley," he may not be evidencing much knowledge of educational processes — but he is exercising a right that is essentially his. After all, it's largely his money.

Claims of Society Invalid

(5) But what of the claims of society? Do not the institutions of higher learning in any society really exist to serve the interests of that society? In a word, No. In the first place, the word "society" is filled with ambiguities and diffi-

culties. As a matter of fact, those who use the word in these cases usually mean by "the interests of society" the interests of society as seen by their own minority group, whether it be the National Association of Manufacturers, the National Education Association, or Americans for Democratic Action. But more than that: the best example of a university system serving the interests of its society would be the German universities under Hitler or the Russian universities of the last 50 years.

Neither society nor the students nor the alumni nor the faculty is or should be in charge at Wabash College. The administration is and should be in charge, acting under the authority delegated to it by the Board of Trustees, and serving the purposes of the college as defined in its charter and interpreted by that Board over the years. And if you think things probably aren't this simple and clear-cut in practice, you're right.



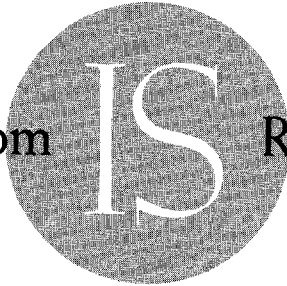
IDEAS ON LIBERTY

Malcolm Muggeridge

A FUTURE SOCIAL HISTORIAN is likely to decide that the most powerful instrument of all in bringing about the erosion of our civilization was none other than the public education system set up with such high hopes and at so great expense precisely to sustain it.

From an article, "On Rediscovering Jesus," *Esquire*, June, 1969

Freedom IS Responsibility



BERTEL M. SPARKS

IN HIS INAUGURAL address on January 20, 1969, President Richard M. Nixon declared, "The essence of freedom is that each of us shares in the shaping of his own destiny." The fact that the statement received so little comment from the press and other news media is an indication of how insensitive the media have become to their own terminology. Apparently it was felt that there was nothing unusual about the statement made. But if the words are measured against the positions taken by the media with a high degree of consistency for at least the past thirty-six years, they are revolutionary.

The revolutionary character of President Nixon's statement is best illustrated by contrasting it

with a definition of freedom enunciated in another inaugural address delivered by another president twenty-eight years earlier. On that occasion some citizens were thrilled and others were frightened as they heard their president divide freedom into four categories. Within a short time and with the enthusiastic cooperation of the press and the academic community, the "Four Freedoms" achieved a status almost on a par with Holy Writ. They are still eulogized from the lecture platforms of the public schools and are still looked upon by many as at least "quasi sacred." But regardless of how solemn we become as we recite the catechism of freedom of speech, freedom of religion, freedom from want, and freedom from fear, it is hard to avoid such questions as whether or not these goals represent a foun-

Dr. Sparks is Professor of Law at Duke University School of Law, Durham, North Carolina.

dation upon which a nation can build and whether or not they are aims worthy of a free people.

Kept by a Master

It might be well for those who have been taught that satisfaction of the four freedoms is enough to usher in the millennium to ask themselves whether or not there is a fattening hog in the country that doesn't already enjoy every one of them. No one interferes with the hog's grunting or his worship if he is inclined to either worship or grunt. He is provided with a comfortable place in which to live and with plenty of food to satisfy his needs. He is well protected from danger and has no occasion to defend himself against the wild animals of a hostile forest. Is that enough for man? Is it enough to satisfy the longing of the human spirit? Is it a sound basis for building that human dignity that separates man from the lower animal kingdom?

Our new president asserted, "The essence of freedom is that each of us shares in the shaping of his own destiny." That is something the fattening hog cannot do. And it is something a human being might not be able to do even if all the four freedoms so passionately idealized by our earlier president are fully provided for. If sharing in the shaping of your

own destiny means anything, it means having a freedom of your own person. It means a freedom to move peacefully from place to place. It means a freedom to enjoy the fruits of your own body and that means a freedom to enjoy the product of your own labor. It means freedom to enjoy, use, and dispose of the things for which you have worked and which you have accumulated by the sweat of your brow. These are all things the fattening hog does not have even though the four freedoms of an earlier day are supplied in abundance. But the truly significant thing is that the fattening hog could not have the four freedoms he does enjoy unless he also had a master, that is to say, unless he had an owner who was providing them. Neither can any government provide its citizens with those four freedoms unless that government is also a master with power to seize the material necessities from somewhere else. And from where and from whom is government to make such a seizure? The answer should be clear.

But the two statements thus separated by a span of twenty-eight years are brought into even sharper contrast when it is noted that the statement of the "Four Freedoms" says nothing about responsibility while the statement

from our current president is concerned entirely with responsibility. To say that one is free to shape his own destiny is to assume that one is responsible for his own destiny. And therein lies a distinction that cannot be explained away as just a difference in semantics.

Inseparable Qualities

Too much of what has been written about freedom and responsibility has been written on the assumption that the two are separate although closely related entities and that if one has freedom he should somehow be a responsible citizen of the society where that freedom is enjoyed. To state the proposition in such terms is to misrepresent the essence of a free society. Freedom and responsibility are not separate entities; *freedom is responsibility*. One can be free to share in the shaping of his own destiny only to the extent to which he is responsible for his own destiny. And he cannot be free to shape his own destiny except to the extent to which he abstains from interfering with the destiny of another.

Recognizing this identity of freedom with responsibility means getting down to the bedrock of what it is to be free. And to be really free has little relevance to the romantic freedom some have

imagined as existing in primitive man. It is probably true that primitive man roamed the forest gathering his own figs and capturing his own game wherever and whenever he chose. But under these circumstances freedom was quite circumscribed. Primitive man was not free because after he had gathered his figs or captured his game he had no assurance that he would get to eat them before they were snatched from him by an intruder. This uncertainty made it imprudent for him to gather more than could be consumed on the spot. He was not free until he had organized himself into a state upon which he conferred power to prevent theft, robbery, murder, and similar acts.

It should be noted that even this limited organization called for a surrender of what man might previously have viewed as part of his freedom. In order for the system to work the state had to be given the exclusive power to use force. What had been each individual's right *and responsibility* to provide for his own self-defense became an organized self-defense. And therein lies the essence of the true state. The state is organized self-defense and any time it becomes anything more than that it becomes a threat to freedom and a threat to man's dignity as a man. But so long as it is confined

within its proper boundaries it serves the uplifting purpose of setting the individual man free to gather more food than can be presently consumed and it gives him the assurance that the surplus will be protected for subsequent use or for trade. With that freedom primitive man began to contemplate and to make tools, thereby increasing his material efficiency and expanding his productive capacity. He was on his way up!

How Power Grows

But the state did such a good job of keeping the peace and the advantages of this organized self-defense became so obvious that other temptations began to present themselves. Each time man was faced with an emergency in his personal life he was tempted to surrender additional responsibilities to the state. Each time he did so he soon learned that with each surrender of a responsibility he also surrendered a freedom. To that extent he found himself turning away from his march upward as a man and toward the level of the fattening hog. He was turning away from responsibility for his own choices and his own destiny. He was responding to the invitation to enjoy the four freedoms and abandon his dignity as a human being. Upon discovering

his predicament man has usually recoiled and has sought to regain that which has been lost. But once a thing has been surrendered to the state, the only agency clothed with power to use force, it can rarely ever be recovered without a struggle, and the struggle is usually a violent one. Unfortunately, as soon as the battle is won and the weight of its responsibility is felt, the temptation to retreat is again presented.

Probably the most dramatic as well as the most widely known illustration of this fight for freedom followed by displeasure with its consequences occurred when a mass of foreigners were being held as slaves in Egypt. They had been reduced to the fattening-hog stage of serving their masters and somehow they were not enjoying it. Along came a leader named Moses who led a rebellion. The rebellion was a success and within a short time the now ex-slaves were out on their own. They were no longer the property of their masters. They were free. But as free men they had no master who could be relied upon to supply their material wants. They became distressed and threatened a rebellion against their new leader. They began to say they had rather be slaves of the Egyptians than to be faced with the necessity of planning for themselves. They

were distressed to learn that freedom to shape their own destiny meant nothing more and nothing less than responsibility for their own destiny.

Early American Experiences— Plymouth and Jamestown

The experience of the Egyptian slaves has been repeated with depressing and monotonous regularity throughout human history. Men offer their lives to become free only to become frightened as soon as the prize is obtained. It would not be profitable to pile up a multiplicity of illustrations here but the experience of the early European settlers who arrived in America cannot be ignored. These settlers came to America to escape oppression of one kind or another in the old country. They arrived on rocky, inhospitable shores where there were no houses, no factories, no drug stores, and not even any neon signs to brighten the horizon. It was an underdeveloped country.

The first group in Virginia in 1607 and the first group at Plymouth in 1620 were in a similar predicament and they both went through the same process. When supplies became scarce they decided to build a common storehouse, put all the food there, and let some bureaucrat dole it out as needed. The result is a familiar

story, though present-day social planners would like to forget it. The food shortage became more acute. Starvation increased. Few houses were built. There was much illness. When supplies reached the desperation point, both colonies, without any collaboration on the subject, took similar steps. They both abandoned their economic planning business and told each man that he would have to shift for himself, that he would have to shape his own destiny. Prosperity was on its way immediately.

The Plymouth and Jamestown experiences have been repeated over and over in both governments and individual lives. Cynics continue to say, "Yes, but the situation has changed." They seem to assume that the fact of change repudiates every lesson the human race has learned thus far. Of course the situation has changed and, so long as even the rudimentary elements of a free society are preserved, the situation will continue to change. The more relevant question is, how has it changed? If a planned economy wouldn't work in either Jamestown or Plymouth for a group so small that every person present was known by name to every other person, that should be all the more reason why it can't work for 200 million people in an industrialized society.

**Positive vs. Negative
Aspects of Freedom**

The philosophy expressed by the president inaugurated in 1969 might be distinguished from that of the president of twenty-eight years earlier by saying it is just a difference in prepositions. President Nixon said the essence of freedom is that each of us shares in the shaping of his own destiny. Expressed in a slightly different way, that would mean each one is free *to* participate in shaping his own destiny. Each one is free *to* work for himself, *to* venture into the unknown and the unexplored, and *to* risk everything on his own personal judgment. But the definition offered twenty-eight years earlier was peppered with negative prepositions. It was freedom *from* fear and freedom *from* want. Can it be truthfully said that the current crop of "beatniks," "hippies," and similar characters is anything other than a generation that has grown up taking the four freedoms seriously? They are crying for freedom *from* all responsibility, freedom *from* all restraint. Either their cry must be heard or the philosophy on which it is based must be repudiated.

In a free society men must be free *to* embark upon their own ventures, free *to* start new enterprises and search *for* better ways of doing things. Each one must be

free *to* seek his own goals, not just accept what his government either forces or permits. Wherever that kind of positive freedom has been permitted to flourish the economic well-being of all people, especially those at the lower end of the scale, has always moved steadily upward; and wherever positive freedom has been curtailed, the reverse has been true. That is the kind of freedom that enabled this tract of land known as the United States to emerge from a wilderness to the wealthiest nation on earth within a very few years. And let no one assert that the wealth of the United States is more the result of her natural resources than it is of her love of freedom. Any such assertion would display a total ignorance of both history and geography and would leave unanswered the question why a similar development has not been observed in South America, Africa, or India.

Two specific incidents, one from early America and one from modern America, will suffice to illustrate the operation of positive freedom in the economic realm. The settlers at Jamestown soon discovered that the gold they thought was there was not to be found and that the corn they thought would be the great new agricultural crop actually produced very little in proportion to

the work required to grow it. They turned to tobacco but had difficulty selling it to Europeans. Under these conditions a young man named John Rolfe went to work on the problem. He began with tobacco, the one plant that seemed to grow unusually well in Virginia. The taxpayers didn't provide him with any experiment station nor did he receive any foundation grant. But he went to work on his own responsibility without any assurance that anything would ever come of his efforts. Within a short time he developed a tobacco plant of a lighter color and a finer texture which was found more palatable to Europeans. Within a short time they were buying all the tobacco the settlers of Virginia could produce and were demanding more. Hundreds and even thousands were soon employed in a new industry and some were getting rich. A battle in the continuing war on poverty had been won. And such battles will continue to be won as long as men are left free to fight them. And no battle will even be undertaken when man's freedom to shape his own destiny, that is, responsibility for his own destiny, is withheld.

Anyone who thinks experiences comparable to that of John Rolfe are necessarily confined to a by-gone age and therefore unwork-

able in the more complex economy of the present might consider the story of a man who will be called Joe. (The name is fictitious but the rest of the story is authentic.) According to reports in the public press, Joe, his wife, and his four children moved into a \$15-a-month, two-room shack in 1952. With \$600 as his total assets he began experimenting in uranium mining. By 1957 Joe and his wife were living in a large mansion where they were throwing parties with guest lists running upwards of 5,000 names per party. Then by 1969 Joe was on the verge of bankruptcy. But Joe vows he will pay out and that he will again be throwing million-dollar parties. Whether or not he actually achieves his present goal is still uncertain. But whether he succeeds or fails his experience illustrates the story of freedom everywhere in every age. If risks are taken some must fail. If no risk is taken all must remain in poverty. And whatever the outcome in Joe's present struggle to regain a vanishing fortune, Joe will have experienced the romance and tragedy of being a free man, of making his own choice as to the enterprise he will pursue and the manner in which he will pursue it, and of living by the choices made. No government can give a citizen more. ♦

2 Concepts of Equality

EDMUND A. OPITZ

THE GREAT political battles of the modern world have been fought around certain key words, one of which is Equality. The watchwords of the French Revolution, you recall, were "Liberty, Equality, Fraternity." Talleyrand got fed up with this slogan and once remarked that he'd heard so much talk about fraternity that if he had a brother he'd call him cousin!

There's a sound reason for Talleyrand's adverse reaction to the idea of brotherhood. The human capacity for affection is limited and it is selective. The demand for unlimited brotherliness puts human nature under a strain; it generates a backlash in the form of the either/or mood of the revolutionary who puts a gun to

your head and says: "Be my brother, or I'll kill you!" Sane social living forbids murder; it strives after justice; and it reserves brotherliness and love for family and friends.

Real friendship, even within a limited circle, is a genuine achievement. Recall the words of La Bruyere, writing in the middle of the seventeenth century: "Some ask why mankind in general do not compose one nation, and are not contented to speak one language, to live under the same laws and agree among themselves to have the same customs and the same worship; whilst I, seeing how contrary are their minds, their tastes and their sentiments, wonder to see even seven or eight persons living within the same walls under the same roof and making a single family."

We don't have the word Fra-

The Reverend Edmund A. Opitz is a member of the staff of the Foundation for Economic Education, Book Review Editor of THE FREEMAN, lecturer, and seminar discussion leader.

ternity in our political heritage, but the idea of Equality occupies a prominent spot. Our Declaration of Independence reads: "We hold these truths to be self-evident, that all men are created equal." Note well that the men who prepared this document did not say that "all men *are* equal"; they did not say that all men are "*born* equal" — both propositions being obviously untrue. They said "*created* equal."

Now, the created part of a man is his soul or mind. Man's body is compounded of the same chemical and physical elements which go into the make-up of the earth and its creatures, but there is a mental and spiritual essence in man which sets him apart from nature — his soul or psyche. It is an article of faith in our religious tradition that the soul of each person is precious in God's sight whatever the individual's outer circumstances; and equality before the law is implicit in this premise — the idea of one law alike for all men because all men are one in their essential humanness.

But right here the likeness ends; human beings are different and unequal in every other way. They are alike in one respect only; they are equal before the law. Equality before the law is the same thing as political liberty viewed from a different perspec-

tive; it is also justice — a regime under which no man and no order of men is granted a political license issued by the state to use other men as their tools or have any other legal advantage over them. Given such a framework in a society, the economic order will automatically be free market, or capitalism. We are speaking now of the idea of equality in a political context. Later I shall deal with the opposing concept of economic equality, which is incompatible with limited government and the free market.

Equal Justice Before the Law

Political equality is the system of liberty, and its leading features are set forth in Jefferson's First Inaugural Address: "Equal and exact justice to all men, of whatever state or persuasion, religious or political; peace, commerce, and honest friendship with all nations — entangling alliances with none . . . freedom of religion; freedom of the press; freedom of person under the protection of the habeas corpus;" and so on.

The idea of political equality — equal justice before the law — is a relatively new one. It did not exist in the ancient world. Aristotle opened his famous work entitled *Politics* with an attempted justification of slavery, concluding his argument with these words: "It is

clear, then, that some men are by nature free, and others slaves, and that for these latter slavery is both expedient and right."

Plato wished to see society constructed like a pyramid. A few men at the top wielding unlimited power; then descending levels of power—the men on each level being bossed by those above and bossing, in turn, those below. On the bottom are the slaves, who outnumber all the rest of society. Plato knows that those in the lower ranks will be discontented with their subservient position, so he proposes to condition them with a "noble lie," as he calls it. "While all of you in the city are brothers, we will say in our tale, yet God in fashioning those of you who are fitted to hold rule mingled gold in their generation, . . . but in the helpers silver, and iron and brass in the farmers and other craftsmen." Fraudulent theories of this sort are invented by men who suspect gold in their own make-up!

Hinduism provides a contemporary example of a system of privilege. The highest caste in Indian society is the Brahmin caste; the lowest caste is the Sudra. In between are the Kshatriya and Vaisya castes—warriors and merchants, respectively; outside the caste system altogether are the Untouchables. Men are

born into a given caste, and that is where they stay; that's where their ancestors were, and that's where their descendants will be. There is no ladder leading from one level in this society to any of the others. Hinduism justifies these divisions between men by the doctrine of reincarnation, arguing that some are suffering now for misdemeanors committed during a previous existence, while others are being rewarded now for earlier virtue. This outlook breeds fatalism and social stagnation. The eminent Hindu philosopher and statesman, S. Radhakrishnan, defends the caste system. He likens society to a lamp and says, "When the wick is aglow at the tip the whole lamp is said to be burning."

Our Western Heritage

Politics rests upon certain assumptions in metaphysics, and *we* make different metaphysical assumptions than do the Greeks and Hindus. In other words, we have a different religious heritage. Our religious values come from the Bible. Christianity was introduced into the ancient world, and it has had important political consequences. We take personal liberty for granted and regard slavery as artificial because of nineteen centuries of emphasis on the worth of the individual soul. The soul of

man was a battleground on which were thrashed out the issues of good and evil. The individual was held responsible for the proper ordering of his soul; that is, he had the gift of free will. His salvation was neither automatic nor guaranteed; it hinged on a series of voluntary decisions, choices freely made.

It takes a while, centuries sometimes, for a new idea about man to seep into the habits, laws, and institutions of a people and shape their culture. It was not until the eighteenth century that Adam Smith came along and spelled out a system of economics premised on the freely choosing man. Smith referred to his system as "the liberal plan of equality, liberty, and justice." The European society of Smith's day was, by contrast, a system of privilege; it was an aristocratic order.

Control by Conquest

England's aristocratic order did not arise by accident, but through conquest; it may be traced back to the Battle of Hastings in 1066 and the Norman invasion. William of Normandy had a claim, of sorts, to the English throne, a claim which he validated by conquering the island. Having established his overlordship of England he parceled out pieces of the island to his followers as pay-

ment for their services. In the words of historian Arthur Bryant, "William the Conqueror kept a fifth of the land for himself and gave one-quarter to the Church. The remainder, save for an insignificant fraction, was given to 170 Norman and French followers — nearly half to ten men."¹

This redistribution of England's territory was, of course, at the expense of the Anglo-Saxon residents who were displaced to make room for the new owners. The new owners of England from William on down were the rulers of England; ownership was the complement of their rulership, and the wealth they accumulated sprang from their power and their feudal holdings. That is to say, they did not obtain wealth by satisfying consumer demand. Under the system of liberty where the economic arrangements are free market or capitalistic, the only way to make money is to please the customers. Under any alternative system, you make money by pleasing the politicians, those who hold power. Either that, or you wield power yourself.

This was a fine system — from the Norman viewpoint; but the Anglo-Saxon reduced to serfdom viewed the matter quite differently. It was obvious to the serf

¹ *Story of England*, Arthur Bryant, Vol. I, p. 164.

and the peasant that the reason why they had so little land was because the Normans had so much; and, because wealth flowed from holdings of land, the Anglo-Saxons reasoned correctly that they were poor because the Normans were rich! It is always so under a system of privilege, where those who wield the political power use that power to enrich themselves at the expense of other people. It makes little difference whether the outward trappings are monarchical, or democratic, or bear the earmarks of Orwell's 1984; in a system of privilege, political power is a means of obtaining economic advantage.

Keeping the Peace

When our forebears wrote that "all men are created equal," they threw down a challenge to the system of privilege. They believed that government should keep the peace — as peacekeeping is spelled out in the old-fashioned Whig-Classical Liberal tradition. This preserves a free field and no favor — which is the meaning of *laissez-faire* — within which peaceful economic competition will occur. The term "*laissez faire*" never meant the absence of rules; it didn't imply a free-for-all. The term comes originally out of chivalry and was used on the jousting field to signal the beginning of a match. Two

armored knights got ready to ride at each other and the cry of "*laissez faire*" meant, in effect, "You boys know the rules; may the best man win." Government, under *laissez faire*, does not intervene positively to manage the affairs of men; it merely acts to deter and redress injury — as injury is spelled out in the laws. This is the system of liberty championed by present-day libertarians and conservatives.

Adam Smith's "liberal plan of equality, liberty, and justice" was never practiced fully in any nation, but what was the result of a partial application of the ideas of *The Wealth of Nations*? The results of abolishing political privilege in Europe and starting to organize a no-privilege society with political liberty and a market economy were so beneficial that even the enemies of liberty pause to pay tribute.

R. H. Tawney, one of the most gifted of the English Fabians, was an ardent socialist and egalitarian. His most famous work is *Religion and the Rise of Capitalism*, but in 1931 he wrote a book entitled *Equality*, arguing, in effect, that no one should have two cars so long as any man was unable to afford even one. He wished to take from those who have and give to those who have not, in order to achieve economic equality.

But he acknowledged that there was an earlier idea of equality — equal treatment under the law. Here is what Tawney writes about the beneficial results of the movement toward political liberty and the free economy in the early decades of the nineteenth century, the movement known as Classical Liberalism:

Few principles have so splendid a record of humanitarian achievement. . . . Slavery and serfdom had survived the exhortations of the Christian Church, the reforms of enlightened despots, and the protests of humanitarian philosophers from Seneca to Voltaire. Before the new spirit, and the practical exigencies of which it was the expression, they disappeared, except from dark backwaters, in three generations. . . . It turned (the peasant) from a beast of burden into a human being. It determined that, when science should be invoked to increase the output of the soil, its cultivator, not an absentee owner, should reap the fruits. The principle which released him he described as equality, the destruction of privilege.²

All these good things were a result of the effort which began two centuries ago to put the system of liberty — equal rights before the law — into practice. But, of course, when men are free politically, there will be economic inequalities. There will continue to

be rich and poor, as there have been wealth differentials in every society since history began, but now there's this difference: the wealthy will be chosen by the daily balloting of their peers in the market place; and the wealthy won't necessarily be the powerful, nor will the poor necessarily be the weak.

Variation Among Men

Variation is a fact of life; individuals differ from one another. Some are tall and some are short; some are swift and some are slow; some are bright and others are not so bright. The talents of some lie along musical lines, others are athletes, a few are mathematical wizards. Some people in every age are highly endowed with a knack for making money, and in every age some people have more worldly goods than others. Rich and poor are relative terms, but every society reveals a population distribution ranging from opulence to indigence. This occurs under monarchies and in primitive tribes which measure a man's wealth by cattle and wives; it occurs in communist states where, as Milovan Djilas pointed out in a famous book, a "new class" emerges out of the classless society, and the "new class" enjoys privileges denied the masses.

Under the system of liberty, the

² *Equality*, R. H. Tawney, pp. 120-121.

free market will reward men in differing degrees so that some men will make a great deal of money while others have to get by on a very modest income. But under the system of liberty even those in the lower income brackets enjoy a relatively high standard of living; and, furthermore, the practice of the Rule of Law guarantees that there'll be no persecution for deviant intellectual and religious beliefs. The government does not try to manage the economy or control the lives of the citizens; it keeps out of people's way, unless injury is committed.

Differentials in wealth characterize every possible kind of society. This is a fact of life; this is the way things are. This variation in human beings is beyond the power of the human will to alter; nor if we understood the issue would we will it otherwise even if that were within our power. Economic equality is not an intelligible concept.

Serving Consumers

But while economic equality is a chimera, political equality is not. We can *will* political equality, and our forebears in the Classical Liberal tradition *did* will political equality with the happy results already noted. Under conditions of political equality, which is the system of liberty, a man's income de-

pends upon his success at pleasing consumers — at which game some people are much more successful than others.

A certain American entertainer made eight million dollars last year for gyrating and howling in public places. He didn't get any of my money, and except for the fact that I believe in liberty, I would have paid a substantial sum to keep him permanently tranquilized! On a somewhat higher level, there are talented people who are sensitive to consumer demand, and so they produce the kind of goods or render the kind of services that people will be able and willing to buy. In the free market, goods and services exchange only for goods and services. Everybody is a producer and comes into the market as a buyer with the purchasing power he has obtained from the prior sale of his own services. In short, the route to economic success is to please the customer.

Under every other system the route to economic success is to please the politicians in power or to gain power yourself. This is the system of privilege, enthroned in most nations today and under some form of which most people in the past have lived. The Liberal Era, mainly the nineteenth century, constitutes the only breakaway; our own country's

past affords the best example of the great multiplication of wealth which results from the release of individual human creativity under the system of liberty.

The Nature of Political Power

I've used the term "power" several times, so let's note that the word "power" in this context refers to government. There's only one genuine power structure in a given society, and that is the government. Government possesses a unique, one-of-a-kind type of power, and unless the government deputizes or licenses some other person or agency no one in a given society may exercise the kind of power which government alone wields. We employ metaphors when we speak of buying power or economic power. Government is *the* power structure. Only government can mobilize the police, the armies, the navies; only government can draft a young man to serve in Vietnam; only government can tax, and so on. The largest corporation in the land cannot force me to buy one of its products or work for it; I can ignore General Motors, but no one who chooses to live within these fifty states can ignore the real power structure—which is the political agency, government.

Under a monarchy, economic advancement is obtained by pleasing

the king or the queen. Royal favorites lived well while enjoying the friendship of the ruler, but when they fell out of favor they sometimes lost their heads. The mass of people lived in what we would think of as poverty, and typically they lacked the guarantees of intellectual, religious, and civil liberties that we take for granted. Moreover, the entire nation from top to bottom lived quietly with the idea of economic stagnation; no one thought in terms of a progressive increase of the stock of goods so that everyone would move gradually up the economic ladder — they thought in terms merely of redistributing the existing stock of wealth. No one thought of increasing the size of the pie; the idea was to obtain a bigger slice for one's self — either by seizing it in a direct power grab, or as largesse by being a friend of the powerful. A similar sentiment — anti-economic in nature — prevails today.

The big domestic political issue is poverty. The nation has been geared to welfare measures ever since the New Deal, a generation ago; then in 1964 Congress opened the Office of Economic Opportunity and declared war on poverty. Indigence may be measured in various ways, but whatever else it is, indigence is a lack. A person who is poor would be better off if

he owned a larger and finer house, had several extra suits and sport jackets in his closet, enjoyed tastier and more nourishing food plus an occasional drink. After improving the situation at the level of necessities he'd move ahead to the amenities — to recreation, a second car, air conditioning, and so on.

Poverty Overcome by Production

The point to note is that people move out of poverty only as they command more of the things which are manufactured, grown, or otherwise produced. Poverty is overcome by production, and in no other way. If you are seriously concerned with the alleviation of poverty your concern for increased production must be equally serious. This is simple logic.

But look around us in this great land today and try to find someone for whom increased productivity is a major goal. There are some able production men in industry, but most established businesses have learned to live comfortably with restrictive legislation, government contracts, the foreign aid program and our international commitments. The competitive instinct burns low, and the entrepreneur who is willing to submit to the uncertainties of the market is a rare bird. And then there are the farmers. Agri-

cultural production has taken a great leap forward in recent years, but no thanks to those farmers who latch onto the government's farm program and accept payment for keeping land and equipment idle. Union leaders claim to work for the betterment of the membership, but no one has ever accused unions of a burning desire to be more productive on the job. Politicians are not interested in increased industrial production. As a matter of fact, it might be said that the national government is continually — by its interventions — manufacturing poverty, and the whole country lives at a level lower than natural economic necessity would dictate.

An overall increase in the output of goods and services is the only way to upgrade the general welfare, but there is no clamor on behalf of increased productivity — only an occasional murmur. The clamor is for redistribution, for political interventions which exact tribute from the haves and bestow largesse on the have nots. Present day politics is based on the redistributionist principle: taxes for all, subsidies for the few. Its alleged purpose is to elevate the low income groups by depressing the wealthy. President Johnson, addressing Congress in January 1964, phrased it thus: "We are going to try to take all of the

money that we think is unnecessarily being spent and take it from the 'haves' and give it to the 'have nots' that need it so much."

Several years earlier a theologian of considerable reputation, Nels Ferre, expressed similar sentiments, but gave them a religious flavor: "All property is God's for the common good. It belongs therefore, first of all to God and then equally to society and the individual. When the individual has what the society needs and can profitably use, it is not his, but belongs to society, by divine right."³

The Role of the Market

The rage for redistribution is upon us, and we might multiply statements similar to the ones I have quoted from Mr. Johnson and Dr. Ferre. Those who espouse this viewpoint hold the utterly mistaken notion that the distribution of rewards in a free market society, or capitalism, is analogous to the parceling out of loot to members of a robber gang, or the division of spoils after a pirate expedition. Actually, these things are as unlike as night and day; there is no comparison between them. In the free economy, a man is rewarded to the degree that he pleases consumers.

Now, the market is not a magic

instrumentality which comes up automatically with the right answer for every sort of question. The market is a sort of popularity contest; it tells us what people like; it's an index of their preferences. The market provides a very valuable piece of information, but it's not the whole story. It's important for a shoe manufacturer to project an accurate guess as to whether women next season will prefer chunkies to wedgies; but a similar fingering of the popular pulse is out of keeping in the intellectual and moral realms — unless one is a liberal intellectual! I refer to the proclivity of the current crop of opinion molders to ask: "What's going to be the fashion in ideas *this* season?" One glaring example of this—a former professor of mine was a leading clerical spokesman for involving the United States in World War II; now he's a co-chairman of SANE. This man has a good market in the intellectual realm, but of course he opposes the market in the economic realm.

The market is the only device available for serving our creatureal needs while conserving scarce resources; but the market is no gauge of the truth or falsity of an idea. The market measures the popularity of an idea, but not its truth. Mises and Hayek are better economists than Samuelson and

³ *Christianity and Society*, p. 226.

Galbraith but the market for the services of the latter pair is enormously greater than the popular demand for Mises and Hayek. Likewise in aesthetic questions. An entertainer's popularity is no index of his musicianship, and a best selling novel may fall far short of the category of literature.

The market is simply a mirror of popular preferences and public taste; but if we don't like what the mirror reveals, we won't improve the situation by throwing rocks at the mirror! There is much more to life than pleasing the customer, but if the integrity of the market is not respected consumer choice is impaired and some people are given a license to foist their values on others. Permit this kind of poison to infect economic relationships and our ability to resist it elsewhere is seriously weakened.

We throw rocks at the mirror whenever we undertake programs of social leveling, aimed at economic equality. The government promises to aid the poor by redistributing the wealth. This is a power play, and it is the poor — generally the weakest members of society — who are hurt first and most in any power struggle. Furthermore, economic inequalities cannot be overcome by coercive redistribution without establishing political inequalities. Every

form of political redistributionism widens power differentials in society; officeholders have more power, citizens have less; political contests become more intense, because control and dispersal of great wealth is at stake.

Every alternative to the market economy — call it socialism or communism or fascism or whatever — concentrates power over the lives and livelihood of the many in the hands of a few. The principle of equality before the law is discarded — the Rule of Law is incompatible with any form of the planned economy — and, as in the George Orwell satire, some men become more equal than others. We head back toward the Old Regime — the system of privilege.

Every state tends to create the means of its own support — comprising citizens and pressure groups who realize their dependence on the state for such economic advantages as they enjoy. The court at Versailles was the symbol of this under the Old Regime; the symbol in our time is a deep freeze, a vicuna coat, a television set, the relief racket, a lush government contract, farm subsidies, predatory labor unions, or what have you.

Human beings are imperfect now and forever, and the societies we form exhibit all the imperfections individuals display and more

besides. There's no way to achieve utopia; heaven on earth is an impossible dream. But human beings will do better under the system of liberty than under any other social arrangement.

In the nineteenth century, as Tawney pointed out, the abolition of privilege got rid of slavery and serfdom; it turned the peasant into a human being. Furthermore, this was a comparatively peaceful century — between the Congress of Vienna and the First World War. Real wages doubled, redoubled, and doubled again. Diseases were diminished and people lived longer; illiteracy almost disappeared, and people were freer in their daily lives than ever before.

Things were far from perfect, but they were more than tolerable — until a few people got the idea that human affairs could be perfected if the lives of all men were put under political direction and control. This would create a vast power structure on top of society; but the fear of power was overcome by the thought that power, this time, was democratic and majoritarian in nature, and thus benign. The tragic fallacy here is that power obeys the laws of its nature, no matter what the sanction. Political power is invariably coercive, and if used wrongly destroys what it is set up to secure.

Fans of Lewis Carroll will remember his poem, "The Hunting of the Snark." Every time the hunters closed in on their quarry the snark turned out to be a boojum. Every time a determined group of people have concentrated power in a central government to carry out their program, the power they have set up gets out of hand. The classic example of this is the French Revolution, which turned and devoured those who had started it.

It is not so much that power corrupts, as that power obeys its own laws. Our forebears in the old-fashioned Whig-Classical Liberal tradition were aware of this, so they sought to disperse and contain power. They chose political liberty, in full awareness that in a free society the natural differences among human beings would show up in various ways; some would be better off than others, but there would be no political inequality.

The alternative to the free economy is a servile state in which a ruling class enforces an equality of poverty on the masses. To embark on a program of economic leveling is like trying to repeal the law of gravity; it'll never work, and trying to make it work defeats our efforts to attain reasonable goals. ◆

On Economic Rights

DAVID KELLEY

THE MODERN LIBERAL has tried to assume the mantle of liberty's defender as worn by the liberal of the nineteenth century. Though thirty years of his "social experiments," and volumes of theory, have shown that he does not fit the role, his self-image has hardly changed. And most persistent of all, perhaps, is his incongruous claim that he is defending man's rights.

The basis of that claim is the theory of "economic rights," which is founded in society's alleged duty to provide all its members with certain "necessities." These claims of the individual against society, however, cannot be called "rights." Consider, for example, the following assertion of an economic right:

Everyone has the right to education. Education shall be free, at least

in the elementary and fundamental stages. Elementary education shall be compulsory.¹

Such statements are little more than obfuscation; if left unquestioned, they would destroy the meaning of "right," and attach the libertarian connotations of the word to statist programs of compulsion. Let us see why.

It has often been observed that rights are closely connected with duties, that your rights impose obligations on me and the protection of your rights requires restrictions on my freedom to act. This is true so far; the possession of rights would be meaningless if no one were obliged to observe them. But what sort of obligation is involved? In the answer to this question lies the difference between natural rights and the lib-

Mr. Kelley is majoring in philosophy as a student at Brown University.

¹ U.N. Declaration of Human Rights, Article 26, sec. 1.

erals' "economic rights."² A man's natural rights entail only a negative obligation for other men — the obligation not to use force against him. "Economic rights," on the other hand, impose positive obligations, which in fact violate natural rights.

Natural Rights— and Responsibilities

One of the sources for the theory of natural rights is John Locke's *Second Treatise on Civil Government*. Man in the state of nature — that is, man by his own nature — possesses rights to life, liberty, and property. These are all expressions of man's freedom from other men. But what about duties; what does man owe to other men? Only the recognition of their rights.

The state of nature has a law of nature to govern it, which obliges everyone; and reason, which is that law, teaches all mankind who will but consult it, that, being all equal and independent, no one ought to harm another in his life, health, liberty, or possessions.³

² In fact, there is one economic right: the natural right to acquire and dispose of property through free trade. I shall use the phrase "economic right," however, to refer to things like welfare, housing, and education, assuming for the sake of argument that they are rights.

³ *Second Treatise*, sec. 6.

This is the negative obligation not to use force against other men; there is no positive obligation that is natural, as rights are.

Thomas Jefferson held a similar theory. The rights to "life, liberty, and the pursuit of happiness" establish man's independence from other men; they do not, however, entail any positive duties of men toward one another. "From the point of view of the community, 'rights' have a negative implication. . . . His 'natural rights' theory of government left all men naturally free from duties to their neighbors."⁴

It is not difficult to show why these rights do not imply positive duties. Natural rights are all rights to actions. The right to life is not the right to have one's life assured; it is, rather, the right to live. It is the right to take the actions one considers necessary to secure his life and happiness. The right to life does not, however, guarantee the success of any actions — only the freedom to act.

The other natural rights apply to specific areas of freedom. The right to property is the right to own, to use and control, the things one has earned, but it applies only after one has earned them. Whether or not one will earn them

⁴ Daniel J. Boorstin, *The Lost World of Thomas Jefferson* (New York: Henry Holt & Co., 1948), p. 195-6.

is another matter — not a question of rights. Rights protect actions, but they cannot guarantee the success of those actions; they protect men from each other, but not from reality and the fact that only by certain actions can they achieve their purposes.

Human Relations and Economic Rights

One of the areas in which rights protect man's freedom of action is that of human relations. A right to action is a right to act on one's judgment, including his judgment of other men. One is thus free to choose with whom he will associate. Other people, however, also have rights and the freedom to choose, which one is obliged to respect. In any association of men, therefore, the free consent of all involved is a moral prerequisite.

A duty asserts a moral relation between two or more men. According to the libertarian argument, therefore, obligations other than to abstain from the use of force can only be incurred by some previous, freely chosen act, such as signing a contract. Any obligation not incurred in this way would be an infringement on my moral freedom to act as I choose, and thus an infringement on my natural rights.

An examination of "economic rights" will show that they do im-

ply positive obligations which are incompatible with liberty. A man has the right, according to the U.N. Declaration, to a job (Art. 23), leisure (Art. 24), an adequate standard of living, food, clothing, shelter, and security (Art. 25), and education (Art. 26). All of these are, in one form or another, rights to things, to economic goods. The difference here between natural and "economic rights" is evident. Natural rights are rights to these things if one earns them, if one obtains them in mutually voluntary trade with others. "Economic rights," however, attach no such condition to the right; a person has a "right" to have these goods, regardless of how they are to be obtained. Thus, while natural rights guarantee men the freedom to act, though not guaranteeing the success of their actions, "economic rights" guarantee men things produced by the successful actions of others.

The value of economic goods is largely a reflection of the fact that human labor is required for their production. A "right" to an economic good, then, includes a "right" to the human labor involved, that labor which was successful in producing the good. These "rights" obviously impose positive obligations on at least some men; if someone else has a right to something that I produce,

then I am obliged to produce it for him.

Natural rights only require that men abstain from certain kinds of action, but say nothing further about how they should act. "Economic rights," on the other hand, require positive actions from men because they specify the goals and beneficiaries for which they should act. They specify certain products which must be produced, and the methods by which these products are to be distributed. If people have a right to food, clothing, and wealth enough for leisure, these things must be produced; if everyone has a right to them, they must be distributed so that everyone has them. To require that certain things be produced is to require that men produce them, that is, that men act in certain ways, for certain goals. To require that goods be distributed in any way other than by the prior voluntary agreement of the producers is to require that some men act for other men, not as a gift, not out of benevolence, but as a legally enforceable duty.

Imposing on Others

No theory that imposes upon men unchosen duties — which are in no way incurred by their exercise of natural rights — can claim to protect political freedom. If the government tries to protect eco-

nomic rights, it necessarily violates natural ones.

Is there, however, another "dimension of freedom," economic freedom? The concept of "freedom" can only be applied where the potential "oppressor" is not completely determined in his (or its) actions; that is, one can only be free from men. "Economic freedom," however, as liberals use the term, means exemption from certain economic laws. To be free from these, one would have to be free from their conditions. One condition is the nature of reality. Man has certain needs that must be satisfied by recourse to the external world. But if he acts to gain things from nature, he is subject to her laws: "Nature, to be commanded, must be obeyed." Man must discover what will satisfy his needs, how to obtain it, and then act to gain it. Nothing guarantees success at any of these steps, and poverty or disease or ignorance is the penalty imposed on the unsuccessful. No one can be free from this; one cannot legislate a change in reality. One can only substitute the work of someone else for his own, and in doing so, he is not free from the requirements of reality; he has only found a new way of meeting them.

The other condition against which "economic rights" protect is the exercise of free choice by

other men. Thus, in a free society, if a man wants a job, the employer must be willing to hire him; if he wants to buy a product, the producer must be willing to sell it to him. To be free from this condition, one must be free from individual choice, which means: free from freedom, which is meaningless. The obligations which "economic rights" impose restrict one's moral and political freedom without in any way producing a counterbalancing increase in freedom.

Those "rights" have additional antiliberal implications. An obligation to observe the "economic rights" of other people easily becomes a duty to the state, for it is only through the state's programs that such "rights" can be observed. It is only the state, moreover, which can decide what "eco-

omic rights" there are, and who has them, for those "rights" depend on what the economy can afford, and, as a result, are constantly changing. Since "economic rights" infringe upon political freedom, to recognize them is to recognize the right of the state to decide how much freedom it is going to allow, and how much it will destroy, whether that decision is made by a dictator, or by pressure groups, or by majority vote.

The doctrine of "economic rights" thus provides an excuse for statists to destroy the constitutional system of freedom which is based on natural, inalienable rights. That doctrine is therefore a moral and intellectual fraud—the state-conferred benefits to which it refers cannot be called rights. ◆

IDEAS ON LIBERTY

Economics in One Lesson

THE LONG-RUN CONSEQUENCES of some economic policies may become evident in a few months. Others may not become evident for several years. Still others may not become evident for decades. But in every case those long-run consequences are contained in the policy as surely as the hen was in the egg, the flower in the seed.

From this aspect, therefore, the whole of economics can be reduced to a single lesson, and that lesson can be reduced to a single sentence. *The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.*

HENRY HAZLITT



EDUCATION IN AMERICA

GEORGE CHARLES ROCHE III

12. *Philosophy of Growth*

IN THIS EXAMINATION of education in America, we find substantial gaps between the ideal we envision and the reality we face. Closing those gaps by constructing a comprehensive educational "system" seems unrealistic, not only because it is difficult to focus any system upon the individual, but also because society rejects any such attempt. We must remember, however, that the process of education is epitomized by ceaseless questioning, even when the answers seem difficult or distant. In the best sense of educa-

tion, each of us must ask, and finally answer, his own questions. Ethical considerations, in the final analysis, are matters of individual conscience. Unless each of us is free to ask and answer the proper questions, matters of ethical import can hardly be considered, much less decided.

Furthermore, none of us can accurately gauge the mind of another. Those with least apparent promise often come forth with astounding creativity. Education must offer challenge and variety to awaken the individual conscience and draw forth unique qualities and capacities. Looking for the best in others and allowing their free development, *letting*

Dr. Roche is Director of Seminars for the Foundation for Economic Education. He has taught history and philosophy in college and maintains a special interest in American education.

people be themselves, affords each the opportunity to achieve his own potential. Such a view of education implies no "system," no "establishment," in the usual sense.

The central fact of our present educational structure is its failure to allow for individuality. Increasingly institutionalized education emphasizes the collectivity over the individual, denies the significance of religious sanction in the lives of men, insists upon relativity as the highest standard of morality. The result has been a lowering of standards and an erosion of the dignity and worth of the individual—the very antithesis of genuine education.

The Aim of Education

The task of the educator is primarily that of *liberation*. The individual needs to be freed from his limitations in order to develop his potentialities and become a better man than he would otherwise have been. This is the most radical presumption of all. If we assume that the individual can develop his unique potentialities only in freedom, implicit in that assumption is that different people have different capacities and varying rates of progress. Thus, genuine education implies discrimination and difference as distinguished from the dead level of equality.

Once this individual quality of education is understood, it becomes apparent that "social utility" is not an appropriate measure of the student's achievement. Respect for the individual requires that his education be measured in terms of his growth, his *becoming*. The object and the measure of genuine education remains the individual. Development of individual personality, not social conformity, should be education's concern. Education is the process by which the individual gains possession of his soul and becomes a human being fully responsive to his capacities.

In a practical sense, genuine education trains students to *think for themselves*. Mere indoctrination will not suffice:

Cannot we let people be themselves, and enjoy life in their own way? You are trying to make that man another *you*. One's enough.¹

If education is to provide the opportunity for the full development of personality and independent thought, it must also provide a frame of reference giving meaning to that independence. Reverence for truth is quite as important as development of personal uniqueness. Thoreau's remark that "in the long run men hit only

¹ *Emerson: A Modern Anthology*, ed. by Alfred Kazin and Daniel Aaron, p. 363.

what they aim at," should serve to remind us that education must also give status and direction to man's moral existence, convincing the individual that man *is* more than merely animal and therefore possesses correspondingly higher obligations and aspirations.

We may now define in a more precise manner the aim of education. It is to guide man in the evolving dynamism through which he shapes himself as a human person — armed with knowledge, strength of judgment, and moral virtues — while at the same time conveying to him the spiritual heritage of the nation and the civilization in which he is involved, and preserving in this way the century-old achievements of generations.²

Who Is the Educator?

Emerson once criticized the utopian quality of his own work, saying, "I found when I had finished my new lecture that it was a very good house, only the architect had unfortunately omitted the stairs." Such a demanding view of education as outlined in these pages runs the risk of being a "house without stairs." Especially in view of the present institutional structure, what educator can perform such a demanding task?

Fortunately, we need not wait for institutional reform if we wish substantially to improve the

education of our young. Not all education occurs in the school. Education, like charity, begins at home. If the task of reforming a giant educational structure serving millions of children seems too large, could each of us at least assume responsibility for the proper mental and moral development of a single child? The individual need not feel impotent when he has before him a task on a scale which he *can* comprehend as an individual, especially when that task is the development of human personality, surely the single most important undertaking in the world. There is one catch: If the effort is to have the chance to succeed, the individual educator of the individual child must want to meet the challenge.

... people, I am certain, greatly underestimate the power of men to achieve their real choices. But the choices must be real and primary, not secondary ones. Men will often say that they want such and such a thing, and true, they do want such and such a thing, but it turns out that they want something else more. It is what they want most that they will be most active, ingenious, imaginative, and tireless in seeking. When a person decides that he really wants something, he finds he can surpass himself; he can change circumstances and attain to a goal that in his duller hours seemed unattainable. As an old teacher of mine used to say, "When

² Jacques Maritain, *Education at the Crossroads*, p. 10.

you have done your utmost, something will be given to you." But first must come the honest desire.³

Parents

Unfortunately, many parents have been unwilling to assume primary responsibility for their offspring. It is true that the modern school has tended to assume functions for which it was ill-suited, thus becoming a poor substitute for the parent, but the primary blame must rest with the negligence of many parents.

The selfishness of more and more of our contemporary parents also manifests itself in neglect of children. Parents all too often pity themselves, run away from their plain duty, their chief job, their greatest avenue to the respect of God and of honest men. They place their own welfare, even their amusements ahead of the well-being of their sons and daughters. They may, and usually do, see that the boys and girls are clothed, fed, washed, have their teeth attended to; but to make pals of them, to live with them, to laugh and cry and work and play with them, lovingly but firmly to discipline them, this takes too much time and effort altogether. The American parent tends increasingly to pamper himself or herself. In consequence little is taught to the children by precept and less by example. Then the parents dump their progeny at the feet of the school-

master and schoolmistress and say, "Here, we have no time to bring these youngsters up, nor have we any stomach for the job. You take them over, as totally as possible, and do what we will not do for our own. Train them in character; that is what you get paid for."⁴

Before we can impart self-discipline to our children, we must first possess that quality ourselves. We cannot solve the problem of raising children by pretending to make the schools responsible; nor can we solve the problem of exercising authority by transferring that authority to the children themselves.

Let us have a little severe hard work, good, clean, well-written exercises, well-pronounced words, well-set-down sums: and as far as head-work goes, no more. . . . Let us have a bit of solid, hard, tidy work. . . .

And one must do this to children, not only to love them, but to make them free and proud: If a boy slouches out of a door, throw a book at him, like lightning; don't stand for the degenerate, nervous, twisting, wistful, pathetic centreless children we are cursed with: or the fat and self-satisfied, sheep-in-the-pasture children who are becoming more common: or the impudent, I'm-as-good-as-anybody smirking children who are far too numerous.⁵

⁴ Bernard Iddings Bell, *Crisis in Education*, pp. 98-99.

⁵ G. H. Bantock, *Freedom and Authority in Education*, pp. 175, 177.

³ Richard Weaver, *Life without Prejudice*, p. 119.

How many parents would face up to such a responsibility in their own home? How many would tolerate, much less encourage, a school operated on such "old-fashioned" principles? The process of character building is a demanding, day-by-day job. The job implies great expectations in the child, plus the parent's willingness to give the sustained time and effort to insist that the expectation is fulfilled.

Not only must the parent be prepared to give of himself to accomplish the task, but he must be prepared to set the proper example. Does this demand a great deal of each of us? Yes, indeed! And no amount of tax collection and PTA activity can serve as a substitute. Any area of life where we achieve success demands time, energy, patience — expenditure of *self*. Surely the building of a family and the raising of children can be no exception. It is not enough to know what is right; we must also live that knowledge. "If one's wisdom exceeds one's deeds, the wisdom will not endure." This is a highly individual task, one which cannot be successfully collectivized.

Teachers

Does such parental responsibility rule out the importance of the teacher? Indeed not. The dedicated teacher, who has mastered him-

self and who would spend his life in helping the young to master their lives, is engaged in one of the highest callings. Without such men and women, the school as an extension of parental responsibility would be impossible. In fact, it has been the devotion to duty of many teachers and administrators which has enabled our educational system to keep operating successfully, despite bureaucratic rigidity and parental flight from responsibility. Still, the good teacher is fighting a losing fight unless the home enforces the discipline and standards necessary to support the learning experience of the classroom. Ultimately, failures in education rest with the individual parents who are willing to accept less than the best, and unwilling to fulfill their own responsibilities. Our children finally receive an education which is an accurate reflection of the principles accepted by adult society.

Public Funding of Education

The Bundy Report on urban education, financed by the Ford Foundation, has described the current educational bureaucracy as "a system already grown rigid in its negative powers," and has warned that power and responsibility must go hand in hand. This was to have been achieved by the now famous "decentraliza-

tion." In practical terms, the results of decentralization in New York City Public Schools have been a resounding failure. The entire nation has watched public education in Ocean Hill-Brownsville literally come to a halt. But this is not the failure of a genuine attempt at decentralization. The people have insisted that schools be publicly funded, and yet pretended that somehow this would not affect the decision-making process in neighborhood schools. Power and responsibility have not been allowed to flow together. The individual parents in Ocean Hill-Brownsville should have a say in the education of their children; they also should pay for that education. So long as they lack that responsibility, it is not surprising that they act irresponsibly.

Across this nation, those parents who would exercise responsible choice in the education of their children are penalized for their responsible behavior. Parents who would place their children in a private school more responsive to their values and attitudes are advised by the tax collector, "First support the state's educational philosophy; then, if you have any surplus resources, you may pursue *your* educational philosophy."

Education in America has become a reflection of the insistence

that education be a function of government, cost free to participating students, fully financed at taxpayer expense. What originated as *local* schooling, supported by taxation in the immediate community (and therefore somewhat responsive to local and parental wishes) has inexorably moved toward bureaucratic bigness — the fate of all publicly funded projects. On the local level, the parent finds the system less and less responsive to his concerns. Meanwhile, power has tended to gravitate from the little red schoolhouse to the State House and from the State House to Washington. Control of the purse strings has brought control of education.

The remaining private educational institutions on all levels face exorbitant costs as they try to compete for scarce educational resources. How are they to attract students and faculty in view of the expensive plants, research facilities, salary scales, and subsidized tuition offered by "public" institutions? Many have succumbed to the lure of state and Federal aid, losing self-control in the process.

Proposals for Relief

There have been various proposals for relief of this bureaucratic congestion, among them the idea of "decentralization." But recent

events should make it clear that no genuine decentralization can occur under public funding. The effect of socialized finance in any project, education included, is toward more centralized control, not less.

Another proposal is to allow the individual tax credit for income spent or given for educational purposes. This, too, might serve as a holding action, though it still fails to deal with the underlying moral issue. Why should the money of one citizen be taken by force to finance the education of other peoples' children, any more than to finance the building of other peoples' homes, the gasoline for other peoples' cars, the payment of other peoples' medical expenses? I have yet to hear a compelling *moral* argument justifying coercion for such a purpose.

So long as we are willing to allow an immoral premise to dominate our educational endeavors, we must be willing to live with ugly results. The only lasting solution is to remove education from the hands of government, restoring responsibility to the student and the parent.

The response at that point tends to be, "Why, if there were no public education, parents wouldn't send their children to school!" I have yet to meet the person who will not send *his* children to

school. It is always those *other people* who would supposedly be remiss in their duty. A parallel case may be discovered in the arguments of the last century concerning organized religion. The original argument for a state-supported church was that religion would fail if people were given their choice whether or not to support organized religion. The identical argument is advanced today in regard to education, despite the fact that religion thrives after more than a century of separation of church from state. Is there any compelling reason why voluntary support of education should not be given a similar opportunity?

Ultimate Solution Lies in Freedom and Responsibility

Educational reform must begin with parents as individuals, with the recognition that better upbringing for their children lies in their hands, not in the hands of the state. If and when enough parents begin living their lives self-responsibly and apply such principles to their children who are an extension of self, a new educational day will have dawned. The answer, then, is not to "throw the rascals out," substituting good men for bad in the political control of collectivized education. Instead, let each act in his own small orbit, with his own children, with

those whom he influences directly. If one's example and understanding are of high enough quality, the educational picture will begin to change *no matter what course politicalized education might take.*

Those who effect great revolutions are always small in number. Such people need not wait to become a majority. No one else *can* do the job except those who under-

stand what needs to be done. The disruptive influence of political centralization in education will continue until it has been overshadowed and rendered meaningless by a moral force of sufficient intensity, a force generated by individuals who understand what is at stake and who serve notice by their own example that a better way exists to educate our young.



This article concludes the series on Education in America.

Bound volumes now available —

EDUCATION IN AMERICA

by George Charles Roche III

CHAPTER TITLES:

1. What Has Happened?
2. Freedom, Morality, and Education
3. Scientism and the Collapse of Standards
4. The Decline of Intellect
5. Discipline or Disaster?
6. The Perpetual Adolescent
7. Why Institutionalize Our Errors?
8. The Multiversity
9. Academic Freedom for What?
10. Revolt on Campus
11. Creativity
12. A Philosophy of Growth

176 pages, fully indexed. \$3.50 cloth; \$1.75 paper

Order from: THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

TOO MAD to LAUGH

THOUGH it is sometimes said that ours is an immoral or at least an amoral generation, this is manifestly untrue. It would be far closer to the truth to say that we are too moral, too judgmental, too condemning. The photographs of campus confrontations and violence normally depict those who are "angry." "Professor faces irate students" is a standard headline. Always there is some claim about injustice or unfairness, and the faces in the photographs are contorted by bitterness. If there is any pleasure, it is the pleasure of denunciation. There is no lack of dedication; what is lacking is laughter!

Since the issues in the confrontations are uniformly simple, in the eyes of the violent, instead of calm discussion, we have "demands." The mood which now receives the most publicity is strikingly similar to that of John

Brown at Harpers Ferry. The ones who are featured in the headlines are not marked by a lack of concern for morals, but by that extreme concern for morals which is the essence of fanaticism. We are, in fact, plagued by an inverted Puritanism.

The lack of humor is abundantly evident in contemporary student assemblies. The speaker, in addressing a thousand students, employs an approach which has appealed to many other student generations as very funny, but only a small minority now laughs. The others keep their straight Puritanical faces. It is not that they have heard the joke before; it is simply a failure to respond to subtle approaches to the truth. Violent attack is a different matter and this brings instant response, but dull people are not made wise simply by becoming angry.

The decline of laughter is not merely an evidence of the widely publicized "generation gap." Indeed, there is grave doubt whether the generation gap so often mentioned exists at all. Though there is always some difficulty in communication between different ages of human beings, this is not now the chief problem. What has appeared is an "idea gap." I realize how nearly independent of age this is when I encounter the enormous difficulty of communication between groups of the same age. I feel actually closer in thought to some persons of twenty than to some of my own age.

The decline of laughter appears to depend on nothing more profound than the recognition that ours is an imperfect world. Why this should be a shocking discovery, I have no idea, but it seems to be such to many in our generation. Much of the problem is really philosophical. Millions have imbibed the sentimental idea of natural human goodness and have really expected utopia right around

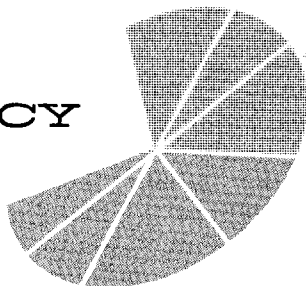
the corner. When it does not come, they are angry in their disappointment and begin to indulge in harsh judgment of others. The emphasis, accordingly, is always on other people's sins, but never on our own. If only the establishment could be changed or replaced, then the problem would be solved! But, of course, it is not solved. In the progress of the French Revolution the establishment was displaced, all right, but what ensued was a reign of terror.

What we need in our time is a mature realism which makes us understand that the human predicament is with us to stay. We shall not eliminate sin in others and we shall not eliminate it in ourselves. We shall not achieve utopia in universities or anywhere else, though we can make some things relatively better than they are. Meanwhile we are wise to learn again to laugh, primarily at ourselves. ♦

This article by the noted Quaker author and philosopher is reprinted by permission from *Quaker Life*, published by the Friends United Meeting, Richmond, Indiana.

WE PASS for what we are. Character teaches above our wills. Men imagine that they communicate their virtue or vice only by overt actions, and do not see that virtue or vice emit a breath every moment.

TAX POLICY



HANS F. SENNHOLZ

AN IMPORTANT PILLAR of our republican form of government is the people's control over government spending. Representative government means budgetary control. The people, through their representatives, consent to certain taxation in order to facilitate public policies. They determine the task of the Administration and its expenditures. No penny must be spent without the consent of Congress.

Senator Monroney of Oklahoma, Chairman of the Joint Committee on Organization of Congress, briefly described this pillar as follows: "The primary function of the Congress is still the exercise of the power of the purse . . . If we use this power well, we can and will be able to control the size

of government, its activities, and the number of people who find their way on or off the payroll. This is the major responsibility given to the Congress by the Constitution. We dare not fail in this assignment." But how has the Congress actually discharged this duty during the 1960's?

Since 1960 the Federal government has grown rapidly in size and expense. Administrative Budget expenditures alone have risen from \$76.5 billion in 1960 to an estimated \$153.9 billion in the fiscal year ending June 30, 1970. (Cf. The Budget of the United States Government for 1970, p. 524.)

But this is not the only Federal budget. The 130 Federal trust funds, among which the Old-Age and Survivors' Insurance (Social Security) and the Hospital Insur-

Dr. Sennholz heads the Department of Economics at Grove City College in Pennsylvania.

ance Trust Fund (Medicare) are the largest, receive taxes and disburse funds without Congressional appropriations. Their expenditures have grown even more significantly than Administrative spending. From 1960 to 1970 they are expected to rise from \$21.2 billion to \$48.3 billion, or 128 per cent.

And finally, there are some 85 Federal enterprises and government-sponsored enterprises that are scheduled to spend another \$31 billion. Altogether, the Federal government plans to spend \$232 billion in the coming fiscal year. When compared with 1960, this constitutes an increase of nearly \$120 billion.

The Burden Grows

Since 1960 the Federal government has more than doubled its taxing and spending and, at the given rate of growth, must be expected to double again in less than 10 years. The growth rate of Federal Trust Funds, which cover more than two-thirds of the total Federal expenditures on health, education, and welfare, will probably exceed all others. In the 1970 Budget, Trust Fund receipts are estimated at \$50.9 billion, or 35 per cent of total administrative receipts of \$147.8 billion. Nor does there appear in sight any end to the expansion of the Social Security and Medicare programs.

In terms of total personal income of \$800 billion, which is the government's favorite measure of progress and prosperity, the 1970 Federal tax take of \$198.6 billion amounts to approximately one-fourth. But personal income is a gross estimate that includes personal taxes of more than \$105 billion. If we deduct this amount and base our calculations on disposable personal income of only \$700 billion, the \$198.6 billion of Federal spending amounts to 29 per cent.

But how is this possible if most people pay Federal income tax rates below 29 per cent? Many individuals, in fact, pay much higher rates. Highly productive businessmen pay various corporation taxes in excess of 50 per cent plus individual income taxes of 50 per cent or more on the remainder, which comes to 75 per cent or more of their earned incomes.

The tax burden of government that is frequently overlooked is hidden in the costs of all goods and services we consume. All goods bear taxes that account for varying shares of the purchase price. This is how every citizen, even the poorest member of society, must bear the growing burden of his government. Taxes are the largest single item in our cost of living; nothing else can compare with the cost of government. For instance, Americans spend

less than \$100 billion on food per year and more than twice this amount to finance the Federal government.

To Change the Economy

We often forget that taxation aims not only at raising the desired revenue but also at other purposes. Today, taxes are a favorite tool of government policy and control. In the past, regulation through taxation was limited, by and large, to protective tariffs which restricted the supply of goods in order to benefit certain producers. Modern regulatory objectives are much wider and more far-reaching. Some taxes aim at influencing certain consumption. Some are designed to affect certain sectors of production and trade. Others are to change business customs and conduct. Still others aim at controlling or changing our economic system. The revenue accruing to the government treasury may be a desirable but not vital objective of taxation.

Taxation may even aim at changing our economic system. All taxes that attack the substance of private property, destroy individual incentive, and prevent capital formation, are gnawing at the foundation of a free economy. Confiscatory income taxes and business taxes diminish the incentive to work. Many professional

people whose services are urgently needed by society are induced to work less and retire earlier than they otherwise would. Young men may be tempted not to enter business and become founders and promoters of successful enterprises, but to seek security and prestige in government offices and appointments.

Confiscatory taxes that aim at the roots of our individual enterprise system, spend and consume what generations have built and accumulated. Heavy death duties and highly progressive business and income taxes tend to consume productive capital. It is true, such taxes do not destroy the real capital — factories and equipment — but they consume the liquid cash the heirs must raise in order to satisfy tax claims. In expectation of his demise, a successful businessman may sell out to his competitors in order to prepare his estate with readily marketable securities, such as U.S. Treasury bonds. The confiscatory death tax thus eliminates many independent enterprises and promotes growth of giant corporations.

To Equalize Incomes

Our present tax structure openly aims at greater equalization of income and wealth through tax rate progression. However, this must not be understood to mean

that the system relieves the lowest income brackets from a proportional share of the tax burden. On the contrary, it has been proven by a number of able writers that even the poorest people pay a higher percentage of their income in indirect taxes than does the class with the greatest number of taxpayers.

F. A. Hayek, eminent Austrian economist, found that "it was not the poorest but the most numerous and therefore politically most powerful classes which were left off relatively lightly, while not only those above them but also those below them were burdened more heavily—approximately in proportion to their smaller political strength."

Taxation is no simple government matter. It presents problems of shifting, diffusion, and incidence, the difficulties of which challenge even the ablest economist. Every tax sets into operation a chain of reactions that affect industrial production, wages, income, employment, standard of living, mode of living, and so on. Most legislators probably are unaware of the numerous economic effects of the taxes imposed.

They may be unaware that the steep graduation of the income tax accomplishes the very opposite of what it was meant to do. It perpetuates economic and social in-

equalities and thereby creates a rigid class structure that divides society. The expropriation of high incomes effectively prevents formation of capital and wealth that facilitate individual improvement. How can an able newcomer from the wrong side of town rise to economic and social eminence if his "excess income" is expropriated at every turn of success? How can he challenge the business establishment with its hereditary wealth and position if he is prevented from accumulating the necessary capital?

On the other hand, old businesses can relax, turn inefficient and bureaucratic because newcomers with excess profits are prevented by confiscatory taxation from ever challenging the establishment. It is true, the tax progression prevents the rich from growing richer; but it also protects them from the threats of competition by ambitious and able newcomers. Thus the rich stay rich, and the poor stay poor, which gives birth to economic and social classes. Instead of individual effort and productivity, the coincidence of birth and inheritance becomes the main economic determinant for most individuals.

To Fight Inflation

The tax objective that has been very much in the news through-

out the 1960's is the cure of inflation. Taxes are raised or reduced depending on the rate of inflation. Surtaxes are imposed and tax credits for equipment purchases are repealed because inflation is said to require the tax boost.

The rationale of this taxation is based on the popular, although erroneous, notion of inflation. According to this view, rising prices are inflation. Prices are pushed up by profit-seeking businessmen and labor unions seeking unreasonable wage increases. In order to reduce their purchasing power, which is reflected in an ever-rising demand for production equipment by business and for consumers' goods by labor, the Federal government aims to check this demand through higher taxes.

Unfortunately, such tax levies cannot alleviate inflation, but may actually make matters worse, because they do not attack the root of the inflation problem. The futility of taxation as an inflation remedy becomes apparent as soon as we accurately define inflation. If we bear in mind that inflation actually is the creation of new money by government, we clearly perceive the futility of trying to cure inflation by new tax levies which merely shift more purchasing power from the people to the government. Taxes do not halt the printing presses; only the Presi-

dent and his monetary authorities can halt them.

If the monetary authorities continue to print money or create credit, no tax, no matter how high, can prevent the effects of inflation, such as rising prices and wages. It is true, rising taxes may cause havoc and ruin for taxpayers, but they do not necessarily slow down the government money presses. It is even conceivable that profits and interest might be completely expropriated — which, of course, would precipitate economic stagnation and chaos — and yet inflation could continue to ravage the country. After all, one does not preclude the other. In fact, the policies complement one another as they extract income and wealth from the people.

Taxation and Inflation Twins

Taxation and inflation are twin burdens imposed by government. A given administration may resort to inflation because taxation is unpopular; and the next administration may choose to tax because inflation is unpopular. But both measures further reduce the people's income and wealth. Inflation reduces the people's real income through higher prices. Fixed income receivers and owners of money or claims to money have their real purchasing power reduced in proportion as the govern-

ment gains through money creation and deficit spending. Though the following administration may resort to higher taxation, it does not thereby reduce the money supply created by its predecessor. So, prices stay high even though the money presses may be silent for a while. The new tax levies on business tend to reduce capital investment and economic output. And this lower output in turn raises prices even higher. Both inflation and taxation thus raise prices and reduce disposable real income while boosting government revenue.

It is true, if the surtax revenue were applied toward reduction of the money supply, prices would tend to decline. The inflation would be followed by a deflation with all its disastrous consequences. But the burdensomeness of government would not be reduced by the shift in policy. The people, instead, would face three blows of government finance: inflation, taxation, and deflation. Can a free economy survive such an assault?

Inflation — the creation of new money — can be halted without delay. Its inevitable effects gradually spread throughout the system and run their course. Prices may continue to rise many months after the new money was first created. After all, economic ad-

justments take time. During this period of readjustment which presents great difficulties to business, a wise administration would *reduce* its tax burden rather than raise it.

Taxes Should be Neutral

In a free society the cost of government should be small compared with national income. Nevertheless, government must resort to taxation in order to cover its expenditures. But this taxation should not intentionally divert the economy from production chosen and directed by millions of consumers. Taxes should be neutral.

A neutral tax would merely take a part of every citizen's income for public expenditure without aiming at regulating or changing the economic actions of people. In particular, it would not hamper economic freedom and would not promote government enterprises with taxpayers' money. In fact, government would terminate its ownership or operation of business-type activities for which there is no specific constitutional authorization, returning such properties through competitive bidding to individuals and private business organizations.

Such a withdrawal of the Federal government from activities that by tradition and constitution were left to the individual would

instantly reduce the need for tax revenues. For instance the Federal government owns 32.3 per cent of the total land and water area of the United States. More than 700 Federal departments, agencies, and subagencies carry on business-type activities, such as loans, grants, research, propaganda, news and advisory services, transportation, communications, construction, management of land and other resources, generation and transmission and distribution of power, and so on. If all this bureaucratic activity were liquidated and the vast assets sold to the people, a great many tax problems would vanish. In the hands of taxpayers this property not only would yield tax revenues instead of consuming them but also would be made productive in the service of human needs and wants.

Such a fiscal reform would revitalize the ideals and principles that made this nation great; it would permit reduction of many taxes and the abolition of those most damaging to the economy.

Welfare Through Tax Reductions

Substantial reduction of estate and income taxation would give new life to private charity and voluntary social action. There can be no doubt that many contemporary evils, such as persistent

poverty, chronic unemployment, lack of education and training, slums and crime, have grown to such frightening proportions because confiscatory taxes have crippled private charity and voluntary social action. The Federal government now faces intolerable conditions and loud demands for their solution because it has nearly preempted social welfare through its tax policy. When almost 40 per cent of personal and corporate income is consumed by various levels of government, there is little left for private charity and voluntary social action.

The Federal government alone cannot solve the burning economic and social problems of our time, but it could help to revitalize private effort by removing or liberalizing its limits on the deductibility of charitable contributions.

To encourage independent action toward desirable social objectives, the Federal government must, above all, cease to discriminate against the very individuals it aims to benefit. The aged, for instance, whose well-being is a primary concern of contemporary government, now lose their Social Security benefits if they should continue to earn certain wages. Why not halt this discrimination and permit them to work freely for their own support and betterment? If retired workers con-

tribute their efforts and talents to charitable endeavors, why shouldn't such contributions be treated as "gifts" by the tax code?

Economic development is said to be an important objective of the Federal government. Yet, such development by individuals — whatever is built and created — is immediately subjected to taxation by all levels of government. A wiser tax policy would seek to reward individual effort rather than penalize it. Tax credits might help to spark business development in depressed areas. To provide employment for educationally and culturally handicapped workers, the minimum wage legislation could be revised in ways that would permit employers to hire and train them.

If education is seriously considered a governmental responsibility, why not adopt tax policies

that would encourage rather than discourage private efforts to that end?

If slum clearance and urban renewal are desirable, why not encourage private enterprise to help, through tax incentives rather than penalties?

A wise tax policy need not impose ever higher taxes but might, instead, give recognition to individual effort and achievement toward the realization of welfare objectives. Above all, care should be taken not to cause the very evils the intervention is meant to alleviate.

Of course, such tax policy would not be neutral. It would still reflect government planning and directing along welfare state lines. But it might be a hopeful initial step on the road back toward self-reliance and universally lower taxation. ♦

IDEAS ON LIBERTY

Proportional Taxation

STRAIGHT PROPORTIONAL TAXATION is the only practical and definite arithmetic principle of direct taxation that there is between the principles of (a) everybody paying the same amount of tax and (b) income equalization, that is, taxation, coupled with subsidy, which results in everyone having the same income *after* the tax and subsidy.

Beyond the Law

THESE are days in which the once vigorous confidence of men in the principles of the secular society is wearing thin. The "liberty" so ardently proclaimed by the eighteenth-century *philosophes* has become a limp banner miscellaneously stained by partisan spokesmen. Its purposes are so narrowly conventionalized that about all that remains of its splendor is a rhetorical ring. The ideal of fraternity, while still cherished by many men, exercises no noticeable restraint on the application of technological skills to military slaughter. And the unquiet desperation of urban riots and student protests gives voice to denunciations of the inequality in ordered social relationships.

What has gone wrong? No man of humane intelligence is ready to abandon the great conceptions by which the secular society was

shaped. The ideals of liberty, equality, and fraternity still rule in all thinking about social ethics, but now we praise and declare them in a mood of despair instead of high expectation. The social systems constructed to embody these principles have turned against them in so many devious ways that the best efforts of men to serve them often lead to new falsifications. Have we made some mistake so deep lying that it universalizes its disorder in whatever we do? Can we identify that mistake without permitting our analysis to degrade into some form of hackneyed political criticism? This will be difficult to do in an age when thought can attract no wide attention unless it is politically partisan.

Now it may be right here, in this insistence on political application, that our basic trouble lies. For the passion for law-making and political system-building re-

An editorial reprinted by permission from the July 24, 1968 issue of MANAS, a journal of independent inquiry published in Los Angeles.

sults, sooner or later, in the establishment of certain popular fictions about man and his life in society. These fictions are held to be socially necessary, and therefore pragmatically true. Quite possibly these fictions, and not the ideals of the secular society, are what is breaking down.

Take for example the foundation secular principle of the separation of church and state. The virtues of this separation are self-evident. From any impartial point of view the defenders of separation are unmistakably right in their contentions. How do we know they are right? They are right because the historical record of theocracy can be shown to be filled with intolerable tyrannies. No argument.

But it does not follow from this empirical support of secularism and separation of church and state that religious thought has no importance or will not continue. Practical secularists know this, of course. They simply argue for freedom of religion, contending that religious activity should never lead to sectarian control in public affairs.

Practical difficulties remain. Moral philosophy and religious teachings overlap. Political systems claim a moral ground. The very ideas of liberty, equality, and fraternity spring from ethical

inspiration. Even atheism, as Paul Tillich pointed out, has a religious aspect, and the United States Supreme Court, in a recent decision affecting conscientious objectors, declared that free-thinking philosophical convictions must be regarded as having the same standing before the law as "religious training and belief." Meanwhile, dozens of writers have drawn attention to the parallels between authoritarian political states and the rule of theocratic empires in the past.

Secular Solutions Fail

What then does the secular state attempt? In practice, it endeavors to prevent the religious acquisition of political power or coercive authority, and to foster, as well as it can, a generalized morality which derives its authority from reason and its sanctions from non-theological rules.

In itself, this arrangement may be said to be "ideal," so far as lawmakers are concerned. But the question which must be asked is whether the assumption that essential human problems can all be settled by law is a creeping delusion that comes to dominate the thinking of secular lawmakers. The obsessive concern with ideology and the insistence on political action as the only important means for improving the human condi-

tion are evidence of one of the fictions we spoke about earlier — the assumption that final human good can be defined in political terms. *Any* definition concerned with final good requires the postulates of religion or of religious philosophy. So, from this assumption by secularists, schism is built into the secular society.

The Role of the State

What, actually, is the secular state? It is an ordering social institution which declares its neutrality on all questions not directly concerned with the public safety and the general welfare. It will not interfere with the lives and opinions of men, save in behalf of these practical ends. Many of the principles of the secular state are found in a passage in John Stuart Mill's essay on Liberty. He wrote:

The object of this essay is to assert one very simple principle, as entitled to govern absolutely the dealings of society with the individual in the way of compulsion or control, whether the means used be physical force in the form of legal penalties, or the moral coercion of public opinion. That principle is that the sole end for which mankind are warranted individually or collectively in interfering with the liberty of action of any of their number is self-protection; that the only pur-

pose for which power can rightfully be exercised over any member of a civilized community against his will is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant. He cannot be rightfully compelled to do or forbear because it will be better for him to do so, because it will make him happier, because in the opinions of others to do so would be wise or even right. These are good reasons for remonstrating with him, or reasoning with him, or persuading him, or entreating him, but not for compelling him, or visiting him with any evil in case he do otherwise. To justify that, the conduct from which it is desired to deter him must be calculated to produce evil to someone else. The only part of the conduct of any one for which he is amenable to society is that which concerns others. In the part which merely concerns himself his independence is of right, absolute. Over himself, over his own mind and body, the individual is sovereign.

This is a view which, by reason of its crucial moral derivation, we dare not give up, but it is also a view, by reason of many practical failures, we are now obliged to look at very closely — or, rather, from a stance different from the one which gives it emotional but uncritical support. It is easy to assent to Mill's principles on intuitive grounds; why, then, do they work so poorly?

Minimizing the Error

In a world inhabited by imperfect men, some failure, no doubt, is inevitable. The question is, would less failure become possible if we reformulated the problem?

For example, the context of the discussion is the political issue of the state's right to coerce. Mr. Mill would limit that right. What is the intent of social control? The securing of behavior that is socially tolerable or acceptable. What is the principle of limit to control? The intuitively given importance of individual liberty.

Now liberty is really an incommensurable value which always has its wings clipped by definition. If we actually knew all that liberty or freedom implies for human beings we would be so wise that we would have no social problems at all. Politics, however, as we say, is a practical matter, so, for the purposes of social arrangements, we give a pragmatic, working meaning to liberty and make our laws.

But the transcendental content of freedom is neither contained nor exhausted by such political limitations and securities. There are other ways of considering its meaning.

The role of the State, practically speaking, is control. At best it is traffic-management and channeling. But there are other institu-

tions—schools, for example—whose role is almost opposite. Schools are intended to *liberate* human beings—that is, unfold their capacities in ways that will enable them to taste the possibilities of freedom more extensively. Schools also teach the disciplines of mutuality, of cooperation and sharing. A human being, enlarged and matured by education, has more freedom than an ignorant man because he is able to avail himself of many more potentialities of action, much wider ranges of choice in the exercise of his powers.

Precision Without Coercion

In education, there is also a principle of necessary order, but it is not coercive. For the student, discovery of the use of limits gives precision to his knowledge. So, in the context of education, the import of the question of freedom versus order is radically changed. Managing the subtle balances between these two principles is the essential process of growing into maturity, and education is the collaborative art which helps individuals to learn this management for themselves, so that they eventually become independently good at it—which is to be *free*.

Coercion plays absolutely no part in education; it appears only when there is some perversion or

breakdown in the process of education. This hardly needs argument.

The natural teacher never imposes arbitrary limits on his students. A reasonable limit gains personal adoption by the students. The teacher may intimate the necessity of limits, but he does not impose them. Any course of study will require some boundaries, in order to achieve a focus, but education does not begin until the student sees the function of the boundaries and begins to decide for himself when to stay within them and when to go beyond them. An arbitrary limit accepted by the student would not give him a genuine form to work in — but only a pseudo-form, a context of indoctrination. Some day, if he has spirit and intelligence, he will abandon that form as a barrier to his growth.

All this is elementary. We know it from our intuitions about human growth and our experience in education and in human relations. But putting this knowledge to work in teaching involves endless delicacies, gentle encouragement, patience, and severe regulation of one's bursting eagerness to help people along.

All this is elementary, absolutely certain in respect to human development, yet it has nothing to do with coercion, nothing to do with

politics, nothing to do with well-considered organization for opposing or controlling tyranny. But it has everything to do with what we call the good society. Unless these educational realities form the foundation of social life in individual relationships, there cannot be a good society. This, too, is elementary.

The Primary Sources of Goodness

Here, then, is the focal trouble with John Stuart Mill's essay on Liberty. It ignores the primary sources of goodness in human life and concentrates on the secondary considerations of political forms. Most of modern thought similarly concentrates on secondary considerations. And that is why the "ideal" political forms, logically described and brilliantly defended, produce so many terrible dilemmas. Our exhaustive deliberations concerning these forms neglect the all-important fact that every political system — good, bad, indifferent — floats in a sea of primary human relations which coercion can never order or get at, except smotheringly and destructively. Political thinking by-passes the very springs of all the primary good in human life. Then, when we experience so much pain from political failure, we conclude that we must remedy our politics with a better system, when the fact

is that our real difficulties are not political at all. The trouble originates in our lack of attention to the uncoercive disciplines.

It is difficult to obtain agreement for this view because there is so much pain generated by politics. But to accept political diagnoses for the pain is to accept a static, depressed estimate of all men. It is to reject the idea of *human* progress, as distinguished from the external forms of social or political progress. Today, at last, we may be in a position to recognize this mistake, simply because recent history has proved how little we really know about the meaning of progress.

Freedom and Order?

It is of course a cliché of do-nothing passivity to claim that education is the alternative to political activism. But a basic complaint of all political critics of modern society is that our education is no good, either. And it is certainly a fact that modern Western education has been the chief agency for creating faith in the fiction that politics will solve all our problems. Only an education independent of ideological fictions can serve our need.

But the need for social controls is *real*, isn't it? Of course. In political dialogue, you do not argue this question unless you are

an anarchist. The crucial point, however, is that the problem of coercive control is always allowed to absorb our energies *too soon*. And when this happens in education, it is always fatal. The teacher who jumps to control of his students, interrupting tentative efforts of their own at self-limitation, becomes an anti-human force, a destroyer of education. He is abolishing or limiting freedom when he doesn't *need* to. You could say of such a teacher that he has been infected by the political approach to life, obsessed by the last-ditch necessities of coercion. He may not know any better. But he makes the invasions of political control more and more likely, and perhaps "necessary," with every interference with the self-discovery and self-control of his students. Every act of arbitrary control in education is a self-fulfilling prophecy of human defeat, generating the necessities of future coercion.

The problem of freedom and order can never be settled at the level where the cause of true human freedom is *already lost* — the political level. The more you try to establish freedom at that level, the more you fence it in. And the more it is fenced in, the bitterer the disputes of political rivals with one another. How else can things go, when you discuss free-

dom only in terms of controlling it by coercion?

**Critique of Mill by
James Fitzjames Stephen**

It is interesting to look at a long-neglected criticism of Mr. Mill by one of his contemporaries. We have for review James Fitzjames Stephen's *Liberty, Equality, Fraternity*, first published in 1874 and now reissued, with R. J. White as editor, by the Cambridge University Press (1967, \$7.50). According to the jacket:

Stephen's work is written as a systematic denunciation of John Stuart Mill's political thought. It is thus of great importance in the history of Utilitarianism, and also as the most forthright and systematic of the Victorian attacks on Democracy. Against Mill's hopes for an educated populace, Stephen insists on the prime need for coercion. He denounces Mill's concept of Liberty as destructive of the social order and denies that the concept of justice has any necessary connection with the ideal of social equality.

This introduction is enough to make you wonder if Stephen is worth reading at all. But the fact is that his arguments are brilliant, and even persuasive, since he attacks Mill with all the realities of social experience which contradict the fiction that social control through secular political power is

sufficient to solve human problems. In one place Stephen says:

I believe it to be simply impossible that legislation should be really neutral as to any religion which is professed by any large number of the persons legislated for. He that is not for such a religion is against it. Real neutrality is possible only with regard to forms of religion which are not professed at all by the subjects of legislation, or which are professed by so few of them that their opinions can be regarded as unimportant by the rest. English legislation in England is neutral as to Mahommedanism and Brahmanism. English legislation in India proceeds on the assumption that both are false. If it did not, it would have to be founded on the Koran or the Institutes of Manu. If this is so, it is practically certain that coercion will be exercised in favour of some religious opinions and against others, and the question whether such coercion is good or bad will depend upon the view of religion which is taken by different people.

A little later Mr. Stephen considers what the secular authority must say to a religion claiming divine authority for its teachings:

Your creed is, no doubt, divine, and you are the agents of God for the purpose of teaching it, but liberty of opinion is also more or less divine, and the civil ruler has his own rights and duties as well as the

successors of the Apostles. But, convenient as this is, it is a mere compromise. The theory is untrue, and no one really believes more than that half of it which suits him. If spiritual means that which relates to thought and feeling, every act of life is spiritual, for in every act there is a mental element which gives it its moral character. If temporal means outward and visible, then every act is temporal, for every thought and feeling tends toward and is embodied in action. In fact every human action is both temporal and spiritual. The attempt to distinguish between temporal and spiritual, between Church and State, is like the attempt to distinguish between substance and form. Formless matter or unsubstantial form are expressions which have no meaning, and in the same way things temporal and things spiritual presuppose and run into each other at every point. Human life is one and indivisible, and is or ought to be regulated by one set of principles and not by a multitude.

What a pity this was not said by Mr. Mill instead of Mr. Stephen! If Mill had said it, it would have been a solid brief for the cultivation of those pre-political virtues on which all good politics must depend—for the evolution by individuals of those self-regulated forms of free action which solve the problem of content and form, of freedom and order, before its contradictions

and failures reach the morally blind jurisdiction of the body politic. For that unity of being, that balance between spirit and matter, cannot really be achieved at the political level except by the coercion and control of the thoughtless majority by the wise minority in which Mr. Stephen believes. In short, we cannot ever use in freedom, fraternity and equality the truth Mr. Stephen declares, without *taking it out of his hands as a legislator*.

For he is, after all, determined to coerce. As he says:

The real difference between Mr. Mill's doctrine and mine is this. We agree that the minority are wise and the majority foolish, but Mr. Mill denies that the wise minority are ever justified in coercing the foolish majority for their own good, whereas I affirm that under circumstances they may be justified in doing so.

And, alas, Mr. Stephen has the evidence of immoral and unprincipled history on his side. Whatever the political ideals declared, minorities do work their way to partisan control, and the only value a constitution and the rule of a secular state can show for their claims is in serving as a not too efficient *brake* on this tendency.

Mr. Mill is really defending an educational principle, but at the

political level. No coercion is a rule in teaching. But he presses this principle into service in an area of life where coercion gets all its working definitions—where, inevitably, his principle withers and dies. That principle can grow strong only in the circumstances of unqualified hospitality to freedom; and it will grow strong, also, only under deliberate, individual self-development by human beings. A people in whom the discipline of freedom is strong enough can overcome the rule of coercion, but only by *not needing it*. This is not an ideological consideration.

Mr. Stephen, in turn, is really misapplying the philosophic content of “whole-man” education, bending its radical and unbreakable unities into an argument to defend coercion at the political level. This is an abuse of reason.

Neither in theory nor in practice can either view succeed.

Lawmakers will of course go on making laws, and anarchists will of course go on opposing them, while the failure of existing laws will continue to create demands for greater legislative severity. There is no way to prevent these monotonies of history. What can be done, however, by those who understand such difficulties, is to give all their efforts

to the resolution of dilemmas of freedom and order within the unity of individual human beings, knowing full well that when these dilemmas extrapolate to politics, there can never be anything more than bumbling, faulty, expedient, and finally very cruel ways of meeting the problems they create. The fiction that politics can deal with these problems is doubtless the greatest delusion of our age.

This is not to suggest that the making of good laws has no importance. But it seems obvious that *wise* laws can be made only by men intelligent enough to see that no people on earth can be legislated to either individual or collective salvation; that laws cannot direct the creative potentialities of human life; that coercion dare not intrude upon the *becoming* of good men, which is a process entirely separate from the control and prevention of bad behavior.

There is hardly a humanist jurisprudence, although there can be humanist *influence* on jurisprudence. The issue turns, quite simply, on faith in man, on understanding how he grows and becomes better and wiser, and on recognizing the transcendent importance of giving growth a higher priority than control. ♦

TREATY-RELIANCE

a DISEASE

IF, as President Richard Nixon has said, the Era of Confrontation is giving way to the Era of Negotiation, it would seem to follow that we are in for a period of treaty making. The conventional wisdom is that treaties are highly desirable. But Laurence W. Beilenson, a Los Angeles lawyer who was a U.S. liaison officer with the Chinese army in World War II, thinks that "treaty-reliance" is a "disease." In an elaborate study called *The Treaty Trap: A History of the Performance of Political Treaties by the United States and European Nations* (Public Affairs Press, \$7.00), Mr. Beilenson proves that the "paper chains" of treaties between sovereign nations have never succeeded in holding "against interest." The "bad guys" (Kaiser Wilhelm, Joseph Stalin, Adolf Hitler) have cynically regarded treaties as "scraps of paper." But the "good guys" (democratically elected governments)

have had just as lamentable a record of performance — or maybe we should say nonperformance.

Some statesmen, of course, have been more hypocritical than others. The least hypocritical ruler was Joe Stalin, who wrote in 1913 that "a diplomat's words *must* contradict his deeds — otherwise what sort of a diplomat is he? Words are one thing — deeds something entirely different. Fine words are a mask to cover shady deeds. A sincere diplomat is like dry water or wooden iron."

Since we are apparently about to enter into some sort of nuclear treaty with the Soviet Union, the most immediately relevant chapter in Mr. Beilenson's book is the one which details the record of the Bolsheviks as members of the "diplomatic club." The communists began by repudiating both the debts and the treaties made by the Czars and the Kerensky regime, although they subsequently

claimed the benefits of the older Russian treaties. In the first important Bolshevik treaty, that of Brest-Litovsk, Lenin promised the Germans that his government would engage in no agitation against the German State. But the minute the Soviets had opened an embassy in Berlin they began to carry on subversion, dispensing "grossly underestimated" sums of money to provoke a Bolshevik revolution inside Germany. "Yes, of course, we are violating the treaty," said Lenin, "we have violated it thirty or forty times. . . . Napoleon hunted the Germans for violating the [Tilsit] peace treaty, and the present [Napoleon] will hunt us for the same reason. Only we shall take care that he does not catch us soon."

The 1933 U.S.-U.S.S.R. treaty of recognition included antisubversion promises. So did Soviet treaties with Estonia, Lithuania, Latvia, Iran, Italy, France, Japan, and other nations. Meanwhile the Comintern, the Soviet trade missions, the various Russian embassies and the local communist parties, all went about the business of "subversion as usual." Even during World War II, when it was to Stalin's interest to keep on good terms with his Western allies, there was a history of Soviet treaty breeches. Despite the promise to England to render "assist-

ance . . . of all kinds," the Soviets refused the use of their airfields to enable the British to drop arms and food to the Polish Home Army in Warsaw in 1944. At Yalta Stalin promised to apply the "principle of the Atlantic Charter" — i.e., the right of free elections — to East European nations. But the Yalta document was systematically violated from the start. It was perfidious of the Soviets to make their deal with Hitler to carve up Poland in 1939. But here Stalin trapped himself; he trusted Hitler to keep his bargain. It was the only known instance of Stalin's succumbing to the "disease of treaty-reliance."

A Tradition of Broken Treaties

In the matter of "breeches of treaties not to subvert," says Mr. Beilenson, the Soviets have "made a new high." But in other types of breach the U.S.S.R. has merely emulated the West. The ancient Greeks were chronic treaty breakers. After years of exhausting war Athens and Sparta and their respective allies swore in the Treaty of Nicias to refrain "for fifty years" from bellicose activities including "fraud or damage by land or sea." What followed was "seven years of cold war" in which neither Athens nor Sparta gave back the territories they had promised to return. After seven years of sub-

version Athens and Sparta were at each others' throats once more. It did not matter that Athens was a democracy and Sparta a tyranny; both city states violated their agreement from the day it was signed.

If one may make a generalization based on Mr. Beilenson's evidence, the most peaceful periods in the world's history have been those in which the fewest treaties have been negotiated. Louis XIV of France was always forging new "paper chains" and breaking them at his convenience. Despite his own perfidies, Louis XIV suffered from the "disease of treaty-reliance," says Mr. Beilenson; "it would be tiresome to recount all the promises for which Louis paid Charles II of England, which Charles regularly broke." In the "Humpty Dumpty period" of the eighteenth century Charles VI of Austria, who had no sons, entered a whole series of treaties designed to protect the lands he was leaving to his beautiful daughter, Maria Theresa. He gave up trade advantages and territory to guarantee the "Pragmatic Sanction" that was to defend the "female heirs of the House of Austria. But if Maria Theresa hadn't been a woman of mettle she would have been done in by her "guarantors," including the Prussian "monster," Frederick the Great, who made a

grab for Austrian Silesia the moment that Charles VI died. Maria Theresa "turned to those from whom she had no promises," and they saved her for reasons of "sentiment and interest," which proved "more dependable than treaties."

Peace Without Treaties

Comparatively few treaties were signed during the nineteenth century, which Mr. Beilenson calls "the peaceful century." The U.S. behaved badly toward its French ally in the years after Yorktown, when John Jay "purposely deceived France" in his efforts to reach a satisfactory peace agreement with Britain. But thereafter the U.S. kept relatively clear of "paper chains" for more than a hundred and forty years. We did break our word to Colombia when President Theodore Roosevelt used a U.S. cruiser to prevent Colombian troops from interfering with the Panamanian revolution. This particular treaty breach was in our "interest," for it gave us the Panama Canal. We owned up to our own duplicity when we paid Colombia \$25 million in 1922 in settlement of Colombia's claims.

Since we refused to sign the Versailles Treaty, we weren't party of acquiescing in many of the treaty breaches of the twenties and the thirties. But the Kellogg-Briand Pact did link us in a gen-

eral way to the "Versailles system." "The paper structure" of those years, says Mr. Beilenson, "was the strongest ever erected." But, despite the "paper chains," the Japanese invaded Manchuria, the Germans rearmed secretly, the Italians seized Ethiopia, the British let the Germans build submarines in violation of the naval clauses of Versailles, and nobody bothered to stop Hitler when, in defiance of treaty obligations, he invaded the Rhine demilitarized zone in 1936.

The moral of the tale is to sign treaties "selectively, sparingly, and cautiously." And when you do sign them, be skeptical of their value; even "inspectors," watching for breeches of arms limitation guarantees, can be bribed. Above all, be wary of electing rulers who are prone to attacks of the "disease of treaty-reliance." Even Stalin got caught in that particular trap. ♦

- ▶ **ENEMIES OF THE PERMANENT THINGS** by Russell Kirk (New Rochelle, N. Y.: Arlington House, 1969, 311 pp.) \$7.00.

Reviewed by Robert M. Thornton

THE TONE of this Kirk miscellany is more positive than the title indicates; the accent is on such

friends of the permanent things as T. S. Eliot, Max Picard, Ray Bradbury, George Orwell, C. S. Lewis, and Eric Voegelin. Intelligent commentary on the work of such men is cheerful reading for those who are tired of being told over and over again that this is an age of change, and that we must adapt to the new. Of course things change — sometimes for the better, but often for the worse. It is absurd, therefore, to discard tested ways of doing things — religious beliefs, moral codes, customs and manners — simply because they are old. Age, as a matter of fact, counts in their favor, indicating that the belief or practice has survival value.

Kirk argues persuasively against the modern inclination toward the abnormal in art, literature, and politics, and against the new style men "who think in slogans and talk in bullets," the "terrible simplifiers" who "reduce politics to catch-phrases; . . . who promise social, rather than personal, salvation." "A norm," he explains, "means an enduring standard. It is a law of nature, which we ignore at our peril. It is a rule of human conduct and a measure of public virtue."

Happily, the agony of our time is producing books that point the way ahead, and this is one of them. ♦

the Freeman

VOL. 19, NO. 10 • OCTOBER 1969

The Libertarian Philosophy	Benjamin A. Rogge	579
Dr. Rogge explains his points of departure from conservatives, modern liberals, and the New Left.		
The Great Depression	Hans F. Sennholz	585
A survey of four distinct phases of the "great depression," with reasons and understanding that may help to avert repetition.		
Socialized Airwaves	Jerry Emanuelson	597
How the principles of private property might help to resolve a knotty problem.		
Gold's Dust	Gary North	599
Gold may well collect dust when properly policing a nation's monetary policies.		
Read's Law	Leonard E. Read	608
"No politician can fly higher in office than he flew while getting there."		
The Quiet Revolution	Edmund A. Opitz	611
"In quietness and in trust shall be your strength." (Isaiah 30:15)		
In Doing "One's Own Thing"	Henry Edward Simons	619
Radically creative, yes, but not radically destructive of traditional ways.		
Problem or Opportunity?	Clarence B. Carson	622
When the garbage business is monopolized by government, how do we know whether a given item is a waste or a resource?		
The Anyones	Al Siebert	629
A poetic plea for constructive differences among men.		
Problems the Free Market Can't Solve	Paul L. Poirot	630
The organized demand of something for nothing is the kind of a problem for which there is no market solution.		
Book Reviews:		636
"Education in America" by George Charles Roche III		
"The Man from Monticello: (An Intimate Life of Thomas Jefferson)" by Thomas Fleming		

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.



Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given.



The Libertarian Philosophy

BENJAMIN A. ROGGE

I INTEND to answer a question that disappointingly few people even bother to ask. The question is this: Just what *is* Ben Rogge's social philosophy? Or, as some have put it: "Rogge, just what kind of a nut are you?"

I suppose one must expect to create both suspicion and confusion when he demands, at one and the same time, that the social security system be abolished, that the laws making it a crime to use marijuana be repealed, along with the laws against child labor, and that we sell Yellowstone Park to the people who operate Disneyland. This is indeed a mixed bag, but it is my very own bag; and to me these apparently diverse elements represent simply different

applications of a single guiding principle. This principle is that each man and each woman should be permitted to do his thing, singly or in pairs or in groups as large as the Mormon Church or General Motors, so long as it's peaceful. Or to put it another way: In Rogge's world, the role of the state would be precisely no more and no less than that of the night watchman. In the words of Thoreau, "Government is an expedient by which men would fain succeed in letting one another alone."

Now to the heart of the matter. First, is my social philosophy properly described as one of the competing ideologies of our day? To this the answer is no. In the first place, it is so far out of fashion that it can hardly be said to be competing; secondly, it is thought by many to be not of our

Dr. Rogge is Chairman of the Department of Economics at Wabash College. This article is from a Chapel Talk at the College on April 10, 1969.

day, but of the last century; and thirdly, I see it as not an ideology at all but rather as the negation of ideology.

I quote now from Webster's *New Collegiate Dictionary*: "IDEOLOGY — the integrated assertions, theories and aims constituting a politico-social program." To me, this identifies the ideologue as someone, be he Christian or Moslem or Marxist or Fascist or Liberal Reformer or Monarchist, who has a clear vision of what man is or should be or could become and who has some kind of socio-political program for bringing about the desired state of affairs. To the ideologue, the ideal social system is to be defined in terms of certain *ends or goals* to be attained, such as the elimination of poverty or the elimination of racial prejudice or the maximizing of the growth rate or the establishment of the one true religion or the dominance of the master race or the implementation of the General Will or the Eternal Glory of the American or the French nation. Usually, but not always, there are certain restraints placed on the means to be used, but the emphasis is always upon the vision of the proper goal of man's existence here on earth, as revealed by voices from burning bushes or by prophets or by the magnificently objective results of science or in the massive and blind

forces of history or in the dark and mysterious processes of the human mind or what-have-you.

Look to the Means

To the libertarian, in a certain sense, it is not the *ends* of man's actions that count — only the means used in serving those ends. To each of the ideologues he says: "You may be right and you may keep on trying to convince me and others that you are right but the only means you may use are those of persuasion. You may not impose your vision *by force* on anyone. This means not only that you are not to stone the heretic or the prostitute or the hippie or the college dean or the Jew or the businessman or even the policeman; it means as well, and most importantly, that you are not to get the policeman or the sheriff to do your stoning for you."

In saying this, the libertarian is not necessarily declaring himself to be agnostic in his attitude toward any and all ideologies. He may in fact have some clear preferences as among ideologies. At the same time, men who feel deeply about something are rarely tolerant with respect to that something. I, Ben Rogge, do not use marijuana nor do I approve its use, but I am afraid that if I support laws against its use, some fool will insist on correcting my

habits. I believe that the typical Episcopal Church is somewhat higher on the scale of civilization than the snake-handling cults of West Virginia. Frankly, I wouldn't touch even a consecrated reptile with a ten-foot pole, or even a nine-iron, but as far as the Anglican Church is concerned, I am still an anti-antidisestablishmentarian, if you know what I mean.

Distinctive Characteristics

Well, so what? How does all this set the libertarian apart (whether for better or for worse) from all others? Let us first take the traditionalist or conservative, with whom the libertarian is often linked, largely erroneously. True, together they sing the chorus of damn the unions, damn the minimum wage laws, and damn the progressive income tax. But when the libertarian starts a chorus of damn the tariff or damn the Sunday blue laws, he ends up singing a solo.

Let me be careful about this.

What I am asking for is precisely what men like Albert Jay Nock have asked for in the past — that *the society* be distinguished from *the state* and that the society *not* be absorbed by the state. Society, with its full network of restraints on individual conduct, based on custom, tradition, religion, personal morality, a sense of

style, and with all its indeed powerful sanctions, is what makes the civilized life possible and meaningful. I am not proposing an anarchic society; on the contrary I am essentially a conservative on most questions of social organization and social process. I do believe in continuity, in the important role of tradition and custom, in standards for personal conduct, in the great importance of the elite (imperfect though they may be).

But unlike the political conservative, I do not wish to see these influences on individual behavior institutionalized in the hands of the state. As I read history, I see that wherever the generally accepted social processes have been made into law, civilization has ceased to advance. For one, the penalty to be paid by the innovator, which is severe even without the law, and perhaps properly so, is made so severe (even including death) as to stop that healthy and necessary and slow process of change through which civilizations move to higher levels of achievement.

For another, the elite, if given the power to implement their views with the use of force, are almost certain to be corrupted by that power and to cease playing their essential and beneficial role in society. The pages of history

are strewn with the wreckage of superior men who have been undone by the corrupting influence of possession of the power to coerce.

Modern Liberalism

Now to the modern liberal. How does the libertarian differ from the modern liberal? Well, the modern liberal cuts in where the conservative cuts out and cuts out where the conservative cuts in. Like the libertarian, the modern liberal is all for sin, so long as it's peaceful. But unlike the libertarian, the modern liberal is perfectly willing to use the sheriff to attempt to bring about whatever outcomes he desires in economic life. Should there be a Pure Books, Plays and Films Administration? Never, says the modern liberal. Should there be a Pure Food and Drug Administration? Of course, says the modern liberal. If two consenting adults engage in an unnatural act in private, should the law intervene? Never, says the modern liberal. If two consenting adults arrive at a wage contract calling for the payment of \$1.00 an hour to the one, should the state intervene and require that the payment must be no less than \$1.60 per hour (even if, by the very act, that leads to no contract; to no job at all)? Of course, says the modern liberal. These exam-

ples could be multiplied indefinitely.

Now, perhaps there are real differences in circumstances that make these differences in evaluation consistent. Perhaps the modern liberal is right and the libertarian is wrong. What I am trying to point out is that the libertarian, be he right or be he wrong, is opposed to intervention by the state in *any* of the peaceful actions of individuals or groups, whether the relationship involve sex, games, or the market place; and this sets him apart from *both* the modern conservative and the modern liberal.

The New Left

Now what of the New Left? Here, too, there are some family resemblances, and some of my libertarian friends are now involved in a love affair with the New Left. In some ways this makes sense. The New Left and the libertarians share a common suspicion of concentrated power, and particularly of the power to coerce; they join in not wishing to be ruled by any establishment, even of the elite; they tend to be alike in leaning toward pacificism and nonintervention, at least in opposing the U.S. involvement in Viet Nam and the Russian involvement in Czechoslovakia. But there the love affair comes to an abrupt end.

To the libertarian, private property is an extension of the human personality and an absolutely necessary element in the structure of a society of free men; to most New Lefters, private property is largely an invention of the establishment to suppress the free human spirit and is a barrier to the full expression of human concern and relatedness. To the libertarian, or at least to Ben Rogge, the "politics of confrontation" of the New Left is neither peaceful as a means nor acceptable as an end, if the end is what it so often seems to be, the imposing of a minority view on the majority by what amounts to blackmail. "Give in to my demands and I'll leave your office; throw me off your property and *you* are the one who is guilty of breaking the peace. Call in the cops to protect that which is yours and you are a Fascist pig." To the libertarian this is nonsense, and very dangerous nonsense indeed. The goal of the victory of persuasion over force in human affairs can hardly be well served by what amounts to the use of force.


But of course, the goal of the New Left is not the goal of the libertarian — the right choice of means. In fact, the goals of the New Left are difficult to identify, particularly in terms of the kind of social arrangements they wish

to see brought into being out of the ashes of that which we now have. Given their rejection of capitalism and liberal democracy, there seem to be three main possibilities: (1) an essentially anarchic arrangement, with no government; (2) a syndicalist-communalist-pastoral arrangement, patterned after the kibbutz in Israel, with minimal government; or (3) an out-and-out Marxist-socialist dictatorship of the proletariat. To the libertarian, the first would mean the tyranny of the strong, and life would indeed be mean, nasty, brutish, and short; the second would mean economic chaos and, given our dependence on the goods produced by a sophisticated technology, this approach would require that some eight out of every ten of us lie down and die; and the third would mean tyranny, bold and bloody and bright.

We Work with Imperfections and Thus Need to Be Free

To all of these — the conservative, the modern liberal, and the New Left — the libertarian says, with Huckleberry Finn, "No thank you, I've been there before." He insists that what marks the civilized society is not so much *what* goals its people are seeking but *what means* are used and accepted in the seeking of goals. He insists that to the opinions and ideas and

revelations of even the best of men must still cling the mortal, the human uncertainty. If even those who come to be least imperfect in knowing and acting cannot be identified in advance (or even clearly identified after the fact) surely it follows that each imperfect man must be given (indeed, *has*) the right to follow his own imperfectly selected star in his own imperfect way, to march to the music that he hears and not to the music that you and I hear.

The libertarian is in no sense a utopian. He argues only that in a world in which each imperfect individual was left free to make his own imperfect decisions and to act on them in any way that was peaceful, enjoying the fruits of his successes and suffering the agony of his mistakes, man could at least fully attain to the dignity and tragedy and comedy that comes with being a man rather than a thing. And here, somewhere East of Eden, there is little more that we can expect out of life. 

IDEAS ON LIBERTY

Up Through the Ranks

THERE is not of necessity any such thing as the free hired laborer being fixed to that condition for life. Many independent men everywhere in these States a few years back in their lives were hired laborers. The prudent, penniless beginner in the world labors for wages awhile, saves a surplus with which to buy tools or land for himself, then labors on his own account another while, and at length hires another new beginner to help him. This is the just and generous and prosperous system which opens the way to all, gives hope to all, and consequent energy and progress and improvement of condition to all. No men living are more worthy to be trusted than those who toil up from poverty; none less inclined to take or touch aught which they have not honestly earned. Let them beware of surrendering a political power which they already possess, and which if surrendered will surely be used to close the door of advancement against such as they and fix new disabilities and burdens upon them till all of liberty shall be lost.

HANS F. SENNHOLZ



THE GREAT DEPRESSION

ALTHOUGH the Great Depression engulfed the world economy some 40 years ago, it lives on as a nightmare for individuals old enough to remember and as a frightening specter in the textbooks of our youth. Some 13 million Americans were unemployed, "not wanted" in the production process. One worker out of every four was walking the streets in want and despair. Thousands of banks, hundreds of thousands of businesses, and millions of farmers fell into bankruptcy or ceased operations entirely. Nearly everyone suffered painful losses of wealth and income.

Many Americans are convinced that the Great Depression reflected the breakdown of an old economic

Dr. Sennholz heads the Department of Economics at Grove City College in Pennsylvania and is a noted writer and lecturer for freedom.

order built on unhampered markets, unbridled competition, speculation, property rights, and the profit motive. According to them, the Great Depression proved the inevitability of a new order built on government intervention, political and bureaucratic control, human rights, and government welfare. Such persons, under the influence of Keynes, blame businessmen for precipitating depressions by their selfish refusal to spend enough money to maintain or improve the people's purchasing power. This is why they advocate vast governmental expenditures and deficit spending — resulting in an age of money inflation and credit expansion.

Classical economists learned a different lesson. In their view, the Great Depression consisted of four

consecutive depressions rolled into one. The causes of each phase differed, but the consequences were all the same: business stagnation and unemployment.

The Business Cycle

The first phase was a period of boom and bust, like the business cycles that had plagued the American economy in 1819-20, 1839-43, 1857-60, 1873-78, 1893-97, and 1920-21. In each case, government had generated a boom through easy money and credit, which was soon followed by the inevitable bust.

The spectacular crash of 1929 followed five years of reckless credit expansion by the Federal Reserve System under the Coolidge Administration. In 1924, after a sharp decline in business, the Reserve banks suddenly created some \$500 million in new credit, which led to a bank credit expansion of over \$4 billion in less than one year. While the immediate effects of this new powerful expansion of the nation's money and credit were seemingly beneficial, initiating a new economic boom and effacing the 1924 decline, the ultimate outcome was most disastrous. It was the beginning of a monetary policy that led to the stock market crash in 1929 and the following depression. In fact, the expansion of Federal Re-

serve credit in 1924 constituted what Benjamin Anderson in his great treatise on recent economic history (*Economics and the Public Welfare*, D. Van Nostrand, 1949) called "the beginning of the New Deal."

The Federal Reserve credit expansion in 1924 also was designed to assist the Bank of England in its professed desire to maintain prewar exchange rates. The strong U.S. dollar and the weak British pound were to be readjusted to prewar conditions through a policy of inflation in the U.S. and deflation in Great Britain.

The Federal Reserve System launched a further burst of inflation in 1927, the result being that total currency outside banks plus demand and time deposits in the United States increased from \$44.51 billion at the end of June, 1924, to \$55.17 billion in 1929. The volume of farm and urban mortgages expanded from \$16.8 billion in 1921 to \$27.1 billion in 1929. Similar increases occurred in industrial, financial, and state and local government indebtedness. This expansion of money and credit was accompanied by rapidly rising real estate and stock prices. Prices for industrial securities, according to Standard & Poor's common stock index, rose from 59.4 in June of 1922 to 195.2 in September of 1929. Railroad stock

climbed from 189.2 to 446.0, while public utilities rose from 82.0 to 375.1.

A Series of False Signals

The vast money and credit expansion by the Coolidge Administration made 1929 inevitable. Inflation and credit expansion always precipitate business maladjustments and malinvestments that must later be liquidated. The expansion artificially reduces and thus falsifies interest rates, and thereby misguides businessmen in their investment decisions. In the belief that declining rates indicate growing supplies of capital savings, they embark upon new production projects. The creation of money gives rise to an economic boom. It causes prices to rise, especially prices of capital goods used for business expansion. But these prices constitute business costs. They soar until business is no longer profitable, at which time the decline begins. In order to prolong the boom, the monetary authorities may continue to inject new money until finally frightened by the prospects of a run-away inflation. The boom that was built on the quicksand of inflation then comes to a sudden end.

The ensuing recession is a period of repair and readjustment. Prices and costs adjust anew to consumer choices and preferences.

And above all, interest rates readjust to reflect once more the actual supply of and demand for genuine savings. Poor business investments are abandoned or written down. Business costs, especially labor costs, are reduced through greater labor productivity and managerial efficiency, until business can once more be profitably conducted, capital investments earn interest, and the market economy function smoothly again.

After an abortive attempt at stabilization in the first half of 1928, the Federal Reserve System finally abandoned its easy money policy at the beginning of 1929. It sold government securities and thereby halted the bank credit expansion. It raised its discount rate to 6 per cent in August, 1929. Time-money rates rose to 8 per cent, commercial paper rates to 6 per cent, and call rates to the panic figures of 15 per cent and 20 per cent. The American economy was beginning to readjust. In June, 1929, business activity began to recede. Commodity prices began their retreat in July.

The security market reached its high on September 19 and then, under the pressure of early selling, slowly began to decline. For five more weeks the public nevertheless bought heavily on the way down. More than 100 million shares were traded at the New York Stock Ex-

change in September. Finally it dawned upon more and more stockholders that the trend had changed. Beginning with October 24, 1929, thousands stampeded to sell their holdings immediately and at any price. Avalanches of selling by the public swamped the ticker tape. Prices broke spectacularly.

Liquidation and Adjustment

The stock market break signaled the beginning of a readjustment long overdue. It should have been an orderly liquidation and adjustment followed by a normal revival. After all, the financial structure of business was very strong. Fixed costs were low as business had refunded a good many bond issues and had reduced debts to banks with the proceeds of the sale of stock. In the following months, most business earnings made a reasonable showing. Unemployment in 1930 averaged under 4 million, or 7.8 per cent of labor force.

In modern terminology, the American economy of 1930 had fallen into a mild recession. In the absence of any new causes for depression, the following year should have brought recovery as in previous depressions. In 1921-22 the American economy recovered fully in less than a year. What, then, precipitated the abysmal collapse

after 1929? What prevented the price and cost adjustments and thus led to the second phase of the Great Depression?

Disintegration of the World Economy

The Hoover Administration opposed any readjustment. Under the influence of "the new economics" of government planning, the President urged businessmen *not* to cut prices and reduce wages, but rather to increase capital outlay, wages, and other spending in order to maintain purchasing power. He embarked upon deficit spending and called upon municipalities to increase their borrowing for more public works. Through the Farm Board which Hoover had organized in the autumn of 1929, the Federal government tried strenuously to uphold the prices of wheat, cotton, and other farm products. The GOP tradition was further invoked to curtail foreign imports.

The Hawley-Smoot Tariff Act of June, 1930, raised American tariffs to unprecedented levels, which practically closed our borders to foreign goods. According to most economic historians, this was the crowning folly of the whole period from 1920 to 1933 and the beginning of the real depression. "Once we raised our tariffs," wrote Benjamin Anderson, "an irresistible movement all over the world to

raise tariffs and to erect other trade barriers, including quotas, began. Protectionism ran wild over the world. Markets were cut off. Trade lines were narrowed. Unemployment in the export industries all over the world grew with great rapidity. Farm prices in the United States dropped sharply through the whole of 1930, but the most rapid rate of decline came following the passage of the tariff bill." When President Hoover announced he would sign the bill into law, industrial stocks broke 20 points in one day. The stock market correctly anticipated the depression.

The protectionists have never learned that curtailment of imports inevitably hampers exports. Even if foreign countries do not immediately retaliate for trade restrictions injuring them, their foreign purchases are circumscribed by their ability to sell abroad. This is why the Hawley-Smoot Tariff Act which closed our borders to foreign products also closed foreign markets to our products. American exports fell from \$5.5 billion in 1929 to \$1.7 billion in 1932. American agriculture customarily had exported over 20 per cent of its wheat, 55 per cent of its cotton, 40 per cent of its tobacco and lard, and many other products. When international trade and commerce were disrupted,

American farming collapsed. In fact, the rapidly growing trade restrictions, including tariffs, quotas, foreign exchange controls, and other devices were generating a world-wide depression.

Agricultural commodity prices, which had been well above the 1926 base before the crisis, dropped to a low of 47 in the summer of 1932. Such prices as \$2.50 a hundredweight for hogs, \$3.28 for beef cattle, and 32¢ a bushel for wheat, plunged hundreds of thousands of farmers into bankruptcy. Farm mortgages were foreclosed until various states passed moratoria laws, thus shifting the bankruptcy to countless creditors.

Rural Banks in Trouble

The main creditors of American farmers were, of course, the rural banks. When agriculture collapsed, the banks closed their doors. Some 2,000 banks, with deposit liabilities of over \$1.5 billion, suspended between August, 1931, and February, 1932. Those banks that remained open were forced to curtail their operations sharply. They liquidated customers' loans on securities, contracted real estate loans, pressed for the payment of old loans, and refused to make new ones. Finally, they dumped their most marketable bond holdings on an already depressed

market. The panic that had engulfed American agriculture also gripped the banking system and its millions of customers.

The American banking crisis was aggravated by a series of events involving Europe. When the world economy began to disintegrate and economic nationalism ran rampant, European debtor countries were cast in precarious payment situations. Austria and Germany ceased to make foreign payments and froze large English and American credits; when England finally suspended gold payments in September, 1931, the crisis spread to the U.S. The fall in foreign bond values set off a collapse of the general bond market, which hit American banks at their weakest point — their investment portfolios.

Depression Compounded

1931 was a tragic year. The whole nation, in fact, the whole world, fell into the cataclysm of despair and depression. American unemployment jumped to more than 8 million and continued to rise. The Hoover Administration, summarily rejecting the thought that it had caused the disaster, labored diligently to place the blame on American businessmen and speculators. President Hoover called together the nation's industrial leaders and pledged them

to adopt his program to maintain wage rates and expand construction. He sent a telegram to all the governors, urging cooperative expansion of all public works programs. He expanded Federal public works and granted subsidies to ship construction. And for the benefit of the suffering farmers, a host of Federal agencies embarked upon price stabilization policies that generated ever larger crops and surpluses which in turn depressed product prices even further. Economic conditions went from bad to worse and unemployment in 1932 averaged 12.4 million.

In this dark hour of human want and suffering, the Federal government struck a final blow. The Revenue Act of 1932 doubled the income tax, the sharpest increase in the Federal tax burden in American history. Exemptions were lowered, "earned income credit" was eliminated. Normal tax rates were raised from a range of 1½ to 5 per cent to a range of 4 to 8 per cent, surtax rates from 20 per cent to a maximum of 55 per cent. Corporation tax rates were boosted from 12 per cent to 13¾ and 14½ per cent. Estate taxes were raised. Gift taxes were imposed with rates from ¾ to 33½ per cent. A 1¢ gasoline tax was imposed, a 3 per cent automobile tax, a telegraph and telephone

tax, a 2¢ check tax, and many other excise taxes. And finally, postal rates were increased substantially.

When state and local governments faced shrinking revenues, they, too, joined the Federal government in imposing new levies. The rate schedules of existing taxes on income and business were increased and new taxes imposed on business income, property, sales, tobacco, liquor, and other products.

Murray Rothbard, in his authoritative work on *America's Great Depression* (Van Nostrand, 1963), estimates that the fiscal burden of Federal, state, and local governments nearly doubled during the period, rising from 16 per cent of net private product to 29 per cent. This blow, alone, would bring any economy to its knees, and shatters the silly contention that the Great Depression was a consequence of economic freedom.

The New Deal of NRA and AAA

One of the great attributes of the private-property market system is its inherent ability to overcome almost any obstacle. Through price and cost readjustment, managerial efficiency and labor productivity, new savings and investments, the market economy tends to regain its equilibrium and resume its service to consumers. It

doubtless would have recovered in short order from the Hoover interventions had there been no further tampering.

However, when President Franklin Delano Roosevelt assumed the Presidency, he, too, fought the economy all the way. In his first 100 days, he swung hard at the profit order. Instead of clearing away the prosperity barriers erected by his predecessor, he built new ones of his own. He struck in every known way at the integrity of the U.S. dollar through quantitative increases and qualitative deterioration. He seized the people's gold holdings and subsequently devalued the dollar by 40 per cent.

With some third of industrial workers unemployed, President Roosevelt embarked upon sweeping industrial reorganization. He persuaded Congress to pass the National Industrial Recovery Act (NIRA), which set up the National Recovery Administration (NRA). Its purpose was to get business to regulate itself, ignoring the antitrust laws and developing fair codes of prices, wages, hours, and working conditions. The President's Re-employment Agreement called for a minimum wage of 40¢ an hour (\$12 to \$15 a week in smaller communities), a 35-hour work week for industrial workers and 40 hours for white

collar workers, and a ban on all youth labor.

This was a naive attempt at "increasing purchasing power" by increasing payrolls. But, the immense increase in business costs through shorter hours and higher wage rates worked naturally as an *antirevival* measure. After passage of the Act, unemployment rose to nearly 13 million. The South, especially, suffered severely from the minimum wage provisions. The Act forced 500,000 Negroes out of work.

Nor did President Roosevelt ignore the disaster that had befallen American agriculture. He attacked the problem by passage of the Farm Relief and Inflation Act, popularly known as the First Agricultural Adjustment Act. The objective was to raise farm income by cutting the acreages planted or destroying the crops in the field, paying the farmers *not* to plant anything, and organizing marketing agreements to improve distribution. The program soon covered not only cotton, but also all basic cereal and meat production as well as principal cash crops. The expenses of the program were to be covered by a new "processing tax" levied on an already depressed industry.

NRA codes and AAA processing taxes came in July and August of 1933. Again, economic production

which had flurried briefly before the deadlines, sharply turned downward. The Federal Reserve index dropped from 100 in July to 72 in November of 1933.

Pump-Priming Measures

When the economic planners saw their plans go wrong, they simply prescribed additional doses of Federal pump priming. In his January 1934 Budget Message, Mr. Roosevelt promised expenditures of \$10 billion while revenues were at \$3 billion. Yet, the economy failed to revive; the business index rose to 86 in May of 1934, and then turned down again to 71 by September. Furthermore, the spending program caused a panic in the bond market which cast new doubts on American money and banking.

Revenue legislation in 1933 sharply raised income tax rates in the higher brackets and imposed a 5 per cent withholding tax on corporate dividends. Tax rates were raised again in 1934. Federal estate taxes were brought to the highest levels in the world. In 1935, Federal estate and income taxes were raised once more, although the additional revenue yield was insignificant. The rates seemed clearly aimed at the redistribution of wealth.

According to Benjamin Anderson, "the impact of all these multi-

tudinous measures — industrial, agricultural, financial, monetary and other — upon a bewildered industrial and financial community was extraordinarily heavy. We must add the effect of continuing disquieting utterances by the President. He had castigated the bankers in his inaugural speech. He had made a slurring comparison of British and American bankers in a speech in the summer of 1934. . . . That private enterprise could survive and rally in the midst of so great a disorder is an amazing demonstration of the vitality of private enterprise.”

Then came relief from unexpected quarters. The “nine old men” of the Supreme Court, by unanimous decision, outlawed NRA in 1935 and AAA in 1936. The Court maintained that the Federal legislative power had been unconstitutionally delegated and states’ rights violated.

These two decisions removed some fearful handicaps under which the economy was laboring. NRA, in particular, was a nightmare with continuously changing rules and regulations by a host of government bureaus. Above all, avoidance of the act immediately reduced labor costs and raised productivity as it permitted labor markets to adjust. The death of AAA reduced the tax burden of agriculture and halted the shock-

ing destruction of crops. Unemployment began to decline. In 1935 it dropped to 9.5 million, or 18.4 per cent of the labor force, and in 1936 to only 7.6 million, or 14.5 per cent.

A New Deal for Labor

The third phase of the Great Depression was thus drawing to a close. But there was little time to rejoice, for the scene was being set for another collapse in 1937 and a lingering depression that lasted until the day of Pearl Harbor. More than 10 million Americans were unemployed in 1938, and more than 9 million in 1939.

The relief granted by the Supreme Court was merely temporary. The Washington planners could not leave the economy alone; they had to earn the support of organized labor, which was vital for re-election.

The Wagner Act of July 5, 1935, earned the lasting gratitude of labor. This law revolutionized American labor relations. It took labor disputes out of the courts of law and brought them under a newly created Federal agency, the National Labor Relations Board, which became prosecutor, judge, and jury, all in one. Labor union sympathizers on the Board further perverted the law that already afforded legal immunities and privileges to labor unions. The

U. S. thereby abandoned a great achievement of Western civilization, equality under the law.

The Wagner Act, or National Labor Relations Act, was passed in reaction to the Supreme Court's voidance of NRA and its labor codes. It aimed at crushing all employer resistance to labor unions. Anything an employer might do in self-defense became an "unfair labor practice" punishable by the Board. The law not only obliged employers to deal and bargain with the unions designated as the employees' representative; later Board decisions also made it unlawful to resist the demands of labor union leaders.

Following the election of 1936, the labor unions began to make ample use of their new powers. Through threats, boycotts, strikes, seizures of plants, and outright violence committed in legal sanctity, they forced millions of workers into membership. Consequently, labor productivity declined and wages were forced upward. Labor strife and disturbance ran wild. Ugly sitdown strikes idled hundreds of plants. In the ensuing months economic activity began to decline and unemployment again rose above the ten million mark.

But the Wagner Act was not the only source of crisis in 1937. President Roosevelt's shocking at-

tempt at packing the Supreme Court, had it been successful, would have subordinated the Judiciary to the Executive. In the U.S. Congress the President's power was unchallenged. Heavy Democratic majorities in both houses, perplexed and frightened by the Great Depression, blindly followed their leader. But when the President strove to assume control over the Judiciary, the American nation rallied against him, and he lost his first political fight in the halls of Congress.

There was also his attempt at controlling the stock market through an ever-increasing number of regulations and investigations by the Securities and Exchange Commission. "Insider" trading was barred, high and inflexible margin requirements imposed and short selling restricted, mainly to prevent repetition of the 1929 stock market crash. Nevertheless the market fell nearly 50 per cent from August of 1937 to March of 1938. The American economy again underwent dreadful punishment.

Other Taxes and Controls

Yet other factors contributed to this new and fastest slump in U.S. history. The Undistributed Profits Tax of 1936 struck a heavy blow at profits retained for use in business. Not content with destroying

the wealth of the rich through confiscatory income and estate taxation, the administration meant to force the distribution of corporate savings as dividends subject to the high income tax rates. Though the top rate finally imposed on undistributed profits was "only" 27 per cent, the new tax succeeded in diverting corporate savings from employment and production to dividend income.

Amidst the new stagnation and unemployment, the President and Congress adopted yet another dangerous piece of New Deal legislation: the Wages and Hours Act or Fair Labor Standards Act of 1938. The law raised minimum wages and reduced the work week in stages to 44, 42, and 40 hours. It provided for time-and-a-half pay for all work over 40 hours per week and regulated other labor conditions. Again, the Federal government thus reduced labor productivity and increased labor costs — ample grounds for further depression and unemployment.

Throughout this period, the Federal government, through its monetary arm, the Federal Reserve System, endeavored to reflate the economy. Monetary expansion from 1934 to 1941 reached astonishing proportions. The monetary gold of Europe sought refuge from the gathering clouds of political upheaval, boosting

American bank reserves to unaccustomed levels. Reserve balances rose from \$2.9 billion in January, 1934, to \$14.4 billion in January of 1941. And with this growth of member bank reserves, interest rates declined to fantastically low levels. Commercial paper often yielded less than 1 per cent, bankers' acceptances from $\frac{1}{8}$ per cent to $\frac{1}{4}$ per cent. Treasury bill rates fell to 1/10 of 1 per cent and Treasury bonds to some 2 per cent. Call loans were pegged at 1 per cent and prime customers' loans at $1\frac{1}{2}$ per cent. The money market was flooded and interest rates could hardly go lower.

Deep-Rooted Causes

The American economy simply could not recover from these successive onslaughts by first the Republican and then the Democratic Administrations. Individual enterprise, the mainspring of unprecedented income and wealth, didn't have a chance.

The calamity of the Great Depression finally gave way to the holocaust of World War II. When more than 10 million able-bodied men had been drafted into the armed services, unemployment ceased to be an economic problem. And when the purchasing power of the dollar had been cut in half through vast budget deficits and currency inflation, American busi-

ness managed to adjust to the oppressive costs of the Hoover-Roosevelt Deals. The radical inflation in fact reduced the real costs of labor and thus generated new employment in the postwar period.

Nothing would be more foolish than to single out the men who led us in those baleful years and condemn them for all the evil that befell us. The ultimate roots of the Great Depression were growing in the hearts and minds of the American people. It is true, they abhorred the painful symptoms of the great dilemma. But the large majority favored and voted for the very policies that made the disaster inevitable: inflation and credit expansion, protective tariffs, labor laws that raised wages and farm laws that raised prices, ever higher taxes on the rich and distribution of their wealth. The seeds for the Great Depression were sown by scholars and teachers during the 1920's and earlier

when social and economic ideologies that were hostile toward our traditional order of private property and individual enterprise conquered our colleges and universities. The professors of earlier years were as guilty as the political leaders of the 1930's.

Social and economic decline is facilitated by moral decay. Surely, the Great Depression would be inconceivable without the growth of covetousness and envy of great personal wealth and income, the mounting desire for public assistance and favors. It would be inconceivable without an ominous decline of individual independence and self-reliance, and above all, the burning desire to be free from man's bondage and to be responsible to God alone.

Can it happen again? Inexorable economic law ascertains that it must happen again whenever we repeat the dreadful errors that generated the Great Depression.

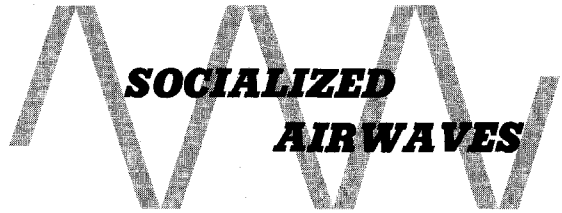


IDEAS ON LIBERTY

Mob Mind in 1928-29

AFTER the crash in 1929, a speech was made before the Chamber of Commerce of the State of New York to explain what had happened, which discussed, among other things, the phenomena of mob mind which had been so manifest in the year and a half that had preceded the crash. The speaker made the generalization, familiar to social psychologists, that the more intense the craze, the higher the type of intellect that succumbs to it.

BENJAMIN ANDERSON, *Economics and the Public Welfare*



**SOCIALIZED
AIRWAVES**

THE SITUATION regarding control of the airwaves may well be the closest approximation to total socialism in the world today. The use and allocation of radio frequencies is totally regulated by international treaties and national governments. Private ownership of the airwaves is virtually nonexistent. The responsibility for this condition rests mainly with the governments of the United States and the other supposedly capitalistic nations. Organized communism had little to do with the governmental seizure of the airwaves.

The term "airwaves" actually refers to empty space, rather than air. Such space remains useless until someone turns on a radio transmitter — just as much of the land in the American West re-

mained useless until it was settled and developed by the pioneers. The airwaves qualify as property in the same sense that land does. Both can be bounded, claimed, and controlled either by private individuals or by governments. With respect to land, we have applied the private-property homestead principle. With respect to the airwaves, we have resorted to socialism.

Imagine what the consequences might have been if, when this country was being settled, the government had zoned all land and leased it out by granting three-year licenses. This would have been out-and-out socialism. Yet, this is exactly the situation that prevails with respect to the airwaves in our supposedly capitalistic society.

Instead of resorting to socialism, radio frequencies could be considered as private property,


Mr. Emanuelson is a licensed broadcast engineer and a student of electronics engineering in Colorado.

with unclaimed radio frequencies subject to claim by anyone who has a transmitter and wants to use the unclaimed frequency. If a hobbyist wants to transmit television signals on channel 4 in an area where that channel is unclaimed, why shouldn't he be permitted to do so? The homesteading principle should be applied to the airwaves as well as to land. Unowned frequency space could be claimed in the same manner that unowned land is claimed. Radio frequencies also could be bought and sold just as land is traded among willing buyers and sellers. If a hobbyist establishes sole claim to channel 4 in a given geographical area, any broadcasting company that subsequently wants to use that frequency space should be free to try to buy or lease it from the hobbyist.

With the current state of technology, there is plenty of frequency space available for everyone who is willing and able to buy or build a UHF radio transmitter.

Except in a few metropolitan areas, nearly all of the UHF television channels are unused. Yet, just one of these UHF television channels contains enough frequency space for 600 AM broadcast or two-way radio stations — each with a range of 30 miles or so. Undoubtedly, much of this idle frequency space would be put to good use if the airwaves were a commodity on the open market.

As with any other scarce and valuable resource, putting the airwaves on the free market would insure their most efficient and profitable use. A "radio-homesteader" hobbyist would have the same incentive to sell or lease his frequency space to a broadcasting company as any land owner might have to sell or lease his land to a mining company if it contained rich mineral deposits.

Strange that a country founded on the principles of private property and the free market should ignore those principles in exploiting the discovery of radio. 

IDEAS ON LIBERTY

Private Property

BARBARISM has its earmarks, and the acquisition of property through conquest or superior force is notably one of them. Civilization, too, has its earmarks, and the orderly disposition of property through the medium of deeds, leases, wills, and other contractual arrangements is not only an earmark of civilization but an absolute prerequisite.

EDWARD P. SCHARFENBERGER

GOLD'S DUST

The best way for a nation to build confidence in its currency is not to bury lots of gold in the ground; it is, instead, to pursue responsible financial policies. If a country does so consistently enough, it's likely to find its gold growing dusty from disuse.

Editorial, THE WALL STREET JOURNAL (July 8, 1969)

GARY NORTH

WHEN I read the above sentences for the first time, something clicked in my mind. That the conclusions drawn by the editorialist concerning the importance of gold for monetary purposes are opposed to my conclusions is neither here nor there. What is important is that within an editorial hostile to gold, the writer has hit upon one of the basic truths of the international gold standard. *The gathering of dust on a government's stock of monetary gold is as good an indication of fiscal responsibility as would be the addition of gold dust to the stock.*

In order to place things in their proper perspective, we must consider the function of money in general and the size of a nation's gold stock in particular. Money,

Gary North is a member of the Economists' National Committee on Monetary Policy.

it should be understood, is useful only as a means of exchange. The reason some particular economic good functions as money is because it is the most highly marketable good available; it outrivals other items in the four properties of any monetary good: durability, transportability, divisibility, and scarcity. For that reason it is in demand; people are willing to part with other scarce goods and services in order to purchase money. Murray Rothbard has commented on this unique function of money:

Thus, we see that while an increase in the money supply, like an increase in the supply of any good, lowers its price, the change *does not* — unlike other goods — confer a social benefit. The public at large is not made richer. Whereas new consumer or capital goods add to standards of living, new

money only raises prices — i.e., dilutes its own purchasing power. The reason for this puzzle is that money is *only useful for its exchange-value*. Other goods have “real” utilities, so that an increase in their supply satisfies more consumer wants. Money has only utility for prospective exchange; its utility lies in its exchange-value, or “purchasing power.” Our law — that an increase in money does not confer a social benefit — stems from its unique use as a medium of exchange.¹

No Measure for Social Benefit

I would prefer to modify Dr. Rothbard's statement somewhat. If economic analysis is accepted as a tool for better understanding, then we must be careful not to derive ethical judgments from the application of a supposedly neutral tool of analysis. This, I believe, is in line with the epistemological foundations laid down by men like Ludwig von Mises and Lionel Robbins. What we can say, therefore, is that an addition to an existing stock of money *cannot be said* to confer a social benefit in the aggregate. Given Professor Mises' analysis of inflation (which Dr. Rothbard generally accepts, as I do), we know that those who have first access to the new money do, indeed, gain a benefit: they can spend the newly mined (or

newly printed) money at yesterday's prices. Their competitors who do not have immediate access to the new money are forced to restrict their purchases as supplies of available goods go down and/or prices of the goods increase. Thus, those on a fixed income cannot buy as much as they would have been able to buy had the new money not come into existence. Some people benefit in the short run; others suffer loss. Economic analysis as such gives us no clue as to the over-all social benefit; in the aggregate, social benefits may have increased, stayed the same, or fallen. But Dr. Rothbard's general point is vital: the increase of the total stock of money cannot be said, *a priori*, to have increased a nation's aggregate social benefit. The only way such a statement could be made would be in terms of a value-laden set of presuppositions which deems it socially beneficial to aid one group in the community (the miners, or those printing the money) at the expense of another group (those on fixed incomes). Economics as such could never tell us this, which should encourage us to re-examine the presuppositions lying behind the highly inflationary recommendations of many of those enamored of the “new economics.”

If it is true that there is no way of supporting, through the use of

¹ Murray N. Rothbard, *What Has Government Done to Our Money?* (Pine Tree Press, 1964), p. 13.

economic analysis, the idea that an increase in the money supply in some way increases aggregate social benefits, then certain conclusions will follow. For the sake of argument, let us assume that the supply of paper dollars is tied, both legally and in fact, to the stock of gold in the Federal government's vaults. Let us assume that for each ounce of gold brought to the government, a paper receipt called a "dollar" is issued to the one bringing in the gold for deposit. At any time the bearer of this IOU can redeem the paper "dollar" for an ounce of gold. By definition, a dollar is now worth an ounce of gold, and vice versa. What will take place either if an addition of new gold is made by some producer, or if the government (illegally) should print up a paper dollar? Rothbard describes the results:

An increase in the money supply, then, only dilutes the effectiveness of each gold ounce; on the other hand, a fall in the supply of money raises the power of each gold ounce to do its work. [Rothbard is speaking of the long-run effects in the aggregate.] We come to the startling truth that *it doesn't matter what the supply of money is*. Any supply will do as well as any other supply. The free market will simply adjust by changing the purchasing-power, or effectiveness of its gold unit. There is no need what-

ever for any planned increase in the money supply, for the supply to rise to offset any condition, or to follow any artificial criteria. More money does not supply more capital, is not more productive, does not permit "economic growth."²

Once we have a given supply of money in our national gold system (or wampum system), we no longer need to worry about the efficiency of the monetary unit. Men will use money as an economic accounting device in the most efficient manner possible, given the prevailing legal, institutional, and religious structure. In fact, by adding to the existing money supply in any appreciable fashion, we bring into existence the "boom-bust" phenomenon of inflation and depression.³ The old cliché, "Let well enough alone," is quite accurate in the area of monetary policy.

Why Gold?

We live in an imperfect universe. We are not perfect creatures, possessing omniscience, omnipotence, and perfect moral natures. We therefore find ourselves in a world in which some people will choose actions which will benefit them in the short run, but which may harm others in the long

² *Ibid.*, p. 13.

³ Cf. Gary North, "Repressed Depression," *THE FREEMAN* (April, 1969).

run. The gold miner, by diluting the purchasing power of the monetary unit, achieves short-run benefits. Those on fixed incomes are faced with a restricted supply of goods available for purchase at the older, less inflated, price levels. This is a fact of life.

Nevertheless, Professor Mises has defended gold as the great foundation of our liberties precisely because it is so difficult to mine. It is not a perfect mechanism, but its effects are far less deleterious than the power of a monopolistic state or licensed banking system to create money by fiat. The effects of gold are far more predictable, because they are more regular; geology acts as a greater barrier to inflation than can any man-made institutional arrangement.⁴ The booms will be smaller, the busts will be less devastating, and the redistribution involved in all inflation (or deflation, for that matter) can be more easily planned for.

Nature is niggardly; that is a blessing for us in the area of monetary policy, assuming we limit ourselves to a monetary system tied to specie metals. We would not need gold if, and *only* if, we could be guaranteed that the government or banks would not

tamper with the supply of money in order to gain their own short-run benefits. So long as that temptation exists, gold (or silver, or platinum) will alone serve as a protection against policies of mass inflation.

The Stock of Gold

The collective entity known as the nation, as well as another collective, the State, will always have a desire to increase its percentage of the world's economic goods. In international terms, this means that there will always be an incentive for a nation to mine all the gold that it can. While it is true that economics cannot tell us that an increase in the world's gold supply will result in an increase in aggregate social utility, economic reasoning does inform us that the nation which gains access to newly mined gold at the beginning will be able to buy at yesterday's prices. World prices will rise in the future as a direct result, but he who gets there "fustest with the mostest" does gain an advantage. Thus, so long as there is a demand for South African gold, we can expect to see South Africa selling her gold if the value of the goods she can purchase is greater than the value of the gold to her. What applies to an individual citizen miner applies equally to national entities.

⁴ Ludwig von Mises, *The Theory of Money and Credit* (Yale University Press, 1951), pp. 209-11, 238-40.

So much for technicalities. What about the so-called "gold stock"? In a free market society which permits all of its citizens to own gold and gold coins, there will be a whole host of gold stocks. (By "stock," I mean gold hoard, not a share in some company.) Men will own stocks, institutions like banks will have stocks, and all levels of civil government—city, county, national—will possess gold stocks. All of these institutions, including the family member, could issue paper IOU slips for gold, although the slips put out by known institutions would no doubt circulate with greater ease (if what is known about them is *favorable*). I suppose that the "national stock of gold" in such a situation would refer to the combined individual stocks.

Within this hypothetical world, let us assume that the national government wishes to purchase a fleet of German automobiles for its embassy in Germany. The American people are therefore taxed to make the funds available. Our government now pays the German central bank (or similar middleman) paper dollars in order to purchase German marks. Since, in our hypothetical world, all national currencies are 100 per cent gold-backed, this will be an easy arrangement. Gold would be equally valuable everywhere (ex-

cluding shipping costs and, of course, the newly mined gold which keeps upsetting our analysis), so the particular paper denominations are not too important. Result: the German firm gets its marks, the American embassy gets its cars, and the middleman has a stock of paper American dollars. These bills are available for the purchase of American goods or American gold directly by the middleman, but he, being a specialist working in the area of currency exchange, is more likely to make those dollars available (at a fee) for others who want them. They, in turn, can buy American goods, services, or gold. This should be clear enough.

Paper Promises Easily Broken

Money, it will be recalled, is useful only for exchange, and this is especially true of paper money (gold, at least, can be made into wedding rings, earrings, nose rings, and so forth). If there is no reason to mistrust the American government, the paper bills will probably be used by professional importers and exporters to facilitate the exchange of goods. The paper will circulate, and no one bothers with the gold. It just sits around in the vaults, gathering dust. So long as the governments of the world refuse to print more paper bills than they have

gold to redeem them, their gold stays put. It would be wrong to say that gold has no economic function, however. It does, and the fact that we must forfeit storage space and payment for security systems testifies to that valuable function. It keeps governments from tampering with their domestic monetary systems. *An ingot of prevention is worth a pound of cure* (apologies to Harold Wilson).

Obviously, we do not live in the hypothetical world which I have sketched. What we see today is a short-circuited international gold standard. National governments have monopolized the control of gold for exchange purposes; they can now print more IOU slips than they have gold. Domestic populations cannot redeem their slips, and since March of 1968, very few international agencies have access to governmental gold stocks (or so we are told). The governments create more and more slips, the banks create more and more credit, and we are deluged in money of decreasing purchasing power. The rules of the game have been shifted to favor the expansion of centralized power. The laws of economics, however, are still in effect.

Trading Without Gold

One can easily imagine a situation in which a nation has a tiny

gold reserve in its national treasury. If it produces, say, bananas, and it limits its purchases of foreign goods by what it receives in foreign exchange for exported bananas, it needs to transfer no gold. It has purchasing power (exported bananas) apart from any gold reserves. If, for some reason, it wants to increase its national stock of gold (perhaps the government plans to fight a war, and it wants a reserve of gold to buy goods in the future, since gold stores more conveniently than bananas), the government can get the gold, or it could before March, 1968. All it needs to do is take the foreign money gained through the sale of bananas and use it to buy gold instead of other economic goods. This will involve taxation, of course, but that is what all wars involve. If you spend less than you receive, you are saving the residual; a government can save gold. That's really what a gold reserve is — a savings account.

This is a highly simplified example. It is used to convey a basic economic fact: if you produce a good (other than gold), and you use it to export in order to gain foreign currency, then you do not need a gold reserve. You have merely chosen to hoard foreign currency instead of gold. That applies to citizens and governments equally well.

What, then, is the role of gold in international trade? Dr. Patrick Boorman clearly explained the mechanism of international exchange in *The Wall Street Journal* of May 10, 1965:

The function of international reserves is NOT to consummate international transactions. These are, on the contrary, financed by ordinary commercial credit supplied either by exporters or importers, or in some cases by international institutions. Of such commercial credit there is in individual countries normally no shortage, or internal credit policy can be adjusted to make up for any untoward tightness of funds. In contrast, international reserves are required to finance only the inevitable net differences between the value of a country's total imports and its total exports; their purpose is not to finance trade itself, but net trade imbalances.

The international gold standard, like the free market's rate of interest, is an equilibrating device. What it is supposed to equilibrate is not gross world trade but *net trade imbalances*. Boorman's words throw considerable light on the perpetual discussion concerning the increase of "world monetary liquidity":

A country will experience a net movement of its reserves, in or out, only where its exports of goods and services and imports of capital are

insufficient to offset its imports of goods and services and exports of capital. Equilibrium in the balance of payments is attained not by increasing the quantity of a mythical "world money" but by establishing conditions in which autonomous movements of capital will offset the net results, positive and negative, of the balance of trade.

Some trade imbalances are temporarily inevitable. Natural or social disasters take place, and these may reduce a nation's productivity for a period of time. The nation's "savings" — its gold stock — can then be used to purchase goods and services from abroad. Specifically, it will purchase with gold all those goods and services needed above those available in trade for current exports. If a nation plans to fight a long war, or if it expects domestic rioting, then, of course, it should have a larger gold stock than a nation which expects peaceful conditions. If a nation plans to print up millions and even billions of IOU slips in order to purchase foreign goods, it had better have a large gold stock to redeem the slips. But that is merely another kind of trade imbalance, and is covered by Boorman's exposition.

The Guards

A nation which relies on its free market mechanism to balance

supply and demand, imports and exports, production and consumption, will not need a large gold stock to encourage trade. Gold's function is to act as a restraint on governments' spending more than they take in. If a government takes in revenues from the citizenry, and exports the paper bills or fully backed credit to pay for some foreign good, then there should be no necessity to deplete its semi-permanent gold reserves. They will sit idle—idle in the sense of *physical movement*, but not idle in the sense of being economically irrelevant.

The fact that the gold does not move is no more (and no less) significant than the fact that the guards who are protecting the gold can sit quietly on the job if the storage system is really efficient. Gold guards us from that old messianic dream of getting something for nothing; that is also the function of the guards who protect the gold. The guard who is not very important in a "thief-proof" building is also a kind of "equilibrating device": he is there in case the over-all system should experience a temporary failure.

A nation which permits the market to function freely is, by analogy, also "thief-proof": everyone consuming is required to offer something in exchange. During

emergencies the gold is used, like the guard. Theoretically, the free market economy could do without a large national gold reserve, in the same sense that a perfectly designed vault could do without most of the guards. The nation that requires huge gold reserves is like a vault that needs extra guards; something is probably breaking down somewhere.

Conclusion

I have come, as a recent popular song puts it, "the long way around." What I have been trying to explain is that a full gold coin standard, within the framework of a free market economy, would permit the large mass of citizens to possess gold. This might mean that the "national reserves of gold"—that is, the State's gold hoard—might not have to be very large. If we were to re-establish full domestic convertibility of paper money for gold coins (as it was before 1934), while removing the "legal tender" provision of the Federal Reserve Notes, the economy would still function. It would probably function far better in the long run.

That, of course, is not the world we live in. Since it is not a free society in the sense that I have pictured, we must make certain compromises with our theoretical model. The statement in *The Wall*

Street Journal's editorial would be completely true only in an economy using a full gold coin standard: "The best way for a nation to build confidence in its currency is not to bury lots of gold in the ground." Quite true; gold would be used for purposes of exchange, although one might save for a "rainy day" by burying gold. But if governments refused to inflate their currencies, few people would need to bury their gold, and neither would the government. If a government wants to build confidence, indeed it should "pursue responsible financial policies," that is, it should not spend more than it takes in. The conclusion is accurate: "If a country does so consistently enough, it's likely to find its gold growing dusty from disuse."

In order to remove the necessity of a large gold hoard, all we need to do is follow policies that will "establish Justice, insure domestic

Tranquility, provide for the common defense [with few, if any, entangling alliances], promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity." To the extent that a nation departs from those goals, it will need a large gold hoard, for it costs a great deal to finance injustice, domestic violence, and general illfare. With the latter policies in effect, we find that the gold simply pours out of the Treasury, as "net trade imbalances" between the State and everyone else begin to mount. A moving ingot gathers no dust.

Which leads us to "North's Corollary to the Gold Standard" (tentative): "*The fiscal responsibility of a nation's economic policies can be measured directly in terms of the thickness of the layer of dust on its gold reserves: the thicker the layer, the more responsible the policies.*"



IDEAS ON LIBERTY

Nobody's Business

THE ESSENTIAL difference between the pre-war and the post-war gold standard was that the former had to work, because, if it did not do so, the banker went bankrupt. After the outbreak of war in 1914 the Government — not the banker — was responsible, and what is the Government's business is often nobody's business.

Read's Law

LEONARD E. READ

IT IS becoming more and more fashionable for probers into political economy to concoct a "law" and tack their name onto it. Doubtless, this fad stems from such famous instances as *Gresham's Law*: "Bad money drives out good money." Or, *Say's Law of Markets*: "Production generates its own purchasing power."

This tendency among our contemporaries is a humorous way of presenting a serious idea, believed by each to be sound and original. Nor can I fault anyone for trying to have a bit of fun with what otherwise might be dismal and foreboding.

Perhaps the best known of the new ones is *Parkinson's Law*: "Expenses rise to meet income."

A book entitled *The Peter Principle* currently heads the best-seller list: "In a hierarchy every

employee tends to rise to his level of incompetence."

Brozen's Law reads: "Most obviously true economic policy propositions are false."¹

Rogge's Rule tickles my fancy: "Whenever the government passes a law for your protection, take to the hills — because you are about to be had!"²

The subject here, however, is *Read's Law*: "No politician can fly higher in office than he flew while getting there."

This "law" has no meaning, of course, until we identify the point of reference for "higher." And the height to which I aspire is freedom; that is, no restraint

¹ Yale Brozen, Professor of Business Economics, Graduate School of Business, University of Chicago. See THE FREEMAN, June, 1968, p. 328.

² Benjamin A. Rogge, Professor of Political Economy, Wabash College.

against any creative action. In other words, freedom is my idea of high; socialism, statism — call it what you will — is my idea of low.

Without resort to the above point of reference, my "law" would have to be stated something like this: "No politician, after getting into office, can remove any more restraints against freedom than he promised to remove in his campaign speeches."

Let me relate how handy this "law" is. Over the years, I have known numerous aspirants for high office who, in private, endorse the freedom philosophy all the way — no exceptions! I am led to believe, "There's my boy!" Later, as I hear or read his campaign speeches, I find nary a word about the socialism he intends to repeal if elected. Indeed, only his political label seems to distinguish him from his socialist opponent. If such a candidate is sufficiently artful at vacillation, he's elected. Then, friends of mine hopefully ask: "What achievements for freedom are you looking forward to from so-and-so?" I respond by repeating *Read's Law*: "No politician can fly higher in office than he flew while getting there." My questioners chuckle, reflect on the campaign speeches, and draw their own conclusions. I have answered them accurately without a

single disparaging or offensive reference to so-and-so. No personal attack — just an incontrovertible fact revealed!

Bear in mind that my claim has to do only with an inability to fly higher, not lower. An officeholder's "ceiling" is set by his campaign speeches; he can *descend* to any level. I recall the campaign pretensions of an aspirant to our highest office. He flew higher than anyone since Grover Cleveland. But once in office, he fell into a sideslip and never pulled out of it.

Let me explain how I discovered *Read's Law*. The campaign manager of a candidate was my close personal friend. Because his man's speeches were socialistic, I was critical. "Why, he believes the same as you and I do," came the reply. "He has to say what he's saying to get elected. Once in office, he will practice what *we* believe." The contention was that his candidate would fly higher in office than he flew while getting there. But no one was able to prove that untenable thesis; when the last vote was in, the candidate had lost.

The Truth Must Prevail

This experience led me to three important conclusions. The first is that no officeholder can ever overthrow any socialistic practice unless there is an enormous consen-

sus that it be done away with; otherwise, the practice is too tightly woven into the social fabric to be cast out by some political trick. Ridding our society of TVA or Social Security, for instance, is utterly impossible unless there be a general agreement for repeal. The candidates who never mention repeal in their campaign speeches make no contribution whatsoever to a new consensus. So, they have mustered no support for it, whatever their private views may be. They can never fly any higher than they flew while getting there! They are impotent. On the other hand, if they had been elected because of their advocacy of repeals, they would then have a popular mandate to so perform.

Second, the candidates who pretend privately to believe in freedom principles and who run for office on other than a clear-cut freedom platform, do not understand these principles; they do not *know* them! Concededly, they know *about* them and can recite the ideas quite impressively — as can actors. The reason that so many of us are deceived in our private talks with these men is that we cannot see into their minds as to whether or not they really apprehend the ideas behind their words. We can only know for

sure what they believe when we see them in action — in their campaigns. Candidates who thoroughly apprehend freedom principles would not — indeed, could not — do other than uphold them. When one *knows* a principle, its observation and practice is second nature.³

Finally, let politicians who privately say they are for freedom, but who publicly espouse socialism in order to get elected, be faithful to their public pronouncements. Freedom will fare better this way. Exposing the fallacies of socialism and explaining the principles of freedom cannot possibly be achieved except through fidelity. Truth can never be found by those or among those who practice dissimulation.

Devotees of freedom have everything to gain and nothing to lose when campaign promises, regardless of how socialistic, are faithfully kept. We need only remind ourselves that no politician can ever fly higher in office than he flew while getting there. Furthermore, the advancement of freedom is not a matter of *who* wields political power over creative actions; rather, it depends upon the disassembling of such power. ☉

³ See "When Freedom Becomes Second Nature," *Notes from FEE*, November, 1969.

The QUIET Revolution

EDMUND A. OPITZ

THE GREAT NATURALIST, John Burroughs, wrote that "in the ordinary course of nature, the great beneficent changes come slowly and silently. The noisy changes, for the most part, mean violence and disruption. . . . The still small voice is the voice of life and growth . . . In the history of a nation it is the same."

This is a time of noisy change, a time of violence and disruption, a time of perpetual crisis. There is, we are told, a crisis in family life, a crisis in the cities, a crisis in race relations, a crisis in religion. Doubt has been cast on all the old certainties; nothing appears fixed except change—and the inmates are trying to run the

asylum. The present mood has been captured in the familiar lines by William Butler Yeats:

Things fall apart; the centre
cannot hold;
Mere anarchy is loosed upon the
world . . .
The best lack all conviction, while
the worst
Are full of passionate intensity.

A bill of particulars is not needed; any man can supply his own, from any newspaper, any day of the week. And the feeling grows among us that the whirlwind of change which has scrambled our value system has erased all guidelines, all benchmarks, all standards.

The 1960's have not dealt kindly with Americans, and our magnificent accomplishments in outer space serve but to highlight the

The Reverend Mr. Opitz is a member of the staff of The Foundation for Economic Education. This article is from his guest sermon at Kirk in the Hills, Bloomfield Hills, Michigan, August 10, 1969.

tragic ruptures which mar our social life. We are bogged down in a land war in Asia, as a phase of the cycle of wars into which we have been locked since 1914. Whereas America was once regarded by the world's peoples as "the last, best hope of earth," it is now reviled in many quarters. Latin American countries ask a Presidential emissary to call off his tour because they cannot guarantee his safety. The nineteenth century trend in the direction of constitutionally guaranteed liberties of the citizen in his personal, his social, and his economic affairs slowed to a halt in the twentieth. The tide of totalitarianism began to rise, and communism in Russia has recently celebrated its fiftieth anniversary, confident of its strength, sure of the future, able to count on the disaffected of all countries — including our own — as allies.

We are uncertain about the philosophical basis of our own form of society; Adam Smith seems almost as remote as the original Adam, and who reads *The Federalist Papers* nowadays? The Executive branch has become semi-autonomous, and the Supreme Court usurps a legislative function. At the level where most of us live there is mounting concern over increased crime and the open incitements to violence — to which

certain sectors of our society respond by displaying a paranoid sense of collective guilt. And then there are the demonstrations, the riots, and that crushing blow to our spirit — three tragic assassinations.

What has happened to people? What will become of America? What of the church in all this?

Outward Signs of Inner Turmoil

I take it as axiomatic that external disorder and social strife is a reflection of disorder in the mind and soul. For it is in the nature of the human condition that man forever seeks a harmony within himself, that is, an ordered soul; and secondly, he works for an outer order of society. Thomas Aquinas put it this way: "Man has a natural inclination toward knowing the truth about God, and toward living in society." This is to restate the Great Commandment given to us by the Master when he said: "Thou shalt love the Lord thy God with all thy heart, and with all thy soul, and with all thy mind, and with all thy strength. . . . And thy neighbor as thyself." (Mark 12:30-31) The inner and spiritual liberty proclaimed in the Gospels must seek to realize itself and find proper expression in outer and social freedom. Christianity penetrates society and creates the ap-

propriate political and economic structures by means of Christian persons who are citizens or magistrates. The earth will never witness a fully realized Christian society, for this would mean the Kingdom of God, and God's Kingdom is beyond history. But what we can hope for is a society Christian in its norms, Christian in its understanding that man is formed to serve a transcendent end, to fulfill a purpose beyond society.

Biblical religion understands the world as the creation of God who looked out upon his work and called it good. It regards man as a creature who bears a unique relation to this God, being formed in his image—meaning that man possesses free will and the ability to command his own actions. This free being is given dominion over the earth with the admonition to be fruitful and multiply. He is commanded to work in order that he might eat; he is made steward of the earth's resources and held accountable for their economic use. He is to respect the life of his neighbor and not covet his goods; theft is wrong because property is right. When this outlook comes to prevail, the groundwork is laid for a free and prosperous commonwealth; the City of Man is not an end in itself, it is the proving ground for the City of God.

"Secular Christianity"

The contemporary outlook is quite different. It excludes God from its reckoning, and in a sector of the church we witness the paradox of a school of thought proclaiming "secular Christianity." The present outlook views the world as self-existent and man is reduced to a mere natural product of natural forces—autonomous man, stripped of all attachments which were thought to bind him to a transcendent realm of being. Shorn of his cosmic dimension, man is depersonalized; no longer the creature of God, he is reduced to a mere unit of mass society struggling to retain vestiges of his humanity as his world goes through a time of troubles.

Secular trends have acquired such a momentum that religious movements tumble along in their wake. Theologians talk about the death of God and the new morality. The New Clergy tell us that *the church must go*, as they rush out to man the barricades; they preach violence and the overthrow of society. "The New Clergy intersects with the New Left," declares a writer in a recent *Harpers*. "These men are out to remake the world," some wit remarked, "as God would have made it in the first place—except he lacked the funds!"

Politically-minded churchmen

seek to shape the churches into an ecclesiastical power bloc which would reduce religion to a mere instrument of revolutionary social change. We witness the growth of organizations, agencies, and councils designed to bring ecclesiastical leverage to bear on society, in a manner indistinguishable from the efforts of secular collectivists. Chief among these is the National Council of Churches and the World Council. If social salvation were to be had from large, powerful, and prestigious ecclesiastical organizations, then we should have been saved already. But provide a religious organization with wealth and power and it begins to change into a secular agency. The church in every age has come under the spell of secular movements and enthusiasms, to the detriment of spiritual religion. Churchmen dream of a large and powerful organization, both for the sake of the church itself — as they think — and for the sake of what that church might accomplish by its influence on government. In former days, churchmen invoked government to guarantee purity of doctrine by punishing those who deviated into some heresy. The aim was to get more souls into heaven. Today, churchmen seek to strengthen the hand of government and give it the power to manage the economy

and control, where needed, the lives of the citizenry. The aim is to guarantee economic security from cradle to grave.

Mistaken Methods

It is easy for us now to see that medieval churchmen were mistaken in thinking that souls could be shoveled into heaven by the forced repetition of some incantation. Someday it will be just as evident that present-day churchmen are sadly misguided in their preoccupation with the reshuffling of the existing stock of economic goods. Like the secular liberals and collectivists, these churchmen expect to overcome economic disabilities by political interventions. They'll never achieve prosperity by taking this tack. Poverty can be overcome by increased productivity, and in no other way; and a society of free men is more productive than any other. It follows that we maximize production and minimize poverty only as men are increasingly free to pursue their personal aims — including their economic goals — within the framework of law. Prosperity, in fact, is a by-product of liberty. Limit the government to its proper competence, so that men are uncoerced in their interpersonal relations — including their economic arrangements — and the general level of well-being rises.

A generation ago, Dean Inge of St. Pauls foresaw a "reversion to political and external religion, the very thing against which the Gospel declared relentless war." It is not that Christianity regards social progress as unimportant, the Dean goes on to say; it is a question of how genuine improvement may best be promoted; "the true answer . . . is that the advance of civilization is a sort of by-product of Christianity, not its chief aim; but we can appeal to history to support us that this progress is most stable and genuine when it is a by-product of a lofty and unworldly idealism."

The church is *in* the world, but it is not wholly *of* the world. Whenever it seeks to further social progress by embracing the currently fashionable political nostrum, it not only fails to achieve its social ends by politicalizing its gospel, but it betrays its own nature as well. The church's job is to remind man, in season and out, who he really is and what he may become; and this task, in every age, means some resistance to "the world." The church must never marry the spirit of the age, Dean Inge used to say, for if she does she'll be a widow in the next.

The Saving Remnant

Sometimes we despair of the church, but we must not forget

that in every age there has been a creative and self-renewing activity at work within it; and it's at work there today. This is the saving Remnant. The seventeenth century Church of England Bishop, Richard Warburton, pondered these matters. Is the church worth saving, he wondered? Whimsically, he compared the church to Noah's ark, and concluded that the church, like the ark of Noah, "is worth saving, not for the sake of the unclean beasts that almost filled it and probably made much noise and clamor in it, but for the little corner of rationality [Noah and family] that was as much distressed by the stink within as by the tempest without."

The French have a saying: "The situation is desperate; but it's not serious." The human venture has always been an uphill fight. The biological odds were against the emergence of man, and the scales have always been weighted against man's survival. But these facts, in themselves, have never been grounds for widespread or long-continued despair; certainly not wherever the Christian faith has taken hold.

A certain seventeenth century New England Puritan left a journal, in which was found this entry: "My heart leaps for joy, every time I hear the good news

of damnation." Now the Puritans were a peculiar people, and this one had an odd way of putting things. But perhaps he is telling us something, in his oblique way. It is good news that man possesses the gift of freedom so far-reaching that he is personally responsible for the ultimate fate of his soul. This is not to say that man saves himself; it is to say that the individual may choose to accept or reject the means of grace made available to him, and that his act of choosing is determinative.

Responsibility Implies Freedom

This old doctrine says, first of all, that Somebody in the universe cares for us individually, one by one. Such is the basic implication of any system of rewards and punishments based on merit or demerit. The conviction that this is a universe where, in the long run, we *do* get our just deserts implies that we have a responsibility for our lives; that nobody really gets away with anything.

No man is held accountable for an outcome which his actions did not affect one way or the other. Responsibility implies freedom. To say that man is a responsible being is to say that his freely made choices do cause things to happen this way rather than that. Life's alternate possibilities of reward and punishment imply that

men *must* choose. And because the universe does not jest, it has not given man the freedom to make a choice as to how he will commit his life without at the same time equipping that choice with power to affect the ultimate outcome. This is the core of the Doctrine of Election which a hillbilly preacher explained to his flock in this fashion: "The Lord votes for you; the Devil votes against you. It's the way *you* vote that decides the election." Even if you do nothing, your very inaction becomes a form of action, affecting the outcome one way or the other.

The Power behind the universe has so much confidence in man that it has made him a free and responsible being. This is a basic premise of our religious heritage, but our generation, like each before it, must earn its heritage anew before we can make it our own.

The rest of creation is complete; we alone are unfinished. The Creator has given the animal world all the answers it needs; answers locked up in instinctual responses as old as time. But man has *not* been given the answers; before *our* eyes the Creator has posed a gigantic question mark. We are handed a question, and the answer is ours to give. We have the responsibility, the freedom, and the power to respond.

If these things are true at all, they are true for everyone, but not everyone is equally able to grasp them as truths. Organizations that are equipped with the blinders fastened on them by wealth, power, and success are handicapped; they come to care more for their image than for the truth. It is sad to observe that nothing fails like success. But organizations and individuals who are *not* drawn into the power-and-success game may advance the truth without encumbering it with themselves. They may become part of the saving Remnant.

"Be still, and know that I am God," sang the Psalmist (Ps. 46:10). "In quietness . . . shall be your strength," said Isaiah. (Isaiah 30:15) Victory for the things we want victorious comes not with noisy demonstrations, clamorous agitation, bustling campaigns, shouted slogans, heated discussions, passionate arguments, emotional debates, demagogic harangues; neither will it come by a display of power or a show of strength. The only victories worth winning arrive quietly, by the slow progress of thought, by the refinement of moral values. "Nothing is so powerful as an idea whose time has come," and the ripening of ideas in the corridors of men's minds and the translation of these into appropriate ac-


tion when ready is the only way man may advance. It is in the intellect and in the moral imagination — that is, in the human spirit — that men may "wait upon the Lord and renew their strength."

The great Swiss economist, Wilhelm Roepke, was also a deeply religious man. He fought in World War I and was the first intellectual exiled by Hitler. "For more than a century," he writes, "we have made the hopeless effort more and more baldly proclaimed, to get along without God. It is as though we wanted to add to the already existing proofs of God's existence, a new and finally convincing one; the universal destruction that follows on assuming God's nonexistence. The genesis of the malady from which our civilization suffers lies in the individual soul and is only to be overcome within the individual soul." And if the care of souls is not, first and foremost, the province of the church, what — in God's name — is the church's main business?

Disorder in society reflects a disorientation in man's inner life. If there is confusion as to the proper end, aim, and goal of personal life, then bizarre social ideologies will prove irresistibly attractive and a sickness spreads in society. A healthy society, on the other hand, is the natural consequence of sound thinking and right

action among men and women who are pursuing the life-goals proper to human beings.

The church is a means for ends beyond itself; and our lives contain potentialities which can never be fully realized on the biological and social planes alone. We are involved in lost causes; but take

heart from St. Paul, where he speaks of foolish things confounding the wise and weak things confounding the mighty. Paradoxically, there *is* a kind of strength in weakness, and there *is* a kind of wisdom in foolishness. And there are victories in lost causes, because God may choose them to work out his purposes. 

IDEAS ON LIBERTY

Man to Man Justice

THE UNIFORMED POLICEMAN does not originate right and wrong. He merely extends and reinforces the observance of those rights and duties that stem from the Ten Commandments. In all respects he is a mere projection of the individual human conscience and in no case can he be made to substitute for it. On the contrary, a widened sense of individual conscientious responsibility can be made to shorten the policeman's "beat" considerably. It is in this direction — the direction of a more acutely developed sense of individual conscientious responsibility — that we must constantly look for any permanent improvement in the ordered general welfare of our society.

It must be remembered that ninety-five per cent of the peace, order and welfare existing in human society is always produced by the conscientious practice of man to man justice and person to person charity. When any part of this important domain of personal virtue is transferred to government, that part is automatically released from the restraints of morality and put into the area of conscience-less coercion. The field of personal responsibility is thus reduced at the same time and to the same extent that the boundaries of irresponsibility are enlarged.

In doing "One's Own Thing"

HENRY EDWARD SIMONS

AS A MEMBER of the "freaked out" and "turned on" generation, I find little comfort in the mental attitudes of some of my peers. In fact, it is a consequence of their "drop out" awareness that makes one fearful of the kind of leadership potential coming from these anarchy-oriented visionaries. Such radicalism on campus is perhaps a sad commentary on the present educational atmosphere of permissive ideas and professors.

There is no "safe" campus if one equates safety and security with learning fundamentals and being free to think and experience new ideas. "But," you say, "isn't this what it is all about in the campus mood today?" I doubt it. Serious consideration of contemporary values and judgments does

not come in the form of riots, burning, and other antisocial activities. The breakdown of the school is the only achievement—if one feels *this* is a value.

Our nation is derived of different ideas and a competitive spirit. But responsibility always has been a factor in making constructive change a reality. Change, for itself, has no merit. That is like dumping last year's automobile because it is not "new," or considering people "old-fashioned" because they are over 30 years old. Some of our most creative ideas and practical inventions have come *because* a man had experience and insight gained from years of living.

Perhaps our youth-oriented radicals do not realize that their claims of insight are far from unique; adventures and ideals have inspired men and events

Mr. Simons is both a teacher in the New York City public schools and a graduate student at New York University.

throughout history. But the youth of today seem so determined to make history, spending their energies and abilities as if there had been no past and is to be no future. The need to "blow one's mind" and identify change with long hair and eight-button suits is a far cry from effecting realistic and constructive change. The "tuning out" and LSD thrills offer no escape from reality.

Change for the Better

Such attempts to change one's life experience lead to considerations in which living becomes a true hell, and the only change is for the worse. There is no need to destroy one's life in order to change the world as it appears, and as it really is — the difference between the two depending on one's age and experience as well as maturity.

First of all, age affords no special insight — whether one be young or old. The capacity to care for others, to participate freely in an open and competitive economy, and to learn from one's experiences can be a springboard to improved insight and skills. New ideas create new industries with new markets to serve. Man receives and acts upon ideas; and the work of applying ideas to production affords personal joy and objective rewards. Change thus

flows from the discovery of potential within oneself and among one's contemporaries.


The inventive minds create new needs. The electrical industry found itself needing people to fill jobs, which did not exist until Edison came along with the electric light. Other examples are endless. Change can be productive and effective in terms of social and economic benefits. Technological changes within the past fifty years stagger the imagination — and pending innovations are beyond anticipation. But this is fruitful change — requiring new "idea" men and women and creative personal insight and motivation. Business leaders do not want "dead-end" thinkers! They seek creative sensitive people to build and to make competitive change practical and effective. A David Sarnoff or a Tom Watson or a Henry Ford — these men brought about changes, but socially useful changes. A person of strong individuality and personality, Captain Edward V. Rickenbacker, put his stamp of special concern and participation in the aviation industry.

Faith in the Future

Who says we don't want change, or that we would deny the ideals of those individuals with faith in the future! But faith in mankind is not the current rage on campus.

Unfortunately, a lack of faith persists and serves as a justification for anarchy and the rejection of respected institutions and ways of solving problems. All too common in the thoughts and practices of today's college generation is the fear that our nation cannot adapt to growth and change and that they cannot find their identity by

participating in the peaceful way of getting things done. But theirs is the most "old-fashioned" view of all, and it is not justified.

Soon, hopefully, our college generation may catch up to the modern, yet eternal, reality that there is never a lack of desire for new ways and new ideas of individual style and merit. 

IDEAS ON LIBERTY

Free to Discriminate

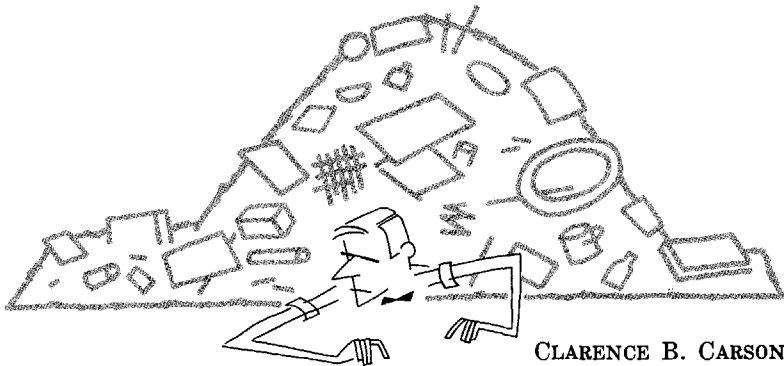
IF MAN IS TO CONTINUE his self-improvement, he must be free to exercise the powers of choice with which he has been endowed. When discrimination is not allowed according to one's wisdom and conscience, both discrimination and conscience will atrophy in the same manner as an unused muscle. Since man was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

When one's fellow men interpose force and compulsions between him and the Source of his being — whether by the device of government or otherwise — it amounts to interrupting his self-improvement, in conflict with what seems to be the Divine design. Man must be left free to discriminate and to exercise his freedom of choice. This freedom is a virtue and not a vice. And freedom of choice sows the seeds of peace rather than of conflict.

F. A. HARPER, *Blessings of Discrimination*

A copy of this pamphlet is available on request from The Foundation for Economic Education, Irvington-on-Hudson, N. Y.

Problem or Opportunity?



CLARENCE B. CARSON

THE DISPOSAL of trash, garbage, and refuse is becoming a major problem, it seems. The feature page of one Sunday newspaper described the matter with this frightening headline:

Will Our Garbage Bury Us?

Indeed, newspapers and magazines have been devoting increasing amounts of space to the situation. We are told that policemen are having to allot more and more time to disposing of abandoned automobiles. In some states, trucks used to pick up refuse carelessly thrown out by motorists bear legends as to how much this costs the taxpayers each year.

Dr. Carson is Professor of History at Grove City College in Pennsylvania. Books by him include *The Fateful Turn*, *The American Tradition*, and *The Flight from Reality*, originally serialized in *The Freeman*.

Many cities are running out of places to dump garbage. The countryside is dotted with automobile graveyards. The problem has come to national attention; in 1965 Congress passed a Solid Waste Disposal Act. A move is afoot to increase the appropriation for this activity. Something must be done, we are told, else we shall founder and sink in our own waste.

Whether a given situation constitutes a problem or an opportunity is a nice question. Is a given material a waste or a resource? Trees were once a great obstacle to the utilization of land for farming in the eastern part of North America. They were cut down, rolled into position so that they could be piled up, then

burned. They were refused, hence, *refuse*. Today, of course, trees are reckoned to be a great resource, are planted, sometimes fertilized, and intentionally grown. Nor is time the only factor in changing problems into opportunities (or vice versa) or wastes into resources. Of even greater importance is who is viewing the task or material and what object he has in view. This principle can be readily illustrated.

When government undertakes to perform a task, it quickly becomes a problem. When private business undertakes to perform a task, it is seen as, and is, an opportunity. For example, I cannot recall having seen an article on the problem of making automobiles. Indeed, the basic problem of constructing an automobile was long since solved, and men labored at it not as a public problem but as an opportunity. Yet, disposing of old automobiles (a simpler task basically than constructing new ones) is now described as a major problem. In large, this is true because government increasingly monopolizes the disposal industry (though this does not begin to tell us why government forecloses opportunity and raises problems). Disposing of wrecked or old automobiles was once a great opportunity for private business, but it is becoming a problem for politicians and

looms as a burden for taxpayers.

Numerous other examples come to mind of this principle. Providing transportation in cities was once a great opportunity for private entrepreneurs; it led to such fabulous successes as the private building of the New York subway system. But since governments have entered more and more into transportation (particularly within cities), it has ceased being an opportunity and become a series of monumental problems for cities. The post office is a perennial problem. Airports, since they are heavily subsidized by governments, are described as problems. So it goes with many other tasks.

What is waste or what is resource depends almost entirely upon how it is viewed. A private entrepreneur will tend to view all material in the light of its potential use — he can profit by utilizing it. Governments, on the other hand, may be inundated by waste, for they do not recognize profit as a measure of public demand.

Back on the Farm

How did the refuse problem come about in America? It was not always so. When I was a boy growing up on the farm, we had no waste disposal problem worth discussing. Indeed, we had very little that could be classified as

waste. Leftover food was carefully saved to be fed to the hogs. Worn out metal objects were saved — kept in a pile — against the day the junkman came around so that they could be sold. Buckets, cans, and jars had many potential uses once they were emptied of their original content. Sacks could not only be used as containers for produce, but also were a source of cloth. Animal wastes were returned to the soil. Any large object was apt to contain lumber or other scraps which could be used in future construction. Hardly anything then could be called waste.

I am aware, of course, that times have changed, that it is no longer economical to use labor in ways that were even then becoming marginal. Specialization has proceeded apace so that it now may be cheaper for a carpenter to use another nail than to retrieve one he has dropped. Containers and products have poured forth in bewildering shapes and varieties. Yet, as will be seen, this is just the point. *Specialization* has proceeded apace in production and distribution; it *has declined and atrophied in the utilization of leftovers*. Hence, the mountains of waste that are said to loom over us.

Two developments of import have occurred regarding leftovers. One is that manufacturers have

ceased to give much thought to further uses for their container than the original one. That understates the case. They have devoted much energy to developing containers that can be thrown away after one use. Second, there has been a trend away from separated and segregated trash and garbage. "All the trash goes together," the sweeper used to say (when humor was not so sophisticated), as he approached someone in his way. What was once a jibe has become a fact in many towns and cities; garbage has become a potpourri of boxes, cans, coffee grounds, leftover food, papers, fourth class mail, and what not. Hence, its various elements are ruined for other use even before they reach the dump. The opposite of specialization has occurred. What was once potentially usable has been made waste by methods of storing and collection.

Government Garbage Collection

There are several interrelated reasons why this has come to pass, but the most direct one is this: Governments (city usually) entered the business of trash and garbage collection, in many cases establishing monopolies or near monopolies of this collection. Quite often, even if a citizen did not use the service, he would still have to pay. When governments took over

trash collection, production and distribution were separated from disposal. A large rent occurred in the economic fabric. Private enterprise continued to produce and distribute (sell) goods, but these functions were no longer integrally related to further uses or disposal. Specialization has proceeded with great vigor in production and distribution. It is grinding to a halt in reuse of materials and their final disposition.

The reason for this is not far to seek. The disposal of leftovers was taken out of the economic realm and placed in the political. In the economic realm, leftovers offer an opportunity for further use and profit; in the political realm, leftovers are only a problem. Moreover, force had been introduced in the affair; one had to pay for the service whether he would or not, and was frequently denied alternatives. Not surprisingly, the citizen lost interest in separating and segregating his leftovers. After all, why should he bother with it? Why not lump it all together? This is what he did, when he could, and politicians began to acquiesce — in pursuit of votes.

The Cost of Labor

Another reason for the mounting waste is the cost of labor. There is no blinking the fact that it often

takes considerable ingenuity and labor to reclaim materials from an earlier use for another one. There is the cost of collection, the labor of getting them ready for use, and the intelligent employment or reproduction for reuse. Almost any material sufficiently sturdy to be in the way could be put to some productive use. But costs may discourage this. The crucial factor here has been government interference in the labor market. This interference has been by way of minimum and union wages, compulsory education, partial exemptions from the draft for attending college, the subsidizing of idleness in old-age pensions, and so forth. Moreover, labor costs have been made more expensive to the employer because of required social security payments, by payments into the unemployment fund, by the cost of bookkeeping to keep up with all these, and by regulations on the use of labor. These costs explain, in part, why potential labor and various material resources are not utilized, hence, why they become waste.

There is a deeper dimension to the mounting piles of waste. They are mute indicators of the wasted lives among us; they are a much truer measure of the unemployment in America than the figures released by government agencies. This writer does not know, of

course, how many people should or could be productively employed, or at what, but it is reasonable to suppose that some portion of them could render leftovers into goods, and would do so were they not subsidized in idleness.

The main reasons why the disposal of leftovers has become a problem, then, are these: government pre-emption of garbage collection, the consequent separation of production and distribution of goods from the disposal of leftovers, the decline in specialization in dealing with leftovers, the lumping of all "trash" together so as to render it unfit for further use, the changing of disposal from economic opportunity into political problem, and the pricing of labor out of the market which might deal more effectively with what is otherwise refuse.

The prognosis, given current conditions, is that the waste situation will continue to worsen. Looming ahead are probably government regulations on manufacturers and distributors as to materials to be used in dispensing their goods. When government undertakes to provide a service, it cannot be long before more force is applied to make the way of the user harder and the task of government easier. Already, labor unions have begun to perceive the diabolical possibilities for leverage

from tying up garbage disposal in cities and towns. They have long realized the possibilities of hurting people by tying up production and distribution. The stopping of disposal may be even more potent. The concentration of this service because of government monopoly renders cities prostrate before their demands, or very nearly so.

Return the Responsibility to Individuals and Families

There is a way out of this mess which offers possibilities of better prospects. To put it in its simplest form, it is this, *Return the responsibility for the disposal of leftovers to individuals and families*. I am aware that this proposal, in its blunt and simple formulation, is unlikely to gladden many hearts. Many a housewife would throw up her hands in despair. As if she doesn't have trouble enough already getting her husband to set out the garbage cans, now there is to be no pick-up service! Yet, such a reaction does not take into account the response of private enterprise and the market. I do not know all the myriad ways the market would respond, nor am I sure that in particulars I am right about a single one of them. After all, mine is only one mind, and many minds would be loosed by this change to provide solutions to the problem. Still, it is worth-

while to explore some of the possibilities.

One thing we may be sure of, however, is that the householder would not be left to his own devices to dispose of his leftovers once the responsibility became his. Indeed, the massive resources of private enterprise would be mustered to serve him as a customer.

Ingenuity might be expected to be devoted to producing containers that could be reused, could be returned, could be easily discarded, or some combination of these. If containers became of greater concern to consumers, existing and potential technology undoubtedly would be employed in this way.

One of the important changes that might be expected to occur if private enterprise took over responsibility for disposal from government is that positive incentives would be substituted for force and penalties in trash collection. It might still be appropriate for governments, in the interest of health and safety and for the protection of property, to make rules regarding the burning or disposal of trash, and to enforce these with penalties. But private enterprise would try to attract its customers to dispose of their waste in helpful ways.

One of the possibilities is that stores might become collection

centers for many items that otherwise become debris, especially if the stores and customers could see a way to profit in the process. Stores are patrons of manufacturers. Manufacturers might be expected to give attention to making their packages reclaimable. It is this function that has been neglected because of the present arrangements. Delivery trucks, which otherwise return empty from their rounds, could be used to return the containers to collection points for reprocessing plants.

A Specialized Service

What is being discussed is, in the broadest terms, the restoration of specialization to disposal of leftovers. If restrictions on the use of labor and other resources were removed, a great deal of specialization might be expected to develop in the collection of what is now refuse. Many of these leftovers have potentialities for reuse as matters now stand: edible scraps, fats, metals, bottles, paper, rags, and the like. There would undoubtedly be a residue of just plain trash to be carted away and burned, buried, or converted. It would, however, have been reduced to quite manageable proportions once private businessmen put their minds to it.

It may be objected that all this sounds like too much trouble for

the householder, and for the others. There are two considerations which should reduce if not entirely remove this objection. One is that a variety of incentives would be employed to induce people to perform the tasks of collection. Not only might stores offer rewards for the return of their containers but also the householder might well be paid for some of his leftovers picked up at his home. At the least, a token payment should be made for food scraps, magazines and newspapers, scrap metal, old furniture, rags, and such like. Part of the payment might be made in hauling away free the refuse that remained. It is amazing what trouble people will go to for a little reward, as the popularity of trading stamps attests. For those who find the whole business distasteful, they should be free to lump all their leftovers together and pay to have it removed.

Waste Not, Want Not

There is another consideration, however. It is the matter of morality. Waste not, want not, is a venerable adage. The fact is that we are wasting potential resources in astonishing quantities today by making containers without attention to their further use and by the methods of disposing of leftovers. The problem is not one-

sided as it is often presented — what to do about the waste. It has another side — how best to employ our resources. And, as pointed out, we add to the material waste the wasted lives of those denied productive employment by government policies. True, it is possible to waste time by reclaiming some objects to use. For some people it may be a waste of time to separate their leftovers for further use. What is and is not waste cannot be settled *a priori*, and it should not be settled by government policy. Instead, it should be left to an integrated market where the matter of what is irreclaimable waste can be decided by calculation. This results in prudent saving and reclamation as well as economic decisions as to what is to be thrown away.

The foregoing suggestions as to how leftovers might be effectively collected and used or disposed of may be debatable. They are submitted only to awaken the imagination to the myriad possibilities of positively dealing with what is today described as a growing problem. But there can be no reasonable doubt that once responsibility is placed on the individual, once private enterprise is mobilized to serve him as a consumer, what have been problems become opportunities and what was waste will much of it become resource. (E)

***The
Anyones***

Anyone can destroy.
Anyone can take a life.
Anyone can steal.
Anyone can cause strife.

Anyone can complain.
Anyone can fear defeat.
Anyone can slander.
Anyone can lie and cheat.

Anyone can hurt feelings.
Anyone can say "It can't be done."
Anyone can be unfriendly.
Anyone can spoil fun.

Anyone can hold back.
Anyone can look the other way.
Anyone can be lazy.
Anyone can waste his life away.

Anyone can count on wishes.
Anyone can see sin.
Anyone can use force.
Anyone can give in.

Anyone can see weakness.
Anyone can act upset.
Anyone can be slow.
Anyone can play hard to get.

Anyone can leave the work to others.
Anyone can wait to be saved.
Anyone can blame his brother.
Anyone can be enslaved.

Anyone can bury his talents.
Anyone can run.
Anyone can earn his life
—by not being "Anyone."

AL SIEBERT

PROBLEMS THE FREE MARKET CAN'T SOLVE

PAUL L. POIROT

HOW OFTEN, and in what variations, we hear the old theme: "The government should intervene because private enterprise has failed to solve the problem!" The following list is far from complete, but will serve to illustrate:

- The social security problem
- The farm problem
- The unemployment problem
- The housing problem
- The transportation problem
- The school problem
- The medicare problem
- The poverty problem
- The population problem
- The slum problem
- The conservation problem

In a sense, every need felt by each and every person in the world is a problem — for that individual. The person who sees a way to satisfy a given need looks upon the situation as an opportunity rather than a problem. That's what private enterprise is: a process of converting problems into oppor-

tunities. A successful entrepreneur is one who sees and seizes the opportunity when there is a problem, turning available resources into goods and services most wanted by others, serving their needs and helping himself in the bargain. Private enterprise involves cooperation between a person with a problem and a person who views it as an opportunity.

Socialism, on the other hand, is a pooling of persons, all of whom have the same problem: they want something for nothing. Such a demand affords an entrepreneur no opportunity to serve himself by serving others. Hence the cry: "Private enterprise has failed, the government must intervene!" Check again the foregoing list, or any other situation that has now become a major public problem. Does it represent an organized demand for something for nothing? If so, private enterprise can't solve it — not on those terms;

but neither can it be resolved by resort to force.

The problem ever has been a relative scarcity of the resources required to satisfy the multiplicity of human wants—insufficient knowledge and will and energy to combine available resources in ways that would fulfill every person's wishes. Because there is a cost of producing or acquiring everything of an economic nature that man wants, it has been necessary to determine in some way or other what is mine and what is thine.

That determination, during most of recorded history, has been by force—the strong lording it over the weak, some men enslaving others and confiscating their property. Only in relatively recent times, and only in parts of the world, have men ever tried the alternative of getting what they want from one another by serving that other's interest, instead of stealing from or enslaving him. This is the system of private ownership and control of resources, with open competition in the market, and with government limited to the protection of peaceful persons and their property.

Such competitive private enterprise has not afforded instant utopia on earth. Man's wants have multiplied much faster than his capacity to fulfill them, despite the

remarkable record of material achievements when, and to the extent that, the market economy has been tried.

Our Wants May Deceive Us

In a sense, the infinite expansibility of wants is one of the main-springs of human progress. His unsatisfied desires drive a man to work and plan and invent and produce. They also render him vulnerable to promises of something for nothing—launch him on flights from reality that may destroy the source of goods and services to which he owes his rising expectations, if not his life. It is not the comparative records of performance under freedom or under slavery that cause men to turn from competitive enterprise back toward coercive socialism. It is not that competitive enterprise has failed to deliver to every man his due; competitive enterprise is rejected by thoughtless men because it has not delivered everything that irresponsible demagogues promise. Such persons fail to consider that the demagogues neither have been able to nor can they ever fulfill their promises by the methods they espouse.

The person who demands that private enterprise solve the social security problem, else he will reject private enterprise, is demanding that a way be found for a

person to have reasonable income and resources when retired without his having saved anything of value prior to his retirement. There is no way for man to perform such a miracle. The government only appears to do so when it takes property from those who have earned it and gives some of it to those who have not.

The compulsory social security program was launched in the United States in 1935 primarily as a device to induce oldsters to give up jobs in order that youngsters might be employed. Few at that time bothered to ask what had caused the widespread depression of economic conditions and the heavy unemployment. "A failure of private enterprise," they assumed; whereas, in fact, prior government intervention had granted special privileges to organized labor, had tampered with supplies of money and credit, had artificially depressed interest rates, and generally had erected barriers to industry and trade.

Nevertheless, over the years from 1935 through mid-1968, the Federal government collected some \$219 billion dollars in the name of social security from those younger persons who had found jobs in covered occupations. Most of that money has gone in benefit payments to those who had retired. The balance, perhaps an eighth

of the total (which is unrealistically referred to as the OASDI Trust Fund) has been spent for other purposes of government. In other words, not a penny of the amount any worker pays as social security taxes is saved or invested to yield a return to him when and if he retires. Such payment, if he ever gets it, still must come from those younger workers currently employed and subject to taxation.

Shortages and Surpluses

No; private enterprise cannot solve the social security problem which government intervention has created. Neither can the government solve it. Private enterprise does afford the individual the maximum opportunity to prepare for his own retirement. And that is a far better chance than any intervening government would allow him — after taxes.

What government has done, with regard to social security, is to establish a price ceiling. The offer, in essence, is "free" social security benefits to anyone over 65. In other words, the price to be paid by him is zero.¹ Whenever the government establishes terms like

¹ Many proponents of the social security idea will contend that the payment of taxes during working years entitles one to a handout after he retires. But courts seem not to interpret either the Constitution or the Social Security Act in that way.

that, private enterprise cannot and will not do the job.

Price fixing by government is the classic way of creating shortages and surpluses. The price, if set lower than the market would have determined, creates an immediate surplus of would-be consumers and a shortage of willing suppliers. Everyone would like a lot of something for nothing; no one wants to supply anything at that price. On the other hand, a price, which is set higher than the market would have determined, results in a rash of suppliers and a dearth of buyers.

The social security "problem" is a surplus of retired persons hoping someone else will provide their livelihood during their flight from reality.

While no attempt will be made to discuss here the details of the various other "problems" the market allegedly has failed to solve, the nature of shortages and surpluses may be clarified somewhat by brief reference to "the farm problem."

The Farm Problem

The farm problem is at least as old as the industrial revolution, when businessmen found ways of attracting personal savings for investment in factories and machines and tools that would afford better employment opportunities

than prevailed when nearly everyone farmed as a matter of self-subsistence.

Naturally, mechanization works from industry back into agriculture. As specialization and trade develop in a given society, a smaller percentage of its population is needed to produce food and fiber. Agriculture appears to be a depressed industry over the many decades generally involved in the shift from a 90 per cent agrarian to a 90 per cent urbanized and industrialized economy. This is the competitive market manner by which workers and other scarce resources are drawn from less attractive to more attractive employment opportunities — from old industries to new. This is why agriculture was a chronically depressed industry in the United States over much of the past century — why there came to be a "farm problem" and a demand for government intervention.

Fortunately in a way, much of the intervention inadvertently had the effect of speeding farm specialization and mechanization. The price supports and other farm subsidies by and large were made payable to the most successful farmers; the pittance paid to smaller and less efficient operators was not enough to appreciably slow the movement of workers from farming into other industry.

American agriculture today is fully mechanized and well capitalized — on a par with other industries. The shift of population from rural to urban employment is largely accomplished in the United States.

So, the government farm price support programs of the twentieth century in the United States have accidentally eased rather than aggravated the chronic surplus of farm operators. How these and other government interventions combined to yield a prolonged and general unemployment and waste of manpower will be discussed shortly. Meanwhile, let it be noted that the farm subsidy programs did create serious surpluses of wheat, cotton, corn, peanuts, rice, tobacco, potatoes, milk, butter, eggs, wool, and various other farm commodities. Scarce resources were wasted to the extent that government price-fixing held such farm produce above the reach of consumers in U.S. and world markets. And there were other consequences. For instance, a part of the world market demand for cotton that American growers otherwise might have supplied thus was diverted to foreign growers or to manufacturers of synthetic fibers. And the same is true with respect to other commodities under price control. A price arbitrarily set too high creates a surplus; a price set

too low results in a shortage. And the marginal buyers and sellers thus excluded from the market are the very ones who can least withstand such discrimination.

Actions and Reactions

Causes have consequences, and no particular injection of force into the economy ever ends at that point. As suggested above, the farm programs that drove workers off farms were blended with other interventions that denied them more productive employment opportunities. Wage and hour laws, special privileges to unions, and various relief programs turned unemployment into a way of life for some — at everyone's expense. Men who are paid as much for not working as for working are likely to remain unemployed; but who can believe that he's still a man whose life depends on the dole?

These ever-expanding voting blocs of nonworkers demand their "rights." And government officials, who do not understand the importance of defending private property, continue to tax the savers and workers in a futile attempt to give those others their something-for-nothing. Meanwhile, businessmen are urged to cooperate and develop employment training programs — apparently, without capital and without prospect for profit. Private enterprise sim-

ply can't solve that kind of a problem: a surplus of subsidized non-workers.

Nor can private enterprise build low-cost new housing as fast as the government can condemn existing structures and bulldoze them down. Rent controls, zoning regulations and restrictions, tax exemption or abatement, and privileges granted to building trade unions artificially boost the demand for housing and render it impossible for anyone to supply such housing at a profit.


There is no way on earth for private enterprise to supply all the freeways drivers would like. Or all the bridges or ferries or subways or airports or commuter transportation consumers would use if someone else could be made to pay the cost.

Private enterprise cannot build costless schools as fast as financially irresponsible boards of education, teachers' unions, and students can outmode and destroy them.

It is impossible to build enough hospitals or to train enough doctors and nurses and other person-

nel to service the demands of those who are paid to be sick.

Private enterprise did not solve the problem of landing two men on the moon in 1969, because private enterprise did not have a \$25 billion charge account against the market's limited resources in exchange for a small packet of moon dust. But the fact that a government can force 200 million citizens to ship two of their number to the moon and back does not mean that the government can either measure or fulfill the more urgent of the infinitely varied wants of the 200 million.

If the problem is to exchange something for nothing, private enterprise can't solve it. Government may pretend to do so up to the limit of the property and the patience of long-suffering workers and taxpayers. But if the problem is to exchange something for something in ways that best allocate scarce resources to the willingness and satisfaction of those involved, then government's only role is to protect private property, leaving all else to free men and the free market. 

TO PROVIDE for us in our necessities is not in the power of government. It would be a vain presumption in statesmen to think they can do it.



EDUCATION IN AMERICA

DURING the 1968-69 academic year hardly a week passed without news of some new outrage perpetrated by the Students for a Democratic Society, or, as cartoonist Al Capp prefers to call them, the Students for a Decomposing Society. Spoiled brats posing as revolutionaries got off with the lightest penalties — or even none at all — for such palpably illegal acts as trespass, destruction of property, the theft and spoliation of documents, and the physical manhandling of deans. College administrators and faculty members seemed paralyzed by the attacks, and some professors and even a couple of university presidents actually condoned the rioters. It was an amazing spectacle, particularly noteworthy in that it occurred in a

nation that has gone all out for “aid to education.”

Libertarians could have predicted it: when immense sums are deployed out of the public treasury to subsidize something, it is scarcely surprising that the recipients of the bounty should take it lightly. What is a broken window or a smashed desk when the taxpayer is there to provide for its replacement? And why should professors be respected when they spend half their time working on political projects, turning their marking chores over to graduate students whose main concern is to have the statistics ready for tabulation on punch cards that the professors may or may not see?

Our philosophical disarray

started long before there was a Students for a Demonic Society nonorganized organization. In one sense, the SDS-ers, ugly and stupid though they may be in the tactics they have chosen, are more victims than victimizers: they are the children of the Age of Relativity, which is dedicated to the principle — or the nonprinciple — that there are no fixed truths, no values worth cherishing. Educational values are not possible in a college world that lacks convictions and reference points, and it is to the lack of values that George Charles Roche III has addressed his main inquiry in a brooding book, *Education in America* (Foundation for Economic Education, \$3.50 cloth, \$1.75 paper).

Permissiveness at Home and School

Dr. Roche has many things on his mind. There are the parents, for one thing. The worst offenders on the campuses happen to be the sons and daughters of middle-class affluence, kids who have never seen from close-up what happens in lands where State enterprise has replaced the individual organizer. It is a cliché, and an untrue one to boot, that a generation gap exists between the revolting campus “liberals” and their parents: for the most part they stand for the same permissiveness.

Dr. Roche is convinced that there is no discipline in the univer-

sity world because there has been a prior breakdown in discipline at home. He surveys a situation in which our “mass” oriented institutions run the risk of being merely “custodial” rather than educational. The child passes from the hands of the baby sitter to the teacher as “adolescent sitter,” and in the shuffle of massive enrollments the “custodial” teacher has no impulse (unless he happens to have an unusual conscience) to teach the individual to think for himself within a framework of the quest for truths that are open to those who are diligent students of the past.

The Multiversity Complex: Publish or Perish

Dr. Roche levels some of his most telling shafts at the big “multiversity” that prizes what passes for modern research more than it prizes an individual relationship between teacher and student. He thinks the student has a legitimate gripe against the big “superspecialized” university where “a mass of trivial research tends to contaminate the atmosphere.” The students in quest of *instruction* feel “betrayed by an educational structure which has become increasingly unresponsive to their academic needs and oppressive to their development as responsible adult individuals.” Ortega was right: the

professor who is ignorant of many facets of human existence, "reacts as an unqualified mass-man" outside of his speciality.

Dr. Roche quotes an unnamed Stanford psychologist as saying that before the year 2,000 is on us we will have to take "radical action" to "limit the outpouring of specialized and often trivial publications that even now all but inundate the offices of every academician." The prestigious college of the future, says this Stanford observer, "will begin by making rules forbidding their professors to publish until they have been on the faculty five or even ten years. They will thus create a campus culture in which publishing is considered not good form."

Committee Mentality

Then there is the "committee mentality" to combat. As Dr. Roche says, the highest campus awards seem to go to organizers and co-ordinators rather than to genuinely creative and original minds. Thomas Molnar's observation is pertinent here: "One glance at pedagogical literature," says Mr. Molnar, "reveals the collectivistic preoccupation: 'Committee,' 'cooperation,' 'integration,' 'teamwork,' 'group-project,' 'majority-objectives,' 'peer-group,' 'group-process,' 'group-imposed regulations,' 'group-determined

penalty,' 'group-acceptance,' etc., etc., abound in articles, speeches, meetings, and school catalogues. Together with other ideological directives, they constitute the affirmation that God and individual men do not exist apart from the collectivity. Moreover, they imply that man's adjustment to the collectivity is the supreme guarantee that he is not in error."

The late Benjamin Stolberg put it simply: "One does not think in committee."

Dr. Roche's book is enough to make devil's advocates of all of us. The spectacle of the educational world that he has anatomized confirms me in my belief that the way to do a boy or a girl a good turn is to keep him out of our more prosperous educational institutions. There should be less public "aid to education," fewer billions poured out by state and municipality. Let those who hunger for knowledge get it on their own; if they can manage to do this, they will appreciate it. Better to send a boy or girl to one of the smaller colleges — Ben Rogge's Wabash, say, or John Howard's Rockford — where the "publish or perish" fetish has not gone to Berkeleyan extremes.

And a word for the big corporations: Let them do more of their recruiting in the high schools, where they will be able to find stu-

dents who have not yet been corrupted by what passes for university teaching. If Dr. Roche is right about the educational world whose devalued state he has so trenchantly criticized, we would all be

better off if it were forced to go back and scratch for its funds. Who knows, if the public "aid to education" shibboleth is scotched, we might get some good proprietary colleges. ♦

Bound volumes now available —

EDUCATION IN AMERICA

by George Charles Roche III

CHAPTER TITLES:

1. What Has Happened?
2. Freedom, Morality, and Education
3. Scientism and the Collapse of Standards
4. The Decline of Intellect
5. Discipline or Disaster?
6. The Perpetual Adolescent
7. Why Institutionalize Our Errors?
8. The Multiversity
9. Academic Freedom for What?
10. Revolt on Campus
11. Creativity
12. A Philosophy of Growth

176 pages, fully indexed. \$3.50 cloth; \$1.75 paper

Order from: THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

▶ THE MAN FROM MONTICELLO (An Intimate Life of Thomas Jefferson) by Thomas Fleming (New York: William Morrow & Company, Inc., 1969), 409 pp., \$10.00.

Reviewed by Robert M. Thornton

NONE OTHER of the Founding Fathers is invoked more often than Thomas Jefferson by those arguing the political questions of our day. He is variously claimed by conservatives and "liberals," progressives and agrarians. Mr. Fleming does not try to enlist our third President for this cause or that, but his Jefferson clearly distrusts the all-powerful state and actively opposes high taxes and wasteful spending by the government. Fleming barely touches on the role of Jefferson as statesman, focusing instead on the great patriot off his pedestal. We see Jefferson as thinker, politician, farmer, scientist, inventor; as husband, father, grandfather, and great grandfather; as host and neighbor, horseback rider and violinist; as correspondent, traveler, and diarist. Many occupants of

the White House are remembered only for that reason, but this was only one of Jefferson's claims to fame and one which he did not even choose to mention on his headstone.

Limiting himself to a one-volume work, Mr. Fleming has to be selective in what he tells of Jefferson; nevertheless, he offers a fine and readable portrait of the Sage of Monticello. Fleming, like Albert Jay Nock, sees Jefferson as perhaps the most civilized man ever produced in this nation, of a stature to equal such a world figure as the great European, Goethe. But Fleming, unlike Nock, does not see Jefferson as being always the disinterested philosopher and statesman. Jefferson was, after all, human; he had his loves and hates and anxieties and on occasion was known to lose his temper.

Anyone wishing to become better acquainted with one of the greatest of all Americans, and one of the most charming, could do no better than to read this book along with Nock's *Jefferson* and Elizabeth Page's *The Tree of Liberty*.



the Freeman

VOL. 19, NO. 11 • NOVEMBER 1969

- | | | |
|--|-----------------------------|------------|
| Let Us Give Thanks
Thanksgiving and freedom go together. | Donna Thompson | 643 |
| The Golden Calf
The sad story of how freedom may be traded for a false promise of security. | Walter R. Youngquist | 645 |
| "She Says My House Is Dark . . ."
The immature, unaware of blindness, place the blame for their shortcomings outside themselves. | Benjamin N. Woodson | 652 |
| The Non-System
We can very well take care of ourselves if not oversystematized by others. | Martin F. Schaffer | 655 |
| Free Market Disciplines
The market reflects the good and the bad in us, if we'll look, and also disciplines our expenditures. | Leonard E. Read | 656 |
| The Battle in the Streets
"The rioters are following the lesson plan learned from the government." | Clarence B. Carson | 662 |
| The Value of Money
Goods-induced and money-induced factors that affect the value of money. | Hans F. Sennholz | 670 |
| Unknown Costs of Pollution
Damages from pollution can be levied against those who cause the problem. | Howard Callaway | 679 |
| The Mythology of Spaceship Earth
How can man bridge the intellectual chasm between scientific knowledge and moral knowledge? | Gary North | 683 |
| Good Sense Makes Good Business!
Preserving the climate for business is more important than selling a customer ideas about "rights" that no one can afford. | Helen Bughee | 692 |
| William Henry Chamberlin: 1897-1969
May he rest in peace! | | 698 |
| Book Review:
"The War on the Poor" by Clarence B. Carson | | 701 |

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "The Battle in the Streets."

Let us give thanks

DONNA THOMPSON

RECENTLY, in an old book, I found a dedication I would like to shout from the house-tops and blazon across the sky.¹

"This Book (as a mark of gratitude for inestimable blessings enjoyed, in liberty of person, liberty of property, and liberty of opinions, to a degree never exceeded in this world) is respectfully dedicated to a beloved but bleeding country torn in pieces by factious, desperate, convulsive and ruinous struggles for power. It is likewise dedicated to those millions of human beings, who neither hold nor seek office, but who are made the instruments of those who do seek them; and who, while a foreign enemy presses at their

doors, are enfeebled and kept from union, to gratify the ambition of a few men, (not one in five thousand of the whole community) who have brought to the very verge of destruction, the fairest prospect ever vouchsafed by heaven to any nation."

Today we face the same issues that our country faced more than a hundred and fifty years ago: men who are seeking power at any cost and students and others who blindly follow. They are the instruments of those who do seek, not only to possess, but to destroy as well, followers who are blind to the consequences of their own folly.

Our country has met these problems in the past and solved them through courage and faith, with a determination that the rights of the individual should prevail, and that our people should live in a land of law and order without fear. It will do it again.

¹ M. Carey, *The Olive Branch, or Faults on Both Sides, Federal and Democratic*. A serious appeal on the necessity of mutual forgiveness and harmony. (Philadelphia: M. Carey & Son, 1814.)

Mrs. Thompson is a housewife and free-lance writer in Republic, Missouri.

On Thanksgiving Day we are supposed to stop and give thanks. Instead we think of turmoil, strife, riots, and wars. Yet in spite of all these we have much to be thankful for and should give thanks for the many good things with which our lives have been blessed.

It seems to me that we should not think about how much we have to be thankful for on a special day. Instead we should be thankful every day and every hour of our lives for the good things which are ours. We are likely to forget if we wait for a special day on which to express our thankfulness.

I imagine the Pilgrims were thankful every day that passed that first hard winter at Plymouth Rock. But they were making such a struggle for survival that we have no record that they ever stopped or of what they thought. Maybe they felt as so many people do today that they had nothing to be thankful for.

But somewhere along the line they were awakened to the fact that they had very much. They had survived a long and difficult year. They had battled through illness, death, Indian raids, hunger, and cold in a hostile land. They were alive and able to face the morrow. They were possibly giving inward thanks all along, but that first Thanksgiving Day was an outward manifestation of their in-

ward feeling. Every day when they said their prayers, I am sure they not only asked for help from God, but thanked him as well for the things he had given them.

We are living in so much turmoil, so much strife, with so many people struggling for power, for money, for publicity, for attention of every kind that it is hard to reason clearly. There are great numbers of people who are saying we have nothing worthwhile here in the United States. There is nothing in our country that is right. It is a sad situation when, as the old saying goes, "we cannot see the forest for the trees."

But this Thanksgiving, I am increasingly aware of what I have to be thankful for. And even in these troublesome times we should not forget to give thanks to a God who is not dead, but to a God who lives.

And being thankful, I wish that everybody could read the dedication in *The Olive Branch* and could remember.

We should bow down in heartfelt thankfulness and "gratitude for the inestimable blessings enjoyed in liberty of person, liberty of property and liberty of opinions never exceeded in this world. . . ."

Thanksgiving Day! Every day, let us give thanks. ◆

the Golden Calf



WALTER R. YOUNGQUIST

THE AMERICAN PEOPLE right now are in the Valley of Decision. We must decide *now* whether we shall continue to live under liberty as free citizens, or kick it all out of the window and, for the *promise* and *hope* of perpetual physical security, exchange it for a system of regimented living as the serfs and property of a socialist dictator state. The choice is ours to make and no man or woman in this country can escape the making of it. Indifference to this paramount issue is just as deadly to our freedom as the outright embracing of socialism itself!

Two human attributes are, probably, responsible for more misery, death, hopelessness, war, and star-

Mr. Youngquist is former President and now Director Emeritus of The First Federal Savings and Loan Association in Minneapolis.

vation than everything else in the world put together. One of these is the lust for personal power; the other is the constant desire for easy physical security without personal responsibility. Call it greed if you will. The two mesh together perfectly. History records that those who would destroy the liberties of the people first give them largess, grants, doles, and the promise of security in the money bags of government. History also records that those who lose their liberty barter it away for the promise of security at the hands of the state.

The Struggle for Freedom

The struggle for human freedom is as old as humanity itself. The first pages of unfolding history

reveal to us a picture of oppressed humanity hopelessly struggling, driven hither and yon over the earth under the lash of ruthless masters. These hapless humans have lived and died as cattle. They were, and are in fact, the beasts of burden, the physical property of the King, the Pharaoh, the Emperor, the Nabob, the Union of Soviet-Socialist Republics, or whatever you call that creature known as the authoritarian or totalitarian state.

Always the ceaseless struggle of the peoples of nations has been to throw off the shackles forged by their own rulers, or fight to the death in fending off a foreign despot attempting to extend his personal power.

The Rise — and Fall — of Nations

The history of nations is not that they rise, but that they rise — and fall. The Romans, under the Republic, achieved, perhaps, a greater measure of freedom than any other ancient people. They also achieved considerable security for themselves and imposed an era of comparative peace over the then civilized world. It was called the Pax Romana. Centuries later the British Empire maintained an era of Pax Britannica. Certain it is that the Roman Republic did produce great prosperity for the Romans. All their conquered ter-

ritories paid tribute to them. Life was easy, and then licentious. Then moral decay set in, and while Rome gave every outward appearance of strength and security, it was rotting at the core. Then the smart politicians came on the scene. The way to achieve power over the Romans was to promise them security. Give them doles from the state; open up the corn-cribs, put lots of people on the public payrolls; tell them that they shall never worry again, the state will take care of them. Finally came the Gracchi Brothers, each trying to outpromise the other — the fore-runners of the American Democrats and Republicans! The Romans took the bait, they put their trust in the state — and were conquered by a less civilized but more virile people who trusted in themselves! "A nation that wants anything more than freedom will lose its freedom," said Somerset Maugham, "and the irony of it is, if it is comfort and security it wants, it will lose them too."

As the centuries came and went, as the Christian religion spread with its teachings of the infinite worth of the individual, with its emphasis on the value and sacredness of human life, men everywhere began to stir with the urge for freedom. The centuries-old struggle took a long step forward when the English barons, in the

beginning of the thirteenth century, wrested Magna Charta away from the unwilling King.

The Security of Freedom

There is a security which is real. It is the security of responsible freedom. If that freedom can be maintained, then physical security follows as a natural consequence. But if a free man seeks physical security outside of himself, with no urge or obligation to provide it for himself, then he will achieve that security at the expense of his liberty.

This nation has been extremely fortunate in its ancestral heritage. The Pilgrims came to our unknown land because they wanted to be free. Particularly, they wanted freedom of religion. They had been whipped around in Europe, persecuted, and with no hope for betterment. Then they looked over the wide ocean. They knew not what was on the other side, except one thing: freedom to worship as they wished. History has told the story. We have freedom, but it was earned at a terrible price. Then, in the great migrations that took place from northern Europe in the latter half of the nineteenth century, we received the workmen who turned this country into the land of opportunity, who built and worked in our factories, who took homesteads in the West and turned

the prairies into productive farms. It was the surge of economic freedom, the fundamental building stone of this nation.

The Declaration of Independence proclaims:

We hold these truths to be self-evident: That all men are created equal; that they are endowed, by their Creator, with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed.

The Constitution of the United States is a document to limit the power of government. The people who wrote that instrument had the experience of living under the rule of a foreign king. They had firsthand experience with the archaic, selfish, individualistic actions of a foreign monarch. They would set up a government "of the people, by the people, for the people," and every citizen would be entitled to the protection of the law. Always, however, there is the desire on the part of many people to circumvent the law. Always there are schemers who want to get rid of the law so far as they are concerned. They are the bureaucrats, those who are in position to wrest away from others their rights, while entrenching themselves in bureaucratic protec-

tion. This tendency has gone so far that it is doubtful if it can ever again be controlled, and it may very well be the road down which this country will finally go into a socialistic dictatorship.

Two Philosophies of Government Struggling for Supremacy

Now, there persist in this world two philosophies of government, each struggling for supremacy.

One of these says that the state is supreme, and the source of all authority, well-being, and security. It conceives that the citizen is the subject and property of the state, and that all of the privileges, all of the freedom which the citizen enjoys, is a dispensation of the state. It denies that any man has certain unalienable rights which no government may invade, curtail, deny, or destroy. It is the concept of the state as the all-wise master which not only owns the citizen but is obligated to care for him. It owes every man a job without any responsibility on the part of the individual to create one for himself. Everyone is entitled to an equal share of everything that is produced regardless of his abilities, his industry, his thrift, or his frugality. Everyone is entitled to medical attention when sick and a proper burial when he dies. His only duty is not to die until he has collected his full benefits.

This philosophy manifests itself in a thousand ways but principally in progressive regimentation of labor, of agriculture, of business and the professions. Another symptom is the ever-growing bureaucracy and the tendency for governmental agencies and bureaus to multiply themselves, to seek more and more power over the citizens; to covet increasing power over public funds and to levy heavier and heavier taxes; to ceaselessly promulgate rules which have the force of law; to seek and expand authority to accuse, prosecute, and fine or imprison the citizens who refuse to obey their edicts; to constantly seek to throw off all restraints of constitutional government; to circumvent the courts; and if that doesn't succeed, to pollute and degrade the courts by the appointment of men beholden to the supreme authority. It becomes further apparent in the gradual abdication by the Congress of its powers and position as defender of the people's liberties; by a progressive weakening of the legislative branch of government through a system of favors handed out by the chief executive; and by a corresponding increase in the power of the executive. Thus, slowly but surely, the transformation takes place from a "government by law" to a "government by men."

The Meaning of Liberty

The other philosophy conceives that the individual citizen is the true source of authority; that the state is the creation of the sovereign people; that its function is to govern within the limits set by the sovereign people, and not to engage in business in competition with the citizens. It recognizes that liberty is of the spirit as well as of the body and that the individual must be free to develop his own personality and resources, accepting the responsibilities of that freedom. Recognizing that discipline is essential in every ordered society, it conceives that discipline of a free people must be self-imposed and voluntary. This philosophy teaches that the state is the subject and property of the people; that it is without authority except that granted by the consent of the governed; that its function is to foster the well-being of the individual, to create for him a climate where the human personality may develop into its full flowering, and in which his liberties shall be protected under just laws. This philosophy teaches that the only liberal government is one which is duly limited to keeping the peace. A government which squanders itself into bankruptcy cannot be liberal. A people which leans more and more heavily upon the gratuities of a paternal state, a

people which believes the doctrine that "the state owes me a living" must be prepared soon to surrender its liberty.

Patrick Henry said: "No free government, or the blessings of liberty, can be preserved to any people but by a firm adherence to justice, moderation, temperance, frugality, and virtue and by a frequent recurrence to fundamental principles."

True liberalism holds that liberty is an endowment by the Creator upon which no power may encroach, and no government may deny. It holds that the individual must be free to choose his own calling, to develop his talents, to own and keep a home sacred from intrusion, to rear children in ordered security. It holds that he must be free to work for whom he wishes, or not to work, without tribute to anyone, to earn, to save, to spend, and to accumulate property. It holds that the first duty of the state is to protect the citizen under the law.

Promises of the Welfare State

We are now asked to turn away from the qualities and principles that made us a great nation. False leaders have come among us—seeking more power over our lives and occupations. They have dangled before us a picture of the lush pastures of economic security;

we have listened — and followed.

These leaders would have us believe:

— that security is surely to be found in the money bags of government, if we will but permit them to run our business, our farms, our professions, our jobs, and our lives.

— that the source of all security and welfare is the state and that it may not be had except from the state.

— that higher taxes upon our labor and thrift will provide us more welfare.

— that the state will give us more security by spending more than its income and by depreciating the value of money.

— that we may have more abundance if the state limits the harvest of our fields and the yield of our flocks; that prosperity is increased by paying farmers to over-produce, destroying the surplus, and taxing everybody to pay for it.

— that we may have more liberty through more laws and regulations giving more power to the state and to officials, agents, investigators, and bureaucrats in general to supervise and regulate every detail of our lives.

— that American citizens will rise to nobler heights of morality and individual achievement if they trust the state to provide all that is needful.

— that we may enjoy freedom from want, freedom from everything except the greatest of all freedoms — freedom from the tyranny of the state itself.

It Is Socialism!

They call this “public welfare,” “security,” “social and economic equality,” “elimination of the profit motive,” “production for use,” and similar names to cover up its true nature. *It is Socialism.*

This headlong plunge into a socialist dictatorship is going to end up with the dictator telling us where we may work, what we shall do, how long we may work, and for what wages.

They will tell us how many square feet of living space we may have, who shall provide it, and on what terms we may live in it.

They will tell us what we may buy, what we shall pay for it, what we shall get for what we sell, what we may plant, where we may plant it, and how much; and how we shall dispose of the harvest.

This is the security of the Negro slave before the emancipation, the security of the American Indian, the security of the Englishman under socialism, the security of a “guaranteed” job — as in Russia. It won't be long in coming unless we reject false promises and exercise self-responsibility.

Government aid to the individ-

ual is followed by government control of the individual, which means government force *against* the individual. *No people can remain free except by exercise of thrift and frugality.*

The Golden Calf

The modern version of the story of the Golden Calf would read like this:

And the people of America murmured because life was so hard, and they pined for security. And the bureaucrats, hearing of their sad plight contrived to make the people secure. So they said to the people: "Put your

trust in us and we shall open unto you the bottomless money bags of government. They shall be your Golden God who will care for you and your children from the cradle to the grave. Your beds shall be soft; your bellies shall be filled with good things to eat; your labor shall be easy and your wages shall be great. There shall be long seasons of time-and-a-half and double-time. You shall generously share the fruits of labor of others and much time for ease shall be your lot." And the people said: "Hurrah, verily shall the money bags of government be our Golden God and upon these leaders shall we trust our security." Thus did the people of America deliver themselves into bondage. ☉

Two Sides of Poverty

IF PAYING PEOPLE not doing productive work is anti-poverty, it's more than offset by the pro-poverty effects of taxing away the earnings of those doing productive work.

If handing out money is anti-poverty, taxing in the money is pro-poverty.

If putting people to work is anti-poverty, then union restrictions, minimum wage laws, discriminations, and the like which keep people from getting a job are pro-poverty.

If training people to take jobs is anti-poverty, taxes which discourage investors from providing these jobs are pro-poverty.

No matter how fast we increase our anti-poverty measures, poverty continues to grow because of the increasing and spreading pro-poverty ones. Protecting the right of every American to be free to work without disruption or restriction (Open Employment), letting those who work enjoy the fruits of their own labors (Taxation *with* Limitation), and permitting investors to profit from their financing of productive enterprise and employment (Free Private Enterprise) — these are the things which do the most to eliminate pro-poverty conditions and reduce poverty.

IDEAS ON



LIBERTY

"She says my house is dark..."

BENJAMIN N. WOODSON

IN THE EYES of the law, a boy becomes a man when he reaches the age of twenty-one.

But I rise this month to suggest to you that a boy truly becomes a man, not on his twenty-first birthday, but, rather, on the day he comes fully to realize that his destiny in this competitive world is his own personal and exclusive responsibility.

This realization comes to some young men long before the twenty-first birthday, and to some others long after that significant anniversary (and sometimes long, *long* afterward) . . . and to some it comes not at all.

Now here you might say to yourself that this observation is an elementary one which belabors the obvious and elaborates upon

the self-evident. But possibly you will agree, on further reflection, that the point is obvious and self-evident only to the person whose maturity and experience and observation have served to make it so.

Perhaps it will be worth your while to look around you for a moment and contemplate the relationship of this precept to some of those men and women on whom your gaze falls. You will quickly see, I believe, more examples than one of the man who is mature by the calendar but is still an adolescent emotionally and philosophically.

You will observe that such a man still feels deep within himself that he should be able to rely upon others to carry him and coach him, to teach him and help him, and, finally, even to perform for him . . . and by the same reason-

Mr. Woodson is President of the American General Insurance Company, well known for his writings on freedom.

ing he feels entitled to place upon others the responsibility for his shortcomings and his failings.

Observe this man closely, I urge you, for there is much to be learned from his immaturity of thought and viewpoint.

He will tell you in his every utterance that he has not yet accepted the responsibility for his own batting average. He will tell you that he has not yet recognized and conquered the natural human impulse of every man to place the blame for his failings and shortcomings outside himself. He will speak to you of advantages denied him, of promises by others long unfulfilled, of assistance due him but not delivered, of faults not in himself but in his stars.

He will account for his inadequate grasp of a subject he should have delved into long ago on the grounds that he was shortchanged in school, or by lack of schooling — forgetting that in the ten or twenty years since he last attended a class he has had ten or twenty years to study and learn had he been of a mind to do so.

He will assure you with all conviction and utmost sincerity that he is not naturally inefficient or willfully indolent, but that his dispersal of effort results from matters quite outside his control. He will tell you that he would have been on time for his appointment

with you if he had not been delayed by some third person or some unforeseeable event.

(The most perceptive and discerning man I know remarked once in my hearing, "The man who is always late *always* has an excuse — always! — and, what is more, it is a *good* excuse, too; but he nevertheless continues to be always late.")

This man of immaturity, whatever his vocation, will tell you that he would do better occupationally if only he had a better understanding of his own company and its business, or of investments, or economics, or banking, or business law, or whatever, but that *nobody has taught him* — forgetting that it is his responsibility to *learn*, not someone else's obligation to *teach*, and that virtually everything he needs awaits him in publications to which he has ready access either in his employer's place of business or at the public library.

He will tell you that he, too, would close more and bigger sales, or turn out cleaner blueprints, or produce more units of work or fewer rejects, or both — if only his manager or supervisor would work with him and coach him and help him "as much as he helps all the other fellows in the department."

He will tell you, his countenance shining with honest certainty, that

he works as diligently, as intelligently, as imaginatively, as all those around him, but that the others *get more lucky breaks* than does he.

(I know a man who says — and believes himself implicitly, mind you! — that he is “the best bridge player” in his particular circle, but that he “can’t hold cards” — by which he means to contend that he has consistently drawn weaker hands than the others in the game over a long period of years. And I give you my word that the man truly *believes it!*)

The man who is still immature emotionally and philosophically tells you this truth about himself by his attempts to place the responsibility for his deficiencies upon circumstance, or fate, or other persons. He implies to you that he hasn’t yet run up a good score because those others who are supposed to hit the ball for him haven’t done well enough to give him the high batting average to which he would like to become accustomed. He hasn’t yet faced squarely the elementary fact that only his own trips to the plate, and only the hits which he himself drives out and *his bat, his eyes, his muscles, his cunning*, will serve to build his batting average and his record of accomplishment across the years.

One sunny morning in the year

49 A.D., a Roman statesman and philosopher named Lucius Annaeus Seneca sat himself down and wrote a letter to his friend Lucilius. The communication he sent on its way that day has survived these nineteen hundred years because it tells so simply and so unforgettably the truth that all men, until they change themselves by intellectual maturity and strength of character, tend naturally to place the blame for their shortcomings outside themselves.

Here is what he wrote:


“You know of our old housekeeper, our old servant, who has been in our home for years. Her sight has failed and now it is gone. I am telling you a strange but true story: *She is not aware that she is blind, and constantly urges her keeper to take her out of doors because she says my house is dark.*

“What we laugh at in her, I pray you to believe, happens to every one of us, for no one of us knows himself to be avaricious or covetous or vain.

“The blind at least call for a guide, while we go astray on our own accord. ‘I am not ambitious,’ we say, ‘but in Rome one cannot live otherwise.’ ‘I am not a spendthrift, but the city requires a great outlay.’ ‘It is not my fault if I am erratic, if I have not yet settled upon a definite course of life; it is a fault of youth.’

"Let us not seek our disease outside of ourselves; it is within us, it is implanted in our bowels. And the mere fact that we do not perceive ourselves to be sick serves to make our cure more difficult."

If we grow myopic, let us not

persuade ourselves that the world grows dark around us. If our own failings hamper us painfully, let us not try to place the blame outside ourselves . . . "*let us not seek our disease outside of ourselves,*" for the fault is our own. 

IDEAS ON



LIBERTY

The Non-System

I'M a firm believer in the notion that all that society owes any man is the right to do as he pleases — to work, not to work, to provide a service, to dream, or to create — so long as he doesn't interfere with another man's right to do likewise. If I want to do an honest day's work to support my family, I should be free to do so. If I don't want to work, then I shouldn't bother others who want to, nor should I expect that they owe me part of their earnings.

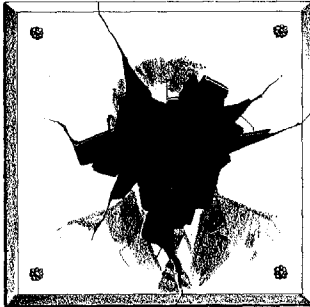
Man is a needy being. If I feel that I can provide one of these needs, then let me do so. Galileo was troubled that the time for the swing of a chandelier was the same for a long swing and a short swing. Others in the same church saw the same thing. Only *he* dreamt and created. Left to do so without outside interference, most

men will create, even if only to provide minimum sustenance.

And all the while, where is the system? We need none. Indeed, we have few systems in our society that are *doing* for man. Producers seem to get by despite systems and plans, however well-intentioned, that for the most part impede free enterprise. We have systems, systems that watch systems, and systems that overlap. We have planners, planners that watch planners, and plans that overlap.

Give me a chance to act without roadblocks, because in the process of trying to eke out a living — a single working man or a corporation — I'm preoccupied with obstacles. Let's not make others live as we do, but rely instead on mutual trust and respect. We can very well take care of ourselves if not oversystematized by others.

MARTIN SCHAFFER, Allentown, Pa.



FREE MARKET DISCIPLINES

CONTRARY to socialistic tenets, the free market is the only mechanism that can sensibly, logically, intelligently discipline production and consumption. For it is only when the market is free that economic calculation is possible.¹ Free pricing is the key. When prices are high, production is encouraged and consumption is discouraged; when prices fall, the reverse holds true. Thus, production and consumption are always moving toward equilibrium. Shortages and surpluses are not in the lexicon of free market economics.

Conceded, the above is no news to those who apprehend free market economics; they well know of

its disciplinary influence as regards production and consumption. This alone warrants our support of the free market. However, the free market has two other quite remarkable disciplinary possibilities which have seldom been explored.

Before making that exploration, it is necessary to recognize the limitations of the free market. The market is a mechanism, and thus it is wholly lacking in moral and spiritual suasion; further, it embodies no coercive force whatsoever. In these respects, the market is without disciplinary possibilities.

“Like all mechanisms, the market, with its function for the economizing of time and effort, is servant alike to the good, the compassionate, and the perceptive as

¹ Professor Ludwig von Mises establishes this point, irrefutably, in his book, *Socialism* (London: Jonathan Cape, Ltd., 1969).

well as to the evil, the inconsiderate, and the oblivious."² Scrupulosity is not among its characteristics.

The free market is a name we give to the economic activities — a short-hand term, we might say — of a people acting freely, voluntarily, privately, cooperatively, competitively. It is distinguished by universal freedom of choice and the absence of coercive force. Ideally, only defensive force — government — is employed to put down fraud, violence, predation, and other aggressions.

Given a society of freely choosing individuals, the market is that which exists as a consequence — it is a mechanism that is otherwise nondefinitive. It is the procession of economic events that occur when authoritarianism — political or otherwise — is absent.

While private enterprise is often practiced in a manner consonant with free market principles, the two terms are not synonymous. Piracy is an enterprise and also private. Many businesses when in league with unions, for instance — willingly or not — feature elements of coercion and thus are not examples of the free market at work.

The free market has only been

approximated, never fully attained, and, doubtless, never will be realized. It is an out-of-reach ideal; we can only move toward or away from it. Yet, in the U.S.A., even in these days of a rapidly growing interventionism, the free market flourishes to a remarkable extent. To appreciate this, merely envision the countless willing exchanges — hundreds of millions daily — such as Mrs. Jones swapping a shawl she has made for a goose Mrs. Smith has raised, or the money you pay for a phone call or a quart of milk. In these instances, each party gains, for each desires what he gets more than what he surrenders. In a word, the free market is individual desire speaking in exchange terms. When the desire for Bibles is accommodated in noncoerced exchange, we can conclude, quite accurately, that we are witnessing a market for Bibles. Or when the desire for pornography is being thus accommodated, we can conclude that there is a market for trash. I repeat, scrupulosity is not a feature of the market.

An Amoral Servant

When the desires of people are depraved, a free market will accommodate the depravity. And it will accommodate excellence with equal alacrity. It is "servant alike to good . . . and evil."

² See "Value—The Soul of Economics," by W. H. Pitt. *The Freeman*, September, 1969.

It is because the free market serves evil as well as good that many people think they can rid society of evil by slaying this faithful, *amoral* servant. This is comparable to destroying the sun because we don't like the shadows we cast or breaking the mirror so that we won't have to see the reflection of what we really are.

When I sit in front of a TV and view trash, I tend to rant and rave at what I'm seeing. Wake up: What I hear and see is a reflection of what's in me! Thus, my only corrective is to read a good book or otherwise cease to patronize such low-grade performances.

The market is but a response to — a mirror of — our desires. Once this harsh reality is grasped, the market becomes a disciplinary force. To elaborate: Say that a person desires, buys, and reads a filthy book. Were he to realize that what he's reading is a picture of what's in his own make-up, such a realization, by itself, would tend to change him for the better. The market would then reflect the improvement. But note that the market has no such effect on those who are oblivious to this fact. *It's the knowledge of this character-revealing fact that makes of the market a disciplinary force.* I am only trying to point out the market's potentiality in this respect.

Instead of cursing evil, stay

out of the market for it; the evil will cease to the extent we cease patronizing it. Trying to rid ourselves of trash by running to government for morality laws is like trying to minimize the effects of inflation by wage, price, and other controls. Both destroy the market, that is, the reflection of ourselves. Such tactics are at the intellectual level of mirror-smashing, attempts not to see ourselves as we are. The market's potentiality as a disciplinary force is thereby removed. To slay this faithful, amoral servant is to blindfold, deceive, and hoodwink ourselves. Next to forswearing a faith in an Infinite Intelligence over and beyond our own minds, denying the market is to erase the best point of reference man can have. So much for the first somewhat unexplored possibility of the market as a disciplinary force.

Imperfect Man

Now to the second. This cannot be explained unless we are aware of our numerous shortcomings, of how narrow our virtues and talents really are — everyone's, no exceptions.

Let's take, for example, the greatest mathematical genius who ever lived. He's a giant in his field. Yet, without any question, he's a know-nothing in countless other ways. This goes for outstanding

generals, chemists, physicists, scientists of whatever brand. No one ever gets more than an infinitesimal peek at the Cosmic Scheme, at the over-all luminosity, even at himself. We must see that the biggest among us is tiny. And one who denies this about himself is displaying the greatest ignorance of all: he doesn't even know how little he knows! "If we wish to know anything, we must resign ourselves to being ignorant of much."³

Reflect on this human reality, on imperfect man, particularly on the more imaginative and brilliant individuals among us. While they possess an outstanding and remarkable aptitude or two, they too are daydreamers. "If only I had a million dollars," is a dream that flashes across countless minds. Many of these specialists want above all else to pursue their own peculiar bent whether it be going to the moon, genetic alteration of other human beings, releasing the atom's energy, or whatever.

Knowing so much about one thing and so little about everything else, they are unable to know what effect their ambitions, if achieved, might have on the human situation. Just as a baby with a stick of dynamite and a match is unaware of what the consequences might be!

The lamentable fact is that scientists, pseudo scientists, and other technologists have been given a wishing well: the Federal grab bag. They, thus, are encouraged to carry out any experiment their hearts desire, without let or hindrance. Leaving aside the destruction of our economy by inflation—featured in the grab bag's financing—they are alarmingly endangering all the people on this earth, even the earth itself. And primarily because they suffer no restraining and disciplinary forces; their passions and ambitions are on the loose!

The Disciplines of the Market

The remedy? Let these ambitions be submitted to the discipline of the market precisely as are most other commodities and services. Go to the moon? Of course; that is, when the market permits the venture, if enough people voluntarily subscribe the cash. Release the atom's energy? By all means; that is, when the market is ready for it.

Am I saying that the market has a wisdom superior to the President of the United States, or the Congress, or a bureaucracy? I am not. The market is a mechanism and is neither wise nor moral. I am only claiming that it has disciplinary qualities. To understand why requires no more than a

³ John Henry Newman.

knowledge of what the components of this mechanism are: millions upon millions of individual preferences, choices, desires. *The market is an obstacle course*; before I can pursue my bent or aptitude or obsession, I must gain an adequate, voluntary approval or assent! No wishing well, this! My own aspirations, regardless of how determined, or lofty, or depraved, do not control the verdict. What these others — impersonal as a computer — will put up in willing exchange for my offering spells my success or failure, allows me to pursue my bent or not.

There are exceptions to this rule, of course. For instance, some of us who may be unable to win in the market will, like Van Gogh, face starvation in order to pursue our passions. The threat of starvation, however, is quite a discipline in itself; at least, not much is likely to be uncovered in these circumstances that will destroy life on earth. It takes big financing to do unearthly things.

The market very often returns fortunes for comparative junk and, on occasion, returns nothing at all for great and beneficial achievements — temporarily, that is. Eventually, in a free society, the junk goes to the junk heap and achievements are rewarded.

I believe that anyone should follow his star; but let him do so

with his own resources or with such resources as others will voluntarily supply. This is to say that I believe in the market, a tough disciplinary mechanism. I do not believe in cars without brakes, impulses without repulses, ambitions without check points, wishes run riot. Societal schemes that are all sail and no ballast head society for disaster!

The rebuttal to this line of reasoning is heard over and over again: "But we voted for it," meaning that the Federal grab bag — open sesame with other people's income — has been democratically approved. Granted! But this is nonsense: The fruits of the labor of one man are not up for grabs by others, that is, not rationally.⁴ This is not a votable matter, except if one's premise be a socialistic society. What's right and what's wrong are not to be determined at the shallow level of nose-counting or opinion polls. To argue otherwise is to place the same value on the views of morons as you do on your own.

Others' Money or Mine?

As a disciplinary force over wild aspirations, the President of the United States, a member of Con-


⁴ For what I consider to be a rationally constructed explanation of this point, see "The American System and Majority Rule" by Edmund A. Opitz, *THE FREEMAN*, November, 1962.

gress, a bureaucrat is not only less effective than the market but less effective than any single buyer or seller in the market. An individual, when a government official, considers only how much of other people's money should be spent. The motivation in this instance favors spending over economizing. The same individual, in the free market, considers how much of his *own* property he is willing to put on the line. The motivation in this instance is self-interest. And this is tough! Ambitions as silly as tracking the meanderings of polar bears by a Nimbus satellite stand a chance for satisfaction when a grab bag made up of other people's money is readily at hand;⁵ whereas, the free market gives short shrift to projects that are at or near the bottom of individual preferences.

True, were personal ambitions subjected to the disciplines of the market, trips to the moon would

have to be postponed. Atomic energy might be a phenomenon of the future. Many other scientific explorations — some secret — taking place today in our universities and Federally financed would, under the discipline of the market, still be safely stored in imaginative minds.

This is no argument against technological breakthroughs. It is merely to suggest that these illuminations be financially encouraged only as the free market permits. The resulting steadiness in progress might then be harmonious with an expanded understanding of what it is we really want and can live with.

I repeat, societal schemes that are all sail and no ballast head society for disaster. The free market is ballast — a stabilizer — we might well put to use if we would avoid wreckage in the stormy seas of political chaos. 

⁵ See "The Migration of Polar Bears," *Scientific American*, February, 1968.

This article will appear as a chapter in Mr. Read's book, *Let Freedom Reign*, to be available soon.

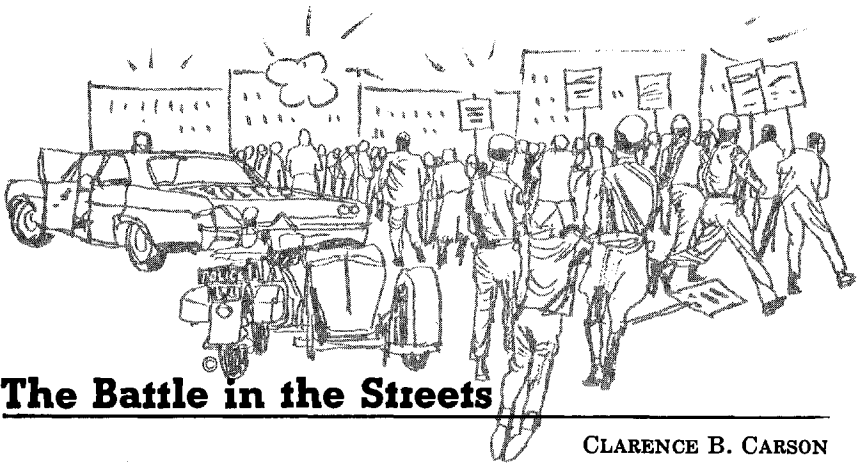
Jenkin Lloyd Jones

IDEAS ON



LIBERTY

THE ACHILLES HEEL of the socialist theory is that the more intensively it is applied the more the human being loses his options. Without the free interplay of the forces of the free marketplace the greater must be the centralization of planning and authority, and the greater the role of coercion.



The Battle in the Streets

CLARENCE B. CARSON

THE BATTLE in the Streets is an omen, a sign, a portent, and it must be interpreted as such. It is a dramatic presentation for all of us to see of what is wrong with the programs the government has employed. The rioters are following the lesson plan learned from the government; they have learned the lesson well and are now applying it. For decades, government has made war on the poor with programs that were supposed to benefit them. It has sanctioned the use of force to achieve what would otherwise be economic ends. It has penalized production of farm products, fostered union organization and tactics, taken by force from

those who produce to give to those who do not.

The government, by example, has taught that the way to prosperity is to avoid the requirements of economy, to spend rather than save, to destroy rather than to produce. It has taught, by its actions, that those who save, invest, build, produce, provide jobs, offer services are dangerous antagonists, if not outright enemies, of society. On the other hand, it has taught that those who do nothing worthwhile, who roam the streets and parks, who malingering or plan demonstrations to force concessions, are objects for special consideration and solicitude. Government has said, by way of its programs, that the way to improve life in the cities is to demolish the buildings and make the earth bare.

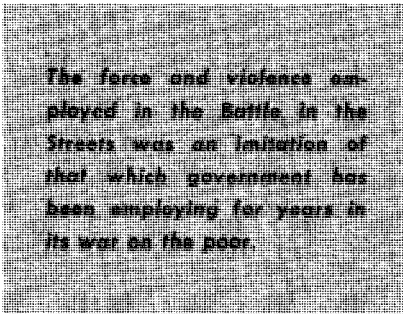
This article is reprinted by permission from Dr. Carson's new book, *The War on the Poor* (Arlington House, 1969). Copies of the book are also available from the Foundation for Economic Education, Irvington-on-Hudson, N. Y., \$5.95.

The Battle in the Streets is a paradigmatic imitation of all this. The rioters demolish buildings with molotov cocktails and fire, leaving structures scarred ruins, driving out small businessmen and inhabitants. They loot the stores, taking from those who produce for those who do not. The enemy is clearly made up of those who have saved, invested, built, produced, provided jobs, offered services, and so on. The work of years is undone in short order by the rioters.

Government Points the Way

All this is clearly diseconomic, but then government had shown the way. These rioters should have been producing prosperity, according to the new economics, for they were destroying buildings that might be rebuilt, gutting stores of goods that might be replaced, even making jobs by creating new "needs" that would be met. (The new economics has taught for years that the basic problem in America is to stimulate demand.) The force and violence employed in the Battle in the Streets was an imitation of that which government has been employing for years in its war on the poor.

For years, reformers have proclaimed that their programs fell short of attaining their ends only because they were too timid, were



The force and violence employed in the Battle in the Streets was an imitation of that which government has been employing for years in its war on the poor.

not carried out in a sufficiently thorough fashion. The Battle in the Streets tests that hypothesis. There are not half-way measures there. Rioters do not wait for bulldozers to level buildings. They do not wait for property to be acquired by the way of the exercise of the power of eminent domain. They simply take it over for destruction. They do not wait for goods to be taken by taxation and given to the poor. They simply confiscate them by looting. If prosperity can be achieved by force, it should be more readily attained by massive and direct force. Many of the reformers do not appear to misunderstand the import of all this; they stand by today calling for the appropriation of tens of billions of dollars for spending in these areas demolished by rioters, and other areas of like character.

Even the assaults upon firemen, police, and the armed forces brought into the field of combat are not hard to understand. There

are overtones in this of the expression of hatred for authority, a hatred that may contain in it glimmers of understanding of how deeply government has failed the poor by making war on them. More directly, though, the police, particularly, are the representatives of traditional authority, charged with the task of protecting life and *property*. This is an assault upon property, and police must not be permitted to exercise their assigned duties. In this circumscription of the power of the police, the rioters are imitating in a more direct fashion what the Federal courts have been doing for some time now.

It is true that the Battlers in the Streets are making war on themselves. In this, too, they are following the pattern set by the government. The government has set citizen against citizen and group against group. It has also turned one aspect of a man against his other aspects, as in the case of the war on the consumer. Those who have taken to the streets demonstrate this same behavior. It is quite likely that sometimes a man may have thrown a molotov cocktail which set fire to a dry cleaning establishment where some of his own clothes were.

This interpretation is not at odds with the fact that the Battle in the Streets has been spurred by

agitators, that various and sundry radicals have fomented it. Instead, these agitators share much common ground with the reformers who have promoted the government programs. Both have wished to transform society by force; the reformers would do so by using formal government; the agitators pursue their course more directly. Of course, those in control of government cannot and do not condone rioting and insurrection, but so far as they reward it by government appropriations into the ruined areas, as they did at Watts, they show a remarkable affinity with the aims of the rioters. . . .

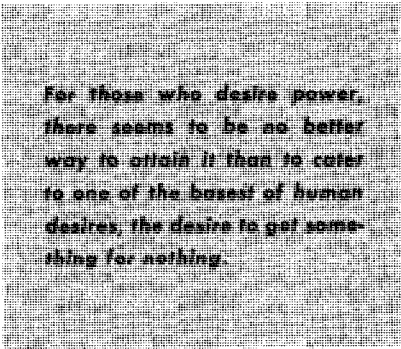
Who Are the Victors?

Who are the victors in this civil war that results from the war on the poor? This is not the story of the victors, so the question will not be dwelt upon here. But there are many who have benefited and do presently benefit from the government intervention. Many have a vested interest in the continuation of the government programs. It will only be necessary to allude to some of them.

Among the victors, thus far, have been the politicians. These range from Presidents of the United States to the local favor dispensers. Many politicians have become accustomed over a good many years now to getting elected

to office by promising favors to various interest groups, to farmers, to labor unions, to the aged, to the young, and so on. In effect, they have become used to buying their way into office by promising benefits bought with the tax money of all of us. For those who desire power, there seems to be no better way to attain it than to cater to one of the basest of human desires, the desire to get something for nothing. It does not seem to matter that the bulk of the population does not and cannot benefit from such practices.

The beneficiaries are numerous even so, but let it suffice that they simply be named: the bureaucrats who dispense the favors and wield the power, the labor union leaders who enjoy both munificent salaries and prestigious positions, the corporations that get government contracts, the builders who get inexpensive land in strategic locations by way of urban renewal, established businesses that benefit from the blocking of potential competitors by government restrictions, the holders of franchises, monopolies, and licenses, the farmers who are growing wealthy by way of government subsidies, the members of labor unions who are able to keep their jobs at higher wages, the intellectuals who provide grist for the programmatic mills, and all the others who have good in-



For those who desire power, there seems to be no better way to attain it than to cater to one of the basest of human desires, the desire to get something for nothing.

comes or prestigious positions in consequence of the intervention. When all these are joined with the millions upon millions who are now dependent upon government for subsistence (all those receiving welfare payments, farm payments, subsidies, social security, unemployment compensation, and so forth), who believe themselves helpless without the government aid (and have been made nearly so by the intervention), their number is probably sufficient to form electoral majorities.

This is not to imply that the victors are necessarily conscious that they are victors over the poor. There is every reason to believe that many of the politicians (and those who succor them) really wish to help the poor. In any case, charity demands that we give them the benefit of any doubt and believe that even now many of them do not know how badly awry their programs have gone.

A Divisive Force

The War on Poverty, then, has not resulted in the conquest of poverty. It has, instead, resulted in the conquest of the poor. Government has divided the populace into contending factions, has empowered portions of the people against others, has lent its force to the cause of some and turned its back upon others. The incipient civil war that is an inevitable result of such policies has finally broken out in the streets. Strictly speaking there are not yet victors, for the war is not over: there are only those who have been advantaged by the conflict. Even so, it is surely time for the work of pacification.

Those who have been contending are not natural enemies. Farmers are not at odds with urban dwellers by nature, capital with labor, government with the poor. The Battle in the Streets is not even a logical consequence of or response to poverty. On the contrary, the various peoples in a country complement one another; specialization of function requires and begets cooperation; the appropriate response to poverty is not destruction, but economy. The work of reconciliation proceeds from this understanding. . . .

Programs that were supposed to aid the poor have harmed them instead. Justice with eyes wide

open has discriminated among the citizenry, has selected farmers for special ministrations, has looked with favor upon labor unions, has bestowed privileges upon some businesses, has gone with its bag of goodies into the hearts of the cities. Mercy blinded has taken from the poor to give to the rich, has taxed the generality of people to pay subsidies to wealthy farmers, has driven workers away from the gates, has priced the poor, the unskilled, the disabled, out of the labor market, has driven small businesses to the wall, and has forced the urban poor from their habitations to make room for multilane highways and high-rise apartments.

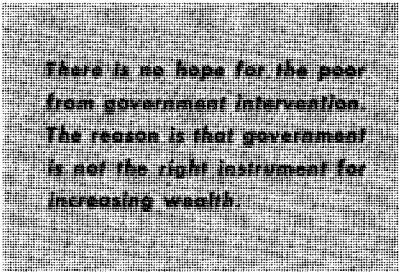
Cruellest and most deceptive of all, government has raised false hopes and expectations of the good which it claims can be done by its methods. The employment of force was supposed to benefit the poor; Mercy could take up guns, so the program implied. Some of the poor have taken the message to heart. They have taken up weapons to improve their own well-being. The Battle in the Streets is the dramatic result. In consequence, the poor are poorer; they have only preyed upon one another.

The Unethical Is the Inexpedient

What was inexpedient turned out to be also unethical. To turn it

around, and get first things first, the unethical is also inexpedient. It is unjust to take from the poor to give to the rich. It is equally unjust to take from the rich to give to the poor. But even if it were just to take from the rich to give to the poor, governments do not operate in that fashion. They take from all producers, rich and poor alike, to give to nonproducers, at best. Nor can it be otherwise. The resources of the wealthy would soon be exhausted, if some devices could be found to appropriate these alone. In that case, we should all be impoverished, however, for the distributed wealth would be used to vie for the decreasing supply of goods that would result from the decline of investment.

There is no hope for the poor from government intervention. The reason is that government is not the right instrument for increasing wealth. The results of the massive governmental programs thus far illustrate the fallacy. Large numbers of the poor have been made perpetually unproductive, dependent upon government, and perennially poor. To pay for this, the productive have been reduced to servility to government by way of taxation and regulation, and those who would rise by their own efforts have had the way made harder.



There is no hope for the poor from government intervention. The reason is that government is not the right instrument for increasing wealth.

Nor is this failure due simply to corruption, malfeasance, or even the tendency of men to pervert the programs to their own ends (the latter being not only a possibility but a virtual certainty). . . .

The Poor Need Economy

The political shenanigans of petty local politicians grasping for War on Poverty funds would no doubt make interesting reading. But to focus on these would be to suggest that the programs have failed because of incidental corruption. It would leave the way open to hope that with better administration and some improvements the programs would work. There is no reason to suppose that this is the case.

The programs have failed because they misconstrue the nature of government and economy. They have attempted to employ force to produce economic results. Men cannot be forced to be economical; yet when left to their own devices, men *will* be economical. Economy

results from *willing* effort, from *willing* innovation, from *willing* exchange, from *free* decisions, and from *voluntary* combinations. Government action tends to produce rigidity, to keep things the way they are, to make it much more difficult for the poor to improve their lot. It raises costs, raises prices, produces surpluses — goods that will not be bought at the prices it decrees —, causes unemployment, reduces competition, removes opportunities, and results in shortages, depending upon how it is employed. The poor cannot benefit from all this because they need economy.

The war upon the poor will be ended when the numerous interventions are ended. This is of a piece with what is needed for the reconstruction. Governments must be restricted to their proper sphere in order that the poor, as well as everyone else, may be freed to improve their own condition, if that is their desire. To suppose that the poor would be clever enough and have the perseverance to manipulate government to their advantage is to suppose something contrary to what has ever been or is ever likely to be, in any case. If the poor were that clever and persistent they would not remain poor for long in any conditions. Government intervention has ever been a device to give additional

advantages to those who already have power and wealth. It was an illusion that it could be otherwise. The fact that wealthy men predominate as national political figures today and advance these strange welfarist notions — such figures as the Kennedys, the Roosevelts, the Rockefellers, and so on — should have alerted us to the power quest that is involved.

Hope Lies in Freedom

The hope of the poor lies with freedom. The politics of expansive government is not for the poor. Politics is the arena of influence peddlers, of batteries of lawyers, of five-per-centers, of special tax exemptions for oil millionaires, of cost-plus contracts, of those who have the inside track, of demagogues who feather their nests at public expense, of the powers that be. The poor have neither the resources, the background and education, nor the time to spend on such quests. They cannot compete in this arena; at best, they will only get some of the crumbs that fall from the table; at worst, they will have television sets with which to view the political spectacles put on with their money.

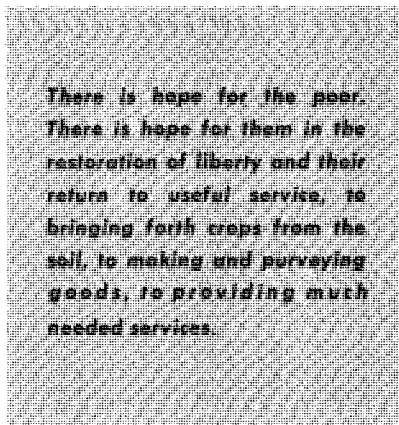
The hope of the poor lies with restricted and limited government. It is indeed a work of reconstruction to regain this condition. Limited government and free men was


once the great promise of American life. The Founders of these United States constructed a government of separated and balanced powers so that hungry politicians might vie for power against one another rather than the populace. They limited governments and specified their powers so that men might compete in an arena of freedom rather than contest for political spoils, so that industrious men might have the fruits of their labor, and so that the indolent might be spurred to labor by their needs. And they perceived that it was better for all that charity proceed from those who were concerned than that the poor receive government favors exacted from the industrious by power-seeking politicians. . . .

There is hope for the poor. There is hope for them in the restoration of liberty and their return to useful service, to bringing forth crops from the soil, to making and purveying goods, to providing much needed services. When the disaffected poor learn again to serve rather than to bribe, their labors will result in providing healing ministrations to society.

America's Greatest Gift

Let this work show, too, that it is not only interventionists who are concerned with the poor. Cer-



tainly, those who entertain grave doubts about the beneficence of government programs may at the same time be deeply concerned about the poor. That parent who does everything for his child does not love more than others; he is only more indulgent. He is actually denying the child experiences that would lead to much needed progress toward being able to look after himself. Love not only gives generously when the occasion warrants but also withholds wisely for the good of another. The greatest gift that America can bestow upon the poor is that liberty by which they may receive the fruits of their toil. The promise of American life, as Thomas Jefferson put it in 1801, is "a wise and frugal Government, which . . . shall not take from the mouth of labor the bread it has earned." 

T H E V A L U E O F

MONEY

H A N S F. S E N N H O L Z

MOST ECONOMISTS are in agreement that the inflation in the United States during the past three years has been the worst since the early 1940's, taking account of both severity and duration. But they cannot agree on the nature of the inflation that is engulfing the American economy. To some, inflation denotes a spectacular rise in consumer prices; to others, an excessive aggregate demand; and to at least one economist, it is the creation of new money by our monetary authorities.

This disagreement among economists is more than an academic difference on the meaning of a popular term. It reflects professional confusion as to the cause of

the inflation problem and the policies that might help to correct it.

A review of some basic principles of economics that are applicable to money may shed light on the problem.

Two basic questions need to be answered: (1) What are the factors that originally afforded value to money, and (2) What are the factors that effect changes in the "objective exchange value of money" or its purchasing power?

Money is a medium of exchange that facilitates trade in goods and services. Wherever people progressed beyond simple barter, they began to use their most marketable goods as media of exchange. In primitive societies they used cattle, or measures of grain, salt, or fish. In early civilizations where the division of labor extended to

Dr. Sennholz heads the Department of Economics at Grove City College in Pennsylvania.

larger areas, gold or silver emerged as the most marketable good and finally as the only medium of exchange, called money. It is obvious that the chieftains, kings, and heads of state did not invent the use of money. But they frequently usurped control over it whenever they suffered budget deficits and could gain revenue from currency debasement.

When an economic good is sought and wanted, not only for its use in consumption or production but also for purposes of exchange, to be held in reserve for later exchanges, the demand for it obviously increases. We may then speak of two partial demands which combine to raise its value in exchange — its purchasing power.

The Origin of Money Value

People seek money because it has purchasing power; and part of this purchasing power is generated by the people's demand for money. But is this not reasoning in a vicious circle?

It is not! According to Ludwig von Mises' "regression theory," we must be mindful of the time factor. Our quest for cash holdings is conditioned by money purchasing power in the immediate past, which in turn was affected by earlier purchasing power, and so on until we arrive at the very

inception of the monetary demand. At that particular moment, the purchasing power of a certain quantity of gold or silver was determined by its nonmonetary uses only.

This leads to the interesting conclusion that the universal use of paper monies today would be inconceivable without their prior use as "substitutes" for real money, such as gold and silver, for which there was a nonmonetary demand. Only when man grew accustomed to these substitutes, and governments deprived him of his freedom to employ gold and silver as media of exchange, did government tender paper emerge as the legal or "fiat money." It has value and purchasing power, although it lacks any nonmonetary demand, because the people now direct their monetary demand toward government tender paper. If for any reason this public demand should cease or be redirected toward real goods as media of exchange, the fiat money would lose its entire value. The Continental Dollar and various foreign currencies over the years illustrate the point.

On Demand and Supply

The purchasing power of money is determined by the demand for and supply of money, like the prices of all other economic goods and services. The particular rela-

tion between this demand and supply determines its particular purchasing power. So, let us first look at those factors that exert an influence on individual demand for money.

As money is a medium of exchange, our demand for it may be influenced by considerations of facts and circumstances either on the goods side of the exchange or on the money side. Therefore, we may speak of goods-induced factors and money-induced factors.

Variation on the Side of Goods

A simple example may illustrate the former. Let us assume we live in a medieval town that is cut off from all fresh supplies by an enemy army. There is great want and starvation. Although the quantity of money did not change — no gold or silver has left our beleaguered town — its purchasing power must decline. For everyone seeks to reduce his cash holdings in exchange for some scarce food in order to assure survival.

The situation is similar in all cases where the supply of available goods is decreased although the quantity of money in the people's cash holdings remains unchanged. In a war, when the channels of supply are cut off by the enemy or economic output is reduced for lack of labor power, the value of money tends to decline

and goods prices rise even though the quantity of money may remain unchanged. A bad harvest in an agricultural economy may visibly weaken the currency. Similarly, a general strike that paralyzes an economy and greatly reduces the supply of goods and services raises goods prices and simultaneously lowers the purchasing power of money. In fact, every strike or sabotage of economic production tends to affect prices and money value even though this may not be visible to many observers.

Some economists also cite the level of taxation as an important factor in the determination of the exchange value of money. According to Colin Clark, whenever governments consume more than 25 per cent of national product, the reduction in productive capacity as a result of such an oppressive tax burden causes goods prices to rise and the purchasing power of money to fall. According to that view, with which one may disagree, high rates of taxation are the main cause of "inflation." At any rate, there can be no doubt that the American dollar has suffered severely from the burdens of Federal, state, and local government spending and taxing that exceed 35 per cent of American national product.

Yet, this purchasing power loss of the dollar would have been

greater by far if a remarkable rise in industrial productivity had not worked in the opposite direction. In spite of the ever-growing burden of government and despite the phenomenal increase in the supply of money (to be further discussed below), both of which would reduce the value of the dollar, American commerce and industry managed to increase the supply of marketable goods, thus bolstering the dollar's purchasing power. Under most difficult circumstances, businessmen managed to form more capital and improve production technology, and thus made available more and better economic goods which in turn helped to stabilize the dollar. Without this remarkable achievement by American entrepreneurs and capitalists, the U.S. dollar surely would have followed the way of many other national currencies to radical depreciation and devaluation.

Factors on the Side of Money

There also are a number of factors that affect the demand for money on the money side of an exchange. A growing population, for instance, with millions of maturing individuals eager to establish cash holdings, generates new demand, which in turn tends to raise the purchasing power of money and to reduce goods prices.

On the other hand, a declining population would generate the opposite effect.

Changes in the division of labor bring about changes in the exchange value of money. Increased specialization and trade raises the demand and exchange value of money. The nineteenth century frontier farmer who tamed the West with plow and gun was largely self-sufficient. His demand for money was small when compared with that of his great grandson who raises only corn and buys all his foodstuff in the supermarket. Under a modern and a highly advanced division of labor, one needs money for the satisfaction of all his wants through exchange. It is obvious that such demand tends to raise the exchange value of money. On the other hand, deterioration of this division of labor and return to self-sufficient production, which we can observe in many parts of Asia, Africa, and South America, generates the opposite effect.

Development and improvement of a monetary clearing system also exert an influence toward lower money value. Clearing means offsetting payments by banks or brokers. It reduces the demand for money, as only net balances are settled by cash payments.

The American clearing system which gradually developed over

more than 130 years from local to regional and national clearing, slowly reduced the need and demand for cash and thus its purchasing power. Of course, this reduction of the dollar's exchange value was negligible when compared with that caused by other factors, especially the huge increase in money supply.

Business practices, too, may influence the demand for money and therefore its value. It is customary for business to settle its obligations on the first of the month. Tax payments are due on certain dates. The growing popularity of credit cards reduces the need for money holdings throughout the month, but concentrates it at the beginning of the month when payments fall due. All such variations in demand affect the objective exchange value of money.

The Desires of Individuals for Larger or Smaller Holdings

The most important determinant of purchasing power of money under this heading of "money-induced factors" is the very attitude of the people toward money and their possession of certain cash holdings. They may decide for one reason or another to increase or reduce their holdings. An increase of cash holdings by many individuals tends to raise the exchange value of money, re-

duction of cash holdings tends to lower it.

This is so well understood that even the mathematical economists emphasize the money "velocity" in their equations and calculations of money value. Velocity of circulation is defined as the average number of times in a year which a dollar serves as income (the income velocity) or as an expenditure (the transaction's velocity). Of course, this economic use of a term borrowed from physics ignores acting man who increases or reduces his cash holdings. Even when it is in transport, money is under the control of its owners who choose to spend it or hold it, make or delay payment, lend or borrow. The mathematical economist who weighs and measures, and thereby ignores the choices and preferences of acting individuals, is tempted to control and manipulate this "velocity" in order to influence the value of money. He may even blame individuals (who refuse to act in accordance with his model) for monetary depreciation or appreciation. And governments are only too eager to echo this blame; while they are creating ever new quantities of printing press money, they will restrain individuals in order to control money velocity.

It is true, the propensity to increase or reduce cash holdings by

many people exerts an important influence on the purchasing power of money. But in order to radically change their holdings, individuals must have cogent reasons. They endeavor to raise their holdings whenever they foresee depressions ahead. And they usually lower their holdings whenever they anticipate more inflation and declining money value. In short, they tend to react rationally and naturally to certain trends and policies. Government cannot change or prevent this reaction; it can merely change its own policies that brought forth the reaction.

The Supply of Money

No determinant of demand, whether it affects the goods side of an exchange or the money side, is subject to such wide variations as is the supply of money. During the age of the gold coin standard when gold coins were circulating freely, the supply of money was narrowly circumscribed by the supply of gold. But today when governments have complete control over money and banking, when central banks can create or withdraw money at will, the quantity of money changes significantly from year to year, even from week to week. The student of money and banking now must carefully watch the official statistics of money supply in order to under-

stand current economic trends.

Of course, the ever-changing supply of money must not be viewed as a factor that evenly and uniformly changes the level of goods prices. The total supply of money in a given economy does not confront the total supply of goods. Changes in money supply always act through the cash holdings of individuals, who react to changes in their personal incomes and to changing interest rates in the loan market. It is through acting individuals that supply changes exert their influences on various goods prices.

In the United States, we have two monetary authorities that continually change the money supply: the U.S. Treasury and the Federal Reserve System. As of February 28, 1969, the U.S. Treasury had issued some \$6.7 billion of money, of which \$5.1 billion were fractional coins. The Federal Reserve System had issued \$46.3 billion in notes and, in addition, was holding some \$22 billion of bank reserves. Commercial banks were holding approximately \$150 billion in demand deposits and some \$201 billion in time deposits, all of which are payable on demand in "legal money," which is Federal Reserve and Treasury money.

The vast power of money creation held by the Federal Reserve System, which is our central bank

and monetary arm of the U.S. Government, becomes visible only when we compare today's supply of money with that in the past. Let us, therefore, look at the volume of Federal Reserve Bank credit on various dates since 1929:

<i>Date</i>	<i>Total in Billions</i>
1929 June	\$ 1.3
1939 Dec.	2.6
1949 Dec.	22.5
1959 Dec.	29.4
1969 Aug. 20	58.2

SOURCE: *Federal Reserve Bulletins*.

These figures clearly reveal the nature and extent of the inflation that has engulfed us since the early 1930's. The 1940's and again the 1960's stand out as the periods of most rapid inflation and credit expansion.

How Government Creates Money

Why and how do our "monetary authorities" create such massive quantities of money that inevitably lead to lower money value? During the 1940's, the emergency argument was cited to justify the printing of any quantity the government wanted for the war effort. During the 1960's, the Federal government through its Federal Reserve System was printing feverishly in order to achieve full employment and a more desirable rate of economic growth. Furthermore, the ever-growing public de-

mand for economic redistribution inflicted budgetary deficits, the financing of which was facilitated by money creation.

How was it done? The Federal Reserve has at its disposal three different instruments of control which can be used singly or jointly to change the money supply. It may conduct "open-market purchases," i.e., it buys U.S. Treasury obligations in the capital market and pays for them with newly-created cash or credit. Nearly all the money issued since 1929 was created by this method. Or, the Federal Reserve may lower its discount rate, which is the rate it charges commercial banks for accommodation. If it lowers its rate below that of the market, demand will exceed supply, which the Federal Reserve then stands ready to provide. Or finally, the Federal Reserve may reduce the reserve requirements of commercial banks. Such a reduction will set Federal Reserve money free for loans or investments by commercial banks.

It does not matter how the new money supply is created. The essential fact is the creation by the monetary authorities. You and I cannot print money, for this would be counterfeiting and punishable by law. But our monetary authorities are creating new quantities every day of the week at the discretion of our government leaders.

This fact alone explains why ours is an age of inflation and monetary destruction.

Variable Responses

The Quantity Theory, which offers one of the oldest explanations in economic literature, demonstrates the connection between variations in the value of money and the supply of money. Of course, it is erroneous to assume, as some earlier economists have done, that changes in the value of money must be proportionate to changes in the quantity of money, so that doubling the money supply would double goods prices and reduce by one-half the value of money.

As was pointed out above, changes in supply always work through the cash holdings of the people. When the government resorts to a policy of inflation, some people may react by delaying their purchases of certain goods and services in the hope that prices will soon decline again. In other words, they may increase their cash holdings and thereby counteract the price-raising effect of the government policy. From the inflators' point of view, this reaction is ideal, for they may continue to inflate while these people through their reaction may prevent the worst effects of inflation. This is probably the reason why

the U.S. Government, through post office posters, billboards, and other propaganda, endeavors to persuade the American people to save more money whenever the government itself resorts to inflation.

When more and more individuals begin to realize that the inflation is a willful policy and that it will not end very soon, they may react by reducing their cash holdings. Why should they hold cash that depreciates, and why should they not purchase more goods and services right now before prices rise again? This reaction intensifies the price-raising effects of the inflation. While government inflates and people reduce their money demand, goods prices will rise rapidly and the purchasing power of money decline accordingly.

Passing the Buck

It may happen that the government may temporarily halt its inflation, and yet the people continue to reduce their cash demand. The central bank inflators may then point to the stability of the money supply, and blame the people for "irrational" behavior and reaction. The government thus exculpates itself and condemns the spending habits of the people for the inflation. But in reality, the people merely react to past experiences and therefore anticipate an early return of inflationary poli-

cies. The monetary development during most of 1969 reflected this situation.

Finally, the people may totally and irrevocably distrust the official fiat money. When in desperation they finally conclude that the inflation will not end before their money is essentially destroyed, they may rush to liquidate their remaining cash holdings. When any purchase of goods and services is more advantageous than holding rapidly depreciating cash, the value of money approaches zero. The money then ceases to be money, the sole medium of exchange.

⊕ When government takes control

over money, it not only takes possession of an important command post over the economic lives of the people but also acquires a lucrative source of revenue. Under the ever-growing pressures for government services and functions, this source of revenue — which can be made to flow quietly without much notice by the public — constitutes a great temptation for weak administrators who like to spend money without raising it through unpopular taxation. The supply of money not only is the best indicator as to the value of money, but reflects the state of the nation and the thinking of the people. ⊕

Debauch the Currency

LENIN is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate *arbitrarily*; and while the process impoverishes many, it actually enriches some. . . . As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery.

IDEAS ON



LIBERTY

JOHN MAYNARD KEYNES

The Economic Consequences of the Peace (1920)



Unknown Costs of **POLLUTION**

HOWARD CALLAWAY

AIR AND WATER pollution do not raise basic philosophical or theoretical questions but nevertheless puzzle many libertarians. Can it be that there is no answer within a framework of voluntary agreement and that necessity requires regulation by government? Such problems present a clear challenge to the ideal of freedom and obviously require an answer.

Air and water pollution are a definite threat to the structure and continuation of urban, industrial civilization; they cannot and should not be underestimated. The quality and purity of this nation's rivers and streams and air are continually deteriorating, but little has been done to correct the situation.

Mr. Callaway is a junior, with a major in philosophy, at the Pennsylvania State University. This article is slightly condensed from the July, 1969, *Commentary on Liberty*, published by the Philadelphia County Young Americans for Freedom.

At issue here is the concept of "rights" and its proper extension. Air being a "free" good, does not a businessman have the right to use it as he sees fit? By the same token, does not the ethical conflict of this issue derive from an implicit assumption that everyone else has a right to clean air? The concept of human rights has changed over the years but can be recognized in writings going back at least to John Locke. On the other hand, air and water pollution on such a grand scale as we are experiencing today are relatively new problems. In view of this, the new facts of air and water pollution require an extension of the concept of rights.

Perhaps one reason why these problems have not already been solved is the loss of prestige which common law has suffered at the hands of this century's invigor-

ated legislatures. Some forgotten judge presiding over a case of damage due to air pollution might have solved this question long ago. A precedent, once set, might have avoided this problem as it looms today. In any case, the question remains, and the answer is not really so difficult as it may seem.

Assessing the Damage

Consider a small stream flowing through two properties. It seems clear that neither owner could claim the rights of property over the water of that stream in the same sense that they own the land. If one of them were to take a glassful, the water in the glass would be his, in the same sense as any other property, as soon as he lifted it out of the stream. Without prior agreements, however, the upstream property owner would not have the right to block the flow of the stream or to redirect it so that it would no longer pass through the land of the downstream man. Neither would one have the right to pollute the water of the stream so that it would be no longer usable by the other.

Unused water that flows down the stream belongs to no one so long as it is not used. Now, suppose that the man upstream opened some sort of mill or plant which had the side effect of polluting the stream. This business produces a

product which the owner sells. Since this is a new product, the owner of the plant does not know that he is polluting the water as a result of his process. And since the amount of pollution is small, the man downstream may take no notice of the change in the quality of the water which is passing through his land and make no complaint. Everything continues smoothly between the two men.

Now, suppose the new product attracts customers and the owner greatly increases his production. With this, the level of pollution in the stream greatly increases and the water becomes unfit for the purposes of the second property owner. Up to this time, the effect of the upstream plant upon the quality of the water in the stream is an unknown cost being borne by the man downstream in terms of lower quality water. It is when the level of pollution can be noticed that this heretofore unknown cost becomes evident.

Obviously, there could have been no legal protection against a form of damage of which no one had knowledge. In the hypothetical case just cited, the downstream man could not ask that his neighbor be prosecuted, since no law could have been written to cover this specific type of damage. However, the situation could have been handled very neatly through a civil

action in which a judge would have been required to make a new application of the concept of property rights.

The damage done to the quality of water in the stream came as an effect of the process of production and the owner of the business should be held liable for the cost. This unknown cost, once it is recognized, should be paid by the owner of the plant. At first, it might take the form of damages paid to the man downstream. But one could foresee that the owner of the plant would likely install some equipment which would clean the water before it was returned to the stream. The cost of this new process, and of the damages which would otherwise be paid to his neighbor, would then appear as a part of the cost of production which would likely be reflected in an increase of the unit price of the product.

The same basic analysis applies as well to air pollution and to any such cost of production which had been previously unknown. In a sense, we are all the downstream man in respect to those great industries or in respect to the automobile users who are polluting the air.

The situation becomes more complicated when we consider the case of a large steel plant upriver from several towns and cities.

There might be thousands of people who had access to the river and who would thus be deserving of compensation for their losses. The same applies to those who live downstream from a municipality which continually dumps tons of raw sewage into the water. In regard to the air, it becomes evident, on application of this principle, that we all live "downstream" from each other and that any pollution of the air which damages another demands retribution.

It should be noted that many industries might not be able to pay costs of production which they have thus far been able to shift onto their neighbors. However, this is no argument against the principle involved here. These costs are paid by someone in any case. The recognition of an otherwise unknown cost in the production of some item and in the sales price merely allows the consumer to accurately value that product in relation to other things available.

The Role of the Courts


If the courts were to begin to award damages to those affected by these various problems, I think this could not be construed as government regulation of industry. The distinction between this proposal and many of the others which have been considered goes

back to the unwarranted distinction between civil and criminal law. Criminal law is conceived in the judicial systems of the world as applying to an act which offends society in general, while civil courts are supposed to deal with cases in which an individual is damaged. It seems obvious that this is an unfounded distinction. If "society" is offended or damaged by the actions of an individual it must be through the effect of this action upon some other individual(s). The fact that laws against air pollution have been written as criminal laws has allowed many persons to continue in their old methods. Where it might cost a great deal to eliminate some source of pollution, many corporations have been faced with the almost pleasant alternative of being dragged into court to pay perhaps a hundred-dollar fine twice a year.

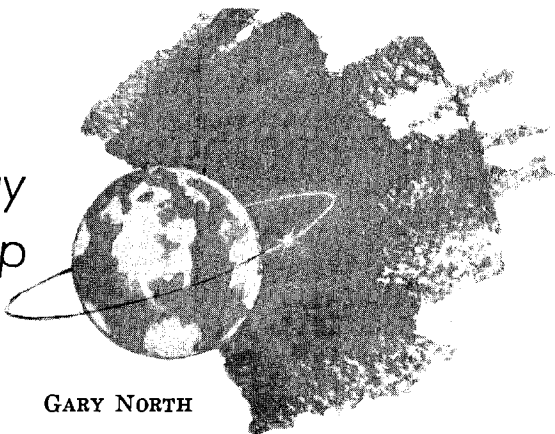
Perhaps the best method of eliminating pollution is through the use of court injunctions. If giant industries or municipal utilities found that their entire production could be halted by the act of a single affected individual, the cost of eliminating the pollution they cause might seem small indeed.

**Not the Innocent, But
the Guilty, Should Pay**

The longer this day of reckoning is put off, the larger will be the cost of eliminating such unknown costs as are now being paid by the innocent. It is impossible to calculate the damage which has already been done. In addition, the free ride which the pollution producers have enjoyed at the expense of everyone else has brought untold distortions into society. All of the products of these industries have been underpriced and overproduced at the expense of those industries which do not produce pollution. Suppose the automobile industry had been obliged to compete with other forms of transportation under condition that each form pay in full to eliminate any pollution it caused! In effect, the failure of the courts to award damages to those affected by pollution is an intervention by default and should be considered as such.

As long as the possibility of change exists (as it must in a free economy or free culture) unknown costs of all types will continue to crop forth. This will require a persistent extension of the meaning of freedom in ways which cannot be fully foreseen and ought not be foreclosed. 

The Mythology of Spaceship EARTH



GARY NORTH

THE FLIGHT of Apollo XI was probably the most stupendous technological achievement of the decade. (Unquestionably, it was the most stupendous bureaucratic achievement of the decade: scheduled for 1969, it actually took place in 1969!) Editorials in every paper in America, I suppose, have lauded the flight as the monument to the capacities of mankind to conquer nature and order our affairs, the assumption being that the ability to fly a rocket implies the ability to organize a society, in theory if not in practice. The flight has brought to the forefront that old cliché, "Man's scientific wisdom has outrun his moral wisdom"; we can go to the moon, yet somehow we have failed to solve

the problem of mass poverty in the United States.

The gap between moral wisdom and scientific knowledge has been a problem since the scientific revolution of the sixteenth century. Immanuel Kant, writing in the late 1700's, struggled mightily with this very question: How can man bridge the intellectual chasm between scientific knowledge (the realm of law and necessity) and moral knowledge (the realm of freedom and choice) without sacrificing the integrity of one or the other? Hegel, Marx, and the modern moral philosophers have all lived in the shadow of this dilemma, and the crisis of modern culture reflects man's failure to resolve it. The responses to this dilemma, as a rule, take one or the other of two forms, symbolized

Gary North is a member of the Economists' National Committee on Monetary Policy.

by Arthur Koestler as the Commissar on the one hand, and the Yogi on the other.

The Commissar is enraptured with science and technology; he is confident that scientific planning in proper hands can so alter man's environment as to bring about a new earth and a new mankind. The Yogi takes the opposite tack of disengagement from "the world," laying stress on each man cultivating his own garden. Find inner peace, he urges, and the external world will take care of itself. His assumption is that science and technology are neutral, that developing from their inner imperatives they will eventually find their own benevolent level.

But this assumption is invalid because the planners won't let it happen this way. Once accept scientific planning as a legitimate and even necessary function in a society and any form of "spirituality" which assumes the impotence of moral concepts in the social and economic affairs of men is helpless before the planning elite. If a change in the hearts of men only has impact on their internal lives, then the external realm of science is left free to do its "neutral" best. Unfortunately, the planners can never be neutral; hence, their application of technology to the affairs of men cannot be neutral. Planning involves

the allocation of scarce resources, and some programs must be accepted while others are rejected. The planners must use a scale of values — nonempirical, a priori moral values — in the administration and formulation of their plans. Hayek's arguments along these lines in his *Road to Serfdom* (1944) have laid the question to rest. Unless one's moral commitment involves a view of external reality, one will remain helpless to reverse the course of external affairs. For this reason, those who counsel retreat from the world actually cooperate with the drift into totalitarian planning.

From the Moon to the Earth

During the week of the moon shot, I fully expected some local television station to show George Pal's 1950 classic, *Destination Moon*. Sure enough, a Los Angeles station presented it one evening. No doubt it was shown in other cities around the country. I missed it this time, but I have seen it often enough to reproduce some of its dialogue verbatim (the dialogue, however, was considerably inferior to Pal's special effects). Tom Powers played a military man whose rocket programs kept producing failures. He finally is able to convince John Archer, a captain of private industry, to construct the rocket that will get the job done.

The message: only American private enterprises can get us to the moon.

That was great stuff in 1950. Yet the reality is far, far removed in 1969. The moon shot was, by its very nature, a task for the state. Private firms could be contracted, but the NASA officials were behind it, financially and administratively, from start to finish. Tom Wicker, writing in his nationally syndicated column, put the fact in all its clarity: "No one ever made the remotest pretense that men could get to the moon via free enterprise, states' rights, rugged individualism, or matching grants."¹ The reason: ". . . this was government-managed enterprise, pointed toward an agreed goal, operating on planned time and cost schedules, with ample administrative authority derived from Federal power and wealth." An amen is due here. Good show, Mr. Wicker.

Mr. Wicker, unfortunately, made a great leap of faith when he began to compare our heavenly achievement with our supposed capabilities for solving more earthly tasks. He was not alone in this leap. Editorial after editorial echoed it, and I single him out only because he is widely read and generally regarded as one of

the superior liberal pundits. He makes the leap seem so plausible: "So the conclusion that enlightened men might draw is that if the same concentration of effort and control could be applied to some useful earthly project, a similar success might be obtained." He recommends a vast program of publicly-owned housing construction, say, some 26 million new units by 1980.

Flora Lewis' column was far more optimistic; her horizons for mankind's planning capabilities are apparently much wider. "If the moon can be grasped, why not the end of hunger, of greed, of warfare, of cruelty?" She admits that there are problems: "They seem provocatively within our new capacities and yet maddeningly distant. We are told it is only lack of will that frustrates these achievements, too."² Nature is boundless, apparently; only our "lack of will" prevents us from unlocking the secrets of paradise and ending the human condition as we know it. This is the messianism of technological planning. It is basic to the thinking of a large segment of our intellectuals, and the success of the Apollo flights has brought it out into the open.

Mr. Wicker wisely set for our

¹ Tom Wicker, Riverside, Calif. *Press*, July 22, 1969.

² Flora Lewis, Los Angeles *Times*, July 22, 1969.

government a limited goal. Miss Lewis does not necessarily limit the task to government planning alone, but it is obvious that she is basing her hopes on a technological feat that was essentially a statist project. At this point, several questions should be raised. First, should the state have used some \$25 billions of coerced taxes in order to send two men to the moon's surface? Would men acting in a voluntary fashion have expended such a sum in this generation? In short, was it worth the forfeiting of \$25 billions worth of alternative uses for the money? Second, given Mr. Wickler's plans, could we not ask the same question? Is the construction of public housing, and the use of scarce resources involved in such construction, on a priority scale *that* high in the minds of the American public? Would a non-inflationary tax cut not be preferable?³ It is typical of socialistic thinkers to point to emergency spending (e.g., a war) or some statist rocket program and recommend a transfer of funds from one branch of the state's planning bureaucracy to another. I have never heard them recommend a reduction of spending by the state. Spending precedents set in war-

time, like "temporary" taxes, seem to become permanent. Finally, in Miss Lewis' example, is the mere application of the techniques of applied science sufficient to end warfare and cruelty? Or could it be, as the Apostle James put it, that our wars come from the hearts of men?⁴ Conversion, in and of itself, may not redeem technology, but can Miss Lewis be so certain that technology can redeem mankind?

The Limits of Technology

Technology is a tool. Like any tool, it has its limitations. One must be very careful to keep from using an inappropriate tool to complete some task. It makes it imperative that the user specify the exact nature of his task beforehand.

Any standard economics textbook will usually compare economics with engineering. The contrast is not perfect, but it does set before the reader the different ways an economy must plan. The engineer must decide, *given a specific goal*, how to allocate the available resources to complete it. The economist must look at the available resources, and decide where to allocate them, given a *multiplicity of goals*. In some cases, it will be difficult to separate the two jobs, but the distinction is

³ Cf. Gary North, "Urban Renewal and the Doctrine of Sunk Costs," *THE FREEMAN* (May, 1969).

⁴ James 4:1.

useful for purposes of conceptualization.

The Technocrats of the 1930's urged us to accept the economic guidance of the engineering elite. They would eliminate "waste." Yet the engineers of the Soviet Union have been forced to construct crude economic accounting techniques in order to deal with such "capitalistic" phenomena as value and the rate of interest. Engineering — meaning specialized, technological competence — cannot deal with such psychological imponderables as consumer preferences. Only the price mechanism of a free market can do this with any degree of accuracy, which is why Ludwig von Mises rejects socialist planning.⁵ If we confuse engineering with economic calculation, we will destroy the rational allocation of scarce resources by the market. It would involve turning over the task of ordering literally quintillions of economic relationships to a centralized elite with necessarily limited knowledge.⁶ The results can be predicted: irrational decisions, petty bureaucratic coercion, and a loss of political freedom.

Governments can provide certain services that, by their very

nature, men do not want to see offered to the highest bidder, as on a free market. Justice is not to be purchased for the profit of the judges involved. Governments are seldom efficient in solving complex, interpersonal problems that require a *careful balancing* of supplies and demands (for they are plural until registered, specifically, on a market, by a given supplier and a specific purchaser); when personal preferences of many individuals involving varied and even conflicting goals are the issue, governments are not particularly successful agents for getting things settled. The fine shadings are lost in the aggregate decisions.

A Leap of Faith

Therefore, to take a leap of faith from some particular instance of a "successful" government project — success defined as the operationally satisfactory completion of a certain unquestioned goal — to the realm of economic planning involves a faith far greater than anything imagined by the medieval scholastics. Yet Dr. Irving Bengelsdorf, a staff writer with the Los Angeles *Times*, thinks that "there may be hope" along this line of thinking, in spite of the difficulties inherent in any computerized quantification of qualitative personal preferences. He states the problem well;

⁵ For a summary of this literature spearheaded by Mises, see my chapter on "Socialist Economic Calculation," in *Mars's Religion of Revolution* (Nutley, New Jersey: Craig Press, 1968).

⁶ *Ibid.*, p. 198.

he cannot show how his answer is linked operationally with the problem he states:

In contrast to the novel and uncluttered venture of getting to the moon, [an] uninhabited, non-social, non-political moon, the problems of society are exceedingly complex to solve because any solution demands that people have to change their daily ways of life, their interactions with other people. This is difficult to do. For, from birth, people already come overlaid with traditional prejudices, encrusted with hoary cultures, and swaddled in ancient customs. And these are hard to change.

But, there may be hope. Both the Apollo 11 flight and the Manhattan Project of World War II show that once a clear goal has been set, a vast, complex project involving large numbers of people with different training and skills working together can achieve a solution.⁷

Between the first paragraph and the second lies a social revolution. Also present in the gap is the unstated assumption that we can reduce the complexities of society to "a clear goal," which is precisely the problem governments have not learned to solve. I am at a loss to see how a wartime bomb project or a trip to the moon indicate anything except the amazing capacity for spending that governments possess.

⁷ Irving S. Bengelsdorf, Los Angeles Times, July 24, 1969.

Spaceship Earth

Barbara Ward, one of the most respected Establishment thinkers in Britain, and former editor of *The Economist*, has taken Buckminster Fuller's spaceship analogy and has turned it into an effective neo-Fabian propaganda device: "The most rational way of considering the whole race today is to see it as the ship's crew of a single spaceship on which all of us, with a remarkable combination of security and vulnerability, are making our pilgrimage through infinity."⁸ This assumes, of course, a chain of command, a previously agreed upon destination, and some shared faith in the way one goes about getting there. But what are a few assumptions among rational men, especially planners? Now, fellow crewmen, "Think what could happen if somebody were to get mad or drunk in a submarine and run for the controls. If some member of the human race gets dead drunk on board our spaceship, we are all in trouble. This is how we have to think of ourselves. We are a ship's company on a small ship. Rational behavior is the condition of survival." Clearly, as she points out, "Rational rules of behavior are what we largely lack."⁹ All is

⁸ Barbara Ward, *Spaceship Earth* (New York: Columbia University Press, 1966), p. 15.

⁹ *Ibid.*

not lost, however. Our divisions are based on divisions of power, wealth, and ideology, but these can be overcome through reason. There is a universal means of instant communication — technology — which brings us together.¹⁰ “Quite apart from common tools and methods, we also have mental attitudes that do not vary from culture to culture and are common to a single world civilization.”¹¹ What these common bonds are, she fails to mention; nevertheless, “in short, we have become a single human community.”¹²

The problem with all of this “spaceship reasoning” is that it assumes as solved those fundamental problems that need solving in order to make possible the spaceship analogy. The thing which strikes me as ironic is that the language of the spaceship involves a chain of command approach to the solution of human problems. Those humanitarian intellectuals who decry the petty military dictatorships in underdeveloped nations want to impose a massive system of command over the whole earth. That is what the call to world government implies.¹³ The spaceship analogy necessarily views society as a vast army. Yet for some rea-

son, Hayek’s identical conclusion about the implications of socialist planning is invariably rejected as absurd. *It is the mentality of the militarist.* Miss Ward even is willing to admit that our experiences in wartime helped to create the foundation of modern economic policy:

Thus, not by theory or dogma but largely by war-induced experience, the Western market economies have come to accept the effectiveness and usefulness of a partnership between public and private activity. . . . but there is now no question of exclusive reliance on any one instrument or any one method. The pragmatic market economies have worked out their own evolving conceptions of public and private responsibility and the result is the dynamic but surprisingly stable mixed economy of the Western world.¹⁴

The Chaos of Noneconomics

I would have put it a different way. I would have pointed to the signs of our contemporary system’s increasing inefficiency, corruption, and extralegal practices which we more usually associate with those warfare economies from which she says we borrowed our planning techniques. What we have created is a noneconomics, and Miss Ward proclaims the benefits of such a system:

¹⁴ *Ibid.*, pp. 9-10.

¹⁰ *Ibid.*, p. 4.

¹¹ *Ibid.*

¹² *Ibid.*, p. 14.

¹³ *Ibid.*, p. 17.

But, on the whole, in economics the Western world can move from position to position with little sense of contradiction and incompatibility. We had no very fixed views before so we do not have to bother too much about what we believe now. It is a considerable source of strength.¹⁵

This, then, is "reason, spaceship style." It is the triumph of intellectual chaos, and it is inevitably recreating the economy in its own image.

Grounding the Ship

Dr. William G. Pollard, a physicist who was a part of the Manhattan Project, has written a little book which tries to undergird the spaceship analogy with a theological framework. His theology is radical, but he is honest in seeing the purpose of the Apollo flights as being ultimately religious. He thinks it marks the end of the era of science-worship. Diminishing marginal returns are about to set in:

Sending men to the moon and bringing them back in 1969 may prove to be from the perspective of the twentieth century the central symbol of the golden age of science in the twenty-first. Like the great pyramids of Egypt or the lofty cathedrals of medieval Europe, this feat will stand out as a peak expression of the spirit of the golden age; the maximum eco-

nomical investment which a great civilization could make in a feat which served no useful purpose other than making manifest the lofty height to which the spirit of an age could rise. It will not be worth repeating except perhaps by Russia for the purpose of sharing in its glory. Thereafter, even more massive applications of science and technology to basic human needs will have become so urgently necessary that no further diversion of available talent and resources to manned space flights can be permitted.¹⁶

We can hope that he is correct, but who knows for certain? The government was so successful, as it usually is, in achieving a feat "which served no useful purpose" other than its own glory, that we may have more of the same. But this much should be clear: the analogy of spaceship earth is more than an analogy; it is a call to religious commitment. The call is to faith in centralized planning.

At the beginning of this essay, I pointed to the dual theories of regeneration, symbolized by the Yogi and the Commissar. They feed on each other, take in each other's intellectual washing, so to speak. If we are to confront the mythology of spaceship earth, it must be in terms of a rival moral philosophy, one which has social


¹⁶ William G. Pollard, *Man on a Spaceship* (Claremont, Calif.: Claremont Colleges, 1967), pp. 59-60.

¹⁵ *Ibid.*, p. 10.

and economic implications, as well as technological implications. We must deny the validity of any vision of man as central planner, a little god who would arrange in an omniscient fashion the lives of all men in all the spheres of their existence, as if we were some permanent military crew. We must acknowledge the validity of the late C. S. Lewis' warning in *The Abolition of Man* that when we hear men speaking of "man's taking control of man," we should understand that it implies certain men taking control of all the others.

When men seek to divinize the state, they succeed merely in creating hell on earth. The Christian church fought this point out with

the Roman Emperors, both pagan and Arian. The state may not claim to be God's exclusive or even chief representative on earth.¹⁷ The theology of spaceship earth would have us return to the religious political theory of the ancient world, all in the name of progressive technology and planning.

The astronauts are back on earth. We must seek to keep them here. It is time to ground our spaceship programs, both interplanetary and domestic. Let the captains go down with their ideological ship. There are better ways of allocating our scarce resources than in constructing spaceship earth. 

¹⁷ R. J. Rushdoony, *Foundations of Social Order* (Nutley, New Jersey: Craig Press, 1968).

Economic Growth

THE ONLY POSITIVE WAYS the government can use to attempt to promote economic growth are to tax, inflate, spend, and control — that is, to leave you with less real money to spend, and to restrict the ways you can spend what you have left. Thus, we are clearly not choosing the means and policies that will increase the long-time production of goods and services that we consumers want and are willing to pay for. I am convinced that the only possible way to accomplish that goal is to reject *totally* the restrictive influence of government controls and ownership and deficit spending, and to return to the free market economy that is the hallmark of a responsible and prosperous people.

IDEAS ON



LIBERTY

Good sense makes good business!

HELEN BUGBEE



"FOOD AND TELEVISION are American necessities," proclaimed an ad from a firm of stockbrokers who were looking forward to the investment opportunities offered by proposals to exempt "the poor" from Federal income taxes.

Maybe the writer of that ad couldn't tell the difference between a television set and a necessity, or maybe he merely finds it convenient for selling purposes to redefine every luxury as a necessity as soon as most Americans can afford it. But there are many Americans whose view of reality is so dim that they really can't see the difference. They are the ones who worried Dr. Edward A. Piszczek, then president of the Illinois State Medical Society, when he com-

plained a few years ago of "the popular notion that a man should spend what he earns for his pleasures rather than his needs. A man should buy a television set, a trip to Florida, or a sports car, so this reasoning goes, because this is his cardinal right. But someone else should pay for what he really needs, such as his life or his health. . . . And if no one else will pay for it, the doctor should serve him for nothing."

The distinction between a necessity and a television set was perfectly clear to Dr. Piszczek—as it is to anyone with a firm grip on reality. His interest in keeping the distinction clear in the minds of people who might buy television sets and then fail to pay doctor bills was obviously different from that of the broker who wants to

Miss Bugbee is a free-lance editor and writer specializing in employee communications.

sell stock in companies that deal in television sets.

But brokers who deal in investments, as well as companies that deal in television sets and other products, also share an interest in ensuring the perpetuation of a society in which they can do business. And that interest might well take priority over the urge to sell their products! Before they add to the confusion of people whose grip on reality already is weak, they might consider the current threats by some of the poor against the society in which businessmen are trying to operate. They might ask themselves how those people got the idea of what they claim as "rights."

In a society so affluent that it can be contended, with almost no dissent, that a television set is a necessity — even for the poor — there must be something about the poor that makes and keeps them that way. It must be a deficiency either in their ability and willingness to earn money or in their ability and willingness to manage it. The latter often stems from a failure to accept the reality that 2 plus 2 make 4 and cannot make 6 or 8 or 10. And if their grip on reality is that weak, it may be dangerous to redefine as a necessity each new luxury that is brought within the reach of most people by mass production!

From Luxuries to Rights

It's a short step from calling a luxury a necessity to calling it a right. In the short time since Dr. Piszczek made his complaint, the product he deals in — medical care — has been made a "right" for the "medically indigent." That means that the rest of us must pay for their care with our tax money.

Before businessmen get too eager to turn television sets into necessities and to sell these and other desirable products to people who are about to be exempted from taxes, they well might ponder whether they want these luxuries-become-necessities turned into "rights," with the burden on businessmen and other taxpayers increased to pay for them (or to pay for police protection if the "rights" are not granted).

It's good business, of course, for businessmen who have goods and services for sale to look at the opportunities for profit in almost everything that happens; but it's also good business to take account of the dangers that accompany the opportunities! The broker's ad spoke of "companies selling consumer goods and services" as "the particular beneficiaries" of the tax cut for the poor, and held out to investors in such companies the prospect that "2.2 million Americans will have \$700 million more to spend. . . . And not only will

they have more money to spend. With more money they'll be able to borrow more money." Among companies that stand to benefit, said the ad, are companies that "deal in everything from food, soft drinks, girdles and TV sets to installment and housing loans."

One man in the installment loan business, Ernst A. Dauer, director of credit studies of Household Finance Corporation, showed his awareness of the dangers that accompany such opportunities when he told a seminar of the National Industrial Conference Board recently of the need for "constant attention by credit managers" to the credit worthiness of borrowers. Consumer installment debt, he said, has grown 125 per cent in the last nine years. That's 1½ times as fast as the national product has increased, and Mr. Dauer predicted that installment debt would grow another 122 per cent by 1980. One wonders how Mr. Dauer would rate the "credit worthiness" of people who have been declared "medically indigent" so the taxpayers will pay their medical bills. Should they be granted credit, say, for a television set?

Of course, businessmen can't be expected to forget their business or to act as though their prospective customers were simple-minded and in need of a protector. Cus-

tomers would resent that idea as much as businessmen would. However, no one should single out the poor as the simple-minded when it's reported that businessmen are mailing credit cards to welfare clients, and when businessmen add to the confusion of brains already dangerously addled by promoting the ideas that non-essentials are necessities and that buying power can be increased by using part of it to cover finance changes.

Earn More and Get More

Some of the so-called rights that some of the poor are demanding, and some of the threats and actions they are using to enforce their demands, suggest that the only possibility of keeping our society viable and prosperous is to clear up their confusion and show them how to earn more money and get more for it. Some of the demands being made are so fantastic that few businessmen would take them seriously. However, President Nixon's proposals for a "family assistance" system should suggest that even far-out demands be viewed seriously. Not so many years ago, only left-wing periodicals took seriously any proposal for a guaranteed income.

President Nixon's proposals differ from the guaranteed income by requiring work or an attempt

at work before a family would be eligible for \$1,600. In today's market \$1,600 doesn't sound like much, and most people would agree that a family should have at least that much. But it would cost taxpayers \$4 billion to guarantee that minimum, and hardly any of the people who believe families should have \$1,600 would expect to pay for it by reducing their own consumption. Instead, they'd make every effort to shift the burden of increased taxes to their employers or their customers through wage increases and price increases, thus reducing the value of the \$1,600 grant. Then the poor would feel cheated and demand more "rights."

This may happen over and over, as it has happened when previously legislated benefits have left the beneficiaries as poor as they were before. The dollars received have gone up, but so have the dollars received by everyone else. And no matter how many times their dollar incomes are raised, the poor will find themselves as far behind as they were before, since everyone else gets an increase, too. The poor still won't be able to buy the latest luxury-become-necessity, whatever it may be, and will demand another increase. Sooner or later their demands or their anger will destroy us through economic breakdown, revolution,

or both — *unless* they come to understand that even an affluent society cannot deliver more to its people than its people produce, and that the best way for one to have as large a share of the nation's output as he thinks he should is to increase his earning power and make the best use of his buying power.

The Cost of Credit

It is to be hoped that those who wish to sell to the rural and urban poor may find a better approach more sound than the one a Chicago bank used some time ago to sell its revolving credit program:

The man who spends only what he has doesn't have much. Waiting till you accumulate enough cash before you make a major purchase such as a dishwasher is like waiting till you can afford to get married. You don't. And the bitterest pill is having to watch others enjoy their possessions while you wait . . . and wait. . . .

That's quite a sales argument. Most people would like to believe there's some magic way a man can spend more than he has this year without spending less than that next year to pay bills. It's mentally easier to accept that pipedream than to face the fact that neither credit merchants nor other lending institutions give away credit. They sell it at a price, whether it's called interest or carrying

charges or something else. And the amount paid for credit is money that can't be spent for products. So the man who hopes to increase his buying power by spending more than he has shrinks his buying power instead. The only way a man can spend beyond his means without shrinking his buying power when the debts fall due is to welch on those debts. It's hard to believe any businessman welcomes such behaviors, though growing numbers of debtors are filing in bankruptcy. The National Consumer Finance Association calls personal bankruptcies "a growing concern." Certainly, the complex credit mechanism that is supposed to sustain our affluent society would break down if businesses could not count on credit customers to meet their obligations.

American Families Already Overburdened by Debt

Of those American families where the breadwinner is under 35, the average already is carrying debts adding up to 81 per cent of a year's income; and families with breadwinners between 35 and 54 are not far behind, with debts totaling 78 per cent of a year's income. Morris Rabinowitch, president of Financial Counselors, San Francisco, estimated last year that one third of American fami-

lies were overextended in debts and on the brink of serious trouble. More recently, John Vincent Neeson, San Francisco management consultant, said that "the average family, in terms of its earning income, is within six weeks of bankruptcy."

So, businessmen may be asking for trouble that will blow up in their faces when they encourage people who are thought to need tax relief and help with school lunches and medical bills to spend money and even go in debt for things they might do without.

Not every businessman has the same incentive as the Chicago savings and loan association that ran a full-page ad recently under the heading "Inflation? . . . it's up to you." Its message was:

What's the best strategy to cope with inflation? It's based on two kinds of know-how — how to get the most from your income and how to handle your surplus funds. Inflation is a signal to postpone some of your spending plans and scale down others. If you don't, at the end of each week or month, you may be increasingly short of cash or a notch deeper in debt.

Some advertisers might question the willingness of people who need such a message to read all about planned spending, super-market shopping, consumer credit,


and investment of surplus funds. It's far easier, of course, to believe in fairy tales than to accept statements like the following:

Consumer credit is costly. . . . For many, the easiest way to reduce expenses is to cut down on credit buying. The family that remains in debt with installment payments for cars, appliances and other consumer goods loses purchasing power in two ways. First, interest and carrying charges greatly increase the total cost. And second, the credit buyer loses the extra interest income his money could earn in a savings account while he saved for a cash purchase.

It's also easier to peddle the nonsense that everyone can have more than he earns than to talk the kind of sense that requires thought. But a free society can-

not survive at a high level of development unless its people begin to think and to understand what they're doing. H. G. Wells wrote shortly after World War I in his *Outline of History*:

Human history becomes more and more a race between education and catastrophe.

Fifty years have passed, and catastrophe is close upon us. Have we time to win? Perhaps not. People might not listen if we do talk sense. But we can't know for sure unless we try. And there is this powerful incentive: Showing people how to manage their affairs intelligently will not only preserve and improve our society but will generate profitable business in the process. 

Ludwig von Mises

CAPITALISM has improved the standard of living of the wage earners to an unprecedented extent. The average American family enjoys today amenities of which, only a hundred years ago, not even the richest nabobs dreamed. All this well-being is conditioned by the increase in savings and capital accumulated; without these funds that enable business to make practical use of scientific and technological progress the American worker would not produce more and better things per hour of work than the Asiatic coolies, would not earn more, and would, like them, wretchedly live on the verge of starvation. All measures which — like our income and corporation tax system — aim at preventing further capital accumulation or even at capital decumulation are therefore virtually antilabor and antisocial.

IDEAS ON



LIBERTY

William Henry Chamberlin

1897-1969

READERS of these pages during the past three decades have become familiar with the name of William Henry Chamberlin. Few of them, however, came to know the man.

Though he wrote nearly a score of books, he remained essentially a newspaperman. In a career that spanned half a century, he traveled extensively, meeting people, asking questions, shaping and reshaping his own views.

In 1922, at the age of 25, he went to Moscow for the *Christian Science Monitor*. While he was at first strongly sympathetic toward the Soviet regime, he was soon disillusioned by Stalinism's harsh reality.

After a dozen years the *Monitor* moved Mr. Chamberlin to the Far East, where he saw the rise of Japan's militarism. In 1939 he shifted to France, leaving only after Germany's Nazi armies occupied the country. Few men saw so much of the dark forces that were driving the world toward war.

Through it all Mr. Chamberlin remained ebullient, ever confident that man, given time and proper leadership, could find his way through the wilderness. Well past the age when most men retire, he was still plying his newspaper trade.

On a working trip to Europe he stopped for a few days in Switzerland where, while walking a mountain trail, he suffered the stroke that brought his death. Saddening though it is, there is solace in an exit that is so perfectly in character.

Editorial from *The Wall Street Journal*,
September 16, 1969

The following excerpts are from Mr. Chamberlin's article in the May 1959 *Freeman*:

The Supreme Issue: The Individual versus the State

WHEN the State goes beyond its proper functions of maintaining law and order at home and providing protection against foreign aggression, and starts to assume the role of a universal provider and regulator, it never knows when to stop. One arrogation of power leads to another, and the planned economy quickly develops into the totalitarian State. . . .

Gone are the days when sturdy Grover Cleveland — rejecting a proposal to provide government compensation for farmers whose crops had been damaged by hail — remarked, in substance, that while the people should support the government, the government should not support the people. Now, it is no exaggeration to say that gov-

ernments in many fields do undertake to support the people, or certain groups of the people. This task is very expensive, requiring taxation on a scale that formerly would have been considered fantastically impossible. It also necessitates far-reaching controls. One is reminded of Alexis de Tocqueville's "immense and tutelary power," which would rob the human race of all initiative and self-reliance, which would labor for their happiness, but choose to be the sole agent and the only arbiter of that happiness, which would "spare them all the care of thinking and all the trouble of living". . . .


The Soviet Union, where the combination of political dictator-

ship and economic collectivism has prevailed consistently despite minor shifts in tactics and policy, has been a false beacon light to leftwingers in America and Western Europe ever since it was established in November 1917. . . .

From the cradle to the grave the Soviet citizen is conditioned by propaganda and, through a rigidly authoritarian school system, is assigned or directed or channeled into the work the State thinks he should take up. The horrors of forced labor under Stalin, the worst kind of slavery, have abated. This is not because his successors are more humane than the deceased dictator. But they realize that the former system of overworking and half-starving millions of people in Arctic slave labor camps is too wasteful in manpower for a country that is feeling the effects of tremendous war losses in its present low birth rate. However, large numbers of people, if not actually kept behind barbed wire, are forcibly detained in remote places where they are forced

to work at the tasks assigned to them.

It is a great pity and irony that just when the strength of the United States lies in being as different from the Soviet Union as possible, in adhering firmly to the principles of the free market, consumer free choice, maximum opportunity for the individual, there are voices in this country that use a mistaken fear of Soviet economic competition as an argument for driving us further along the path toward economic statism.

Apart from the threat of military attack, which is a question in itself, the only thing we need fear from the Soviet economic pattern is that we should imitate or adopt it, even in part. Only if and as we maintain in our own lives the historic American principles of individualist opportunity in economics and other fields shall we worthily fill our historic destiny as champions of the principle that the State should be the servant of its citizens, not the master of its subjects. 

THE WAR ON THE POOR

IF the American Republic is to go down the drain, it will be because 200,000,000 people, give or take a few hundred thousand, are taken in by the "post hoc, ergo propter hoc," or "after this, therefore because of this," way of looking at everything that has been happening since the days of the New Deal. Our country is obviously prosperous: it sends men to the moon, it throws money away all over the globe; it enables 400,000 kids to idle away their time sitting around a Catskill pasture and soaking up rock music and marijuana fumes; it keeps a big population in college so that they may take their exercise in demonstrating and in throwing the deans downstairs. So, since the New Deal response to the 1929 depression came first in time, this response — and the many extensions of the "government aid" principle that have followed — must, so the argu-

ment goes, be the cause of all subsequent good things.

"Post hoc, ergo propter hoc," however, can be a thunderous fallacy for several reasons. For one thing, it involves cutting up time into little pieces, and arbitrarily picking one point as the beginning. A longer view of things might insist that contemporary American prosperity is due to nineteenth century inventions, or the thinking of the Founding Fathers, or empty land, or the genes of the immigrants, or the decline of mercantilism, or a continental free trade area. Taking the long view, one is perfectly justified in saying that we are prosperous because our fundamental economic vitality has enabled us to triumph over the government interventions that have come thick and fast since 1933.

In his *The War on the Poor* (Arlington House, \$5.95), Clar-

ence B. Carson chooses a contrarious "after this, therefore in spite of this" approach. He sustains his thesis — that the things the politicians try to do for the poor are achieved at the expense of the poor — with brilliant logic and with irrefutable statistics. Such is the spell of the post-New Deal "propter hoc" fallacy, however, that Professor Carson's sanity will be regarded in most "intellectual" quarters as a quaint form of madness.

The Death of Agriculture

Professor Carson was born on a red-dirt farm in Alabama, and he vividly recalls Franklin D. Roosevelt's promises to "restore the balance between rural and urban dwellers." He remembers how his neighbors in the early thirties wrestled with the boll weevil, the grub worms, the floods, and the drought. Even so, "cultivated farm followed cultivated farm" in those days. In the middle thirties came the government programs: "the cotton allotments, the soil conservation checks, the crop loans, vague talk of parity and higher prices and soil improvement." Yet, as Professor Carson saw with his own eyes, the more the government "helped" the farmers, the more desperate became the situation of agriculture. The sons left

the farms to work at sawmills, the daughters to clerk in stores. "There was nothing dramatic about the death of agriculture there," says Dr. Carson, "it was more like a lingering and wasting sickness."

When he went to college and learned something about economics, Dr. Carson discovered that the government programs forced "marginal" farmers to become "submarginal." Years later, when, as an economic historian, he began to assemble the statistics, he could see how the government aid programs defeated themselves. The big farmers got the most money for "acreage reduction." They put the government largesse into better fertilizers, better seeds, better labor-saving machinery. The marginal farmers couldn't keep up in the race. And so today, instead of having 25 per cent of the population living on farms as in 1933, the figure has been reduced to around 8 per cent.

The drift to the cities would have occurred in any event, but the tempo might have been slowed if the New Deal hadn't tried to be so "helpful." The ex-farmers, moving into town, clogged a labor market that was already the object of the government's "war on the poor." There was the big 1937 drive to build up the unions, with

the help of the new labor legislation. But the rise in wages, which came with a one-sided "collective bargaining," was not matched with a corresponding rise in labor productivity. Minimum wage legislation came in 1938. Meanwhile, as business made less money, the stock market fell. We had a "depression within a depression," and in November, 1938, WPA "make-work" employment reached an all-time high. It was not the New Deal interventions that ended the unemployment of the thirties, it was war orders from an embattled Europe.

Sacking the Cities

Professor Carson deals with "urban renewal," but his word for it is "sacking the cities." Following Martin Anderson, he notes that "urban renewal" has actually resulted in a decrease in the number of low-rent housing units available to the poor. It is in the central city slums of today that the "war on the poor" comes full circle. The whirl of the wheel is instructive. It began with the payment to the richer cotton growers to take land out of production. The money went into equipment that did away with the need for the Negro field hand on the acres that were still cultivated. Taking the trail to the Northern cities, the

Negro field hand crowded into the slum just as the Federal bulldozer was beginning its devastating work. But opportunity beckoned to the ex-field hand's children: they could become dope pushers.


After so much irrationality, foisted on an uncomprehending people by politicians whose chief stock in trade is to keep the masses dependent on the state, it is scarcely to be wondered at that we now have irrational battles in the streets, with the slum inhabitants making war on themselves. The government, as Professor Carson puts it, "has set citizen against citizen and group against group." "It is quite likely," so he observes, "that sometimes a man may have thrown a molotov cocktail which set fire to the dry cleaning establishment where some of his own clothes were."

Political Backfire

At the recent Mont Pelerin Conference in Venezuela we heard something about "Director's Law," so-called because Professor Aaron Director of the University of Chicago first formulated it. According to "Director's Law," the government programs of a middle-class democracy invariably take from the poor (who are less numerous) to help the middle-class majority.

Dr. Carson restates Director's Law in his own way. "To suppose that the poor would be clever enough," he says, "to manipulate government to their advantage is to suppose something contrary to what has ever been or is ever likely to be. . . . If the poor were that clever and persistent they would not remain poor for long in any conditions. Government intervention has ever been a device to give additional advantages to those who already have power and wealth The fact that wealthy men predominate as national political figures today and advance these strange welfarist notions — such

figures as the Kennedys, the Roosevelts, the Rockefellers, and so on — should have alerted us to the power quest that is involved."

As Dr. Carson says, the hope of the poor lies with putting hobles on expansive government. Rescuing Andrew Jackson from the fell clutch of Arthur Schlesinger, who tried to make Jackson over into a New Dealer, Dr. Carson quotes Old Hickory as saying that the humble "have neither the time nor the means of securing . . . favors to themselves." The war on the poor will end when limited government is restored. 

THE FREEMAN ON MICROFILM

Microfilm copies of current as well as of back issues of THE FREEMAN may be purchased from:
Xerox University Microfilms
300 N. Zeeb Road
Ann Arbor, Michigan 48106

the Freeman

VOL. 19, NO. 12 • DECEMBER 1969

A Democratic Dilemma	Morris C. Shumiatcher, Q.C.	707
A cogent analysis of the weakness of opinion polls to find right answers to complex economic and political problems.		
Pyramids All Over the Place	Leonard E. Read	714
A pyramid is a monument to man's pride built by the coerced labor of others.		
Inflationism as Political Policy	J. H. Peters	717
A banker's translation of ideas on inflation, money, and credit as first set forth by Ludwig von Mises.		
The Price of Liberty	Paul L. Poirot	725
Concerning the vital importance of private property, voluntary exchange, market prices, and sound money for rational human action.		
Our Inalienable Rights	Park Chamberlain	730
A nice question concerning the means one may employ in self-defense.		
Instinct and Ethics	Edmund A. Opitz	732
The origin and development of our ethical code by man as a responsible human being.		
A Difficult Question	Stanley Yankus	741
How can a man value his life without a genuine purpose for living?		
The Art of Iconoclasm	Orien Johnson	744
How to displace a fallacy without destroying the person who believed it.		
Who Pays Taxes — and How?	Lemuel R. Boulware	750
How various forms of taxes fall on individuals.		
A Free Lance in the Free Market	Robert G. Bearce	752
An author invites competition.		
Book Reviews:		757
"Countdown to Chaos: Chicago, 1968: Turning Point in American Politics" by Jeffrey St. John		
"The Truth about Boulwarism" by Lemuel R. Boulware		
Index for 1969		761

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

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1969, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "Instinct and Ethics."

A Democratic Dilemma

The following is from a recent television interview moderated by Mr. Gordon McGinnis on CKTV's program, "Guest House," at Regina, Saskatchewan. Dr. Shumiatcher is a prominent Canadian lawyer and a staunch defender of the individual against the encroachments upon his rights by the State. What he says of political affairs in Canada would seem to describe pretty well the situation in most any democratic nation of our time.

QUESTION: *When we talk about democracy and rule by the majority of the people, what of the minority who are causing a lot of friction in our society?*

Democracy postulates rule by the people and, generally, the principal rules are made by majorities. But, of course, democracy works only if both majorities and minorities are prepared to adhere to certain fundamental rules of law and practice. That is to say, a majority has the right to govern but it does not have the right to destroy or crush the minority. By that same token, the minority has the right to live and survive, but it does not have the right to dis-

rupt and destroy the ability of the majority to carry out its obligations to govern.

The minority may, by disorder, by refusing to adhere to normal rules of democracy, destroy the whole democratic structure. But majority rule does not mean simply that if you have the power of a giant, you should use it as a giant. Power must be used with restraint and with all due regard for legitimate minority rights. I want to give you an illustration. I haven't the slightest doubt if a poll had been taken in Nazi Germany in 1938 — let us say, as to whether the majority of people in Germany at that time subscribed to the ra-

cial superiority theories of Hitler — that the majority would have voted in favor of the doctrine and a policy to give it effect. But simply because the majority might approve it does not mean that it is right.

QUESTION: Is there a possibility that this sort of thing could happen today?

It is quite possible. I think that you may have a majority that will decide to take reprisals against a minority and in fact we have such cases today. But I think you are most concerned at the moment about the right of 300 people in Vancouver to disrupt or seek to disrupt a meeting of the Prime Minister of Canada when he attends there on legitimate political business, as was the case a few days ago. Of course, there is no right to stifle free speech with violence and threats of violence. As he said at the time, after these unfortunate events last week in Vancouver, democracy depends upon the use of reason, of logic, of the right to persuasion. As soon as force or violence is used by a minority or a majority, as soon as a person says, "I alone have the right to talk. You have no right to contradict or answer!" then the whole foundation of democracy disappears. That is why the minority and the majority both must

adhere to the rules which I spoke of earlier. These are gentlemanly rules and they are based on courtesy and restraint. Because they depend on good manners, the democratic fabric is a very delicate one. It is one that can be easily ruptured; it is one through which violence and brute force and selfishness can break easily. When that happens, men lose their democratic rights, and the strong and unscrupulous prevail. After all, there are very few places in the world today where anything like a democratic system exists. Democracy is the exceptional form of government in the world today as it has always been throughout the centuries. It is a freak, if you will, and one which, because of its fragility, must not only be cherished, but jealously guarded. That, really, is what we say when we sing, "O Canada: We stand on guard for thee."

QUESTION: Why is there today this shabby attitude of Canadians toward the office of the Prime Minister? It does not seem to me, at least, that it has ever existed in this country before, certainly not in my time.

Well, that is a very good and a very difficult question. I think one of the problems is this: Our Prime Minister is a highly intellectual and a very able man. Even

his detractors must admit this. What is more, he is accustomed to discussion, to confrontation if you will. His experience as a university law teacher schooled him in the art of man-to-man debate. He has felt that he can take the pulse of the nation and determine its sentiment and disposition by going out amongst the people and discussing with them matters that are of national concern. That is a very worthy objective.

I think he must now have second thoughts on this program upon which he embarked a year ago, for the very simple reason that you really do not find the pulse of the people in the streets at all. Those who are the responsible people of this country simply are not the people who walk or march the streets — or who demonstrate or who appear in mobs or come forward in parades or carry signs or shout slogans at the Prime Minister or anybody else. That is not where the business of the nation is being carried on — whether by mechanics or builders, tradesmen or producers, or by any of the hundreds of useful callings and professions that serve the nation. The thoughtful people, the people that are really concerned with the affairs of our nation, simply do not go out in the streets to air their views; and therefore, if the Prime

Minister wishes to take the pulse of the nation, I do not think he will ever find it in the parks or at the curbstones of the cities at all. That is not where he will learn anything beyond the latest obscenities of the day. I think he has come to realize that there isn't much wisdom there — nor even a willingness to acquire it. That is the first point, which is important.

Secondly, I think that those people who occupy the streets do not come forward with a genuine desire to discuss anything at all with the Prime Minister. They simply press on in order to shout and to demonstrate. What they demonstrate most is their own ignorance and arrogance. Can you think of a more inane way of expressing an opinion on any issue of importance? I do not care whether it is on Viet Nam, on taxation or medical care or pensions or Indians or whatever else. Is there a more inane way of expressing a view on a difficult question of national policy than to carry around a sign with three or four words (one or two of which are probably obscene)? Or by shouting slogans or by marching? These are activities fit for persons who are illiterate, untrained, and incapable of articulating their views. The intelligent person, on the other hand, if he has views on a subject, may enter into a logical debate,

may write an article, a letter, or may speak with others interested. He will at least set his views out in some order and he will back his views with facts. But does a mob, confronting the Prime Minister, present facts or logical arguments? Of course not. They are just there as so many bodies, making unpleasant noises and unattractive gestures, hoping to get some publicity if possible — but certainly not to advance the interests of the nation. Their motivation is disruption and destruction, or so, I confess, it appears to me.

QUESTION: Let us talk about our members of Parliament in Ottawa, our governmental representatives for any given area. They are selected by the people to go there to represent them. Are the attitudes of the electors mature, sensible, and logical toward the members that they select?

Some are and some are not. I think that the weakness lies in the very point I sought to make earlier in relation to the Prime Minister who has been seeking the views of the people in the streets. The trouble today, it seems to me, is that the role of a member of Parliament has changed and become perverted from its original concept. The member of Parliament now says to the public: "If you

elect me, I will be your mouth-piece and speak for you." To the mass of his constituency, he says: "Tell me what you want, and I will do whatever you tell me to do." This, of course, is quite ridiculous because the public cannot possibly know all of the implications of giving effect to "what they want." The complex facts, the difficulties involved in any policy, are largely unavailable to the public. Take the question of wheat prices, of international trade, of tariffs. In any area, the complexities of trade and commerce, international agreements, and a host of other considerations require long study. The public simply hasn't the means of acquiring the facts or the experience in making rational judgments based on those facts.

So, it seems to me that the whole role of the M.P. as representative of the people should be reconsidered. His proper role, I believe, is that of delegate, where the candidate for office says to his public: "If you have trust in me, you can elect me for three or four or five years; I will bring my experience and knowledge to bear on the problems that may arise during that period. I do not know what they may be, but I will make my decisions as I think the facts warrant from time to time; I cannot promise anything except that

I shall act reasonably and honestly and to the best of my ability in conducting your affairs, and I will use as much care in dealing with them as I would in dealing with my own." He must then make the judgments himself. It is for him to do, not what he thinks is popular or what he believes may re-elect him, but what, in the light of fact as he discovers it and his own judgment as the exigencies of the time indicate to him, is right. The politician who keeps his eye on the public opinion poll and his ear to the ground and who engages in other interesting physical contortions cannot possibly make the right decisions.

The public opinion poll depends upon picking ten or a hundred or a thousand people in the streets at random and asking them, off the cuff, "What do you think about this? Should we recognize Communist China or not?" Now the person questioned may never have given the matter the slightest consideration or thought. And so he comes up with an instant answer because he feels he ought to have some opinion on every subject or he will be thought a fool if he doesn't. But the chances are that if he does give an answer — and most people do say something — it will be a foolish answer. And the chances of getting collective foolish answers are even greater.

When the politician or the member of Parliament tries to determine what the people want, if he looks at the result of the public opinion poll, what is he likely to get? Is he getting the considered views of the most thoughtful and intelligent persons in the community? Those who have pondered the questions or those who have studied them and are truly concerned over them? Of course not! In effect, he will get the lowest-common-intellectual-denominator in the community. That is what the public opinion poll is likely to reflect. And if that is to make our country's policy, if that is to be the basis of our position on such issues as our currency, or devaluation, or trade relations with the United States and the hundred other odd countries we deal with, how can we hope to have rational effective results?

If you had a problem — I don't care if it is one in mathematics or chemistry or engineering or in any other field you care to name — and you wanted the answer, would you go out and ask the first ten people you saw on the street, "What is the solution to this problem?" And when you tabulated the answers you got, would you then take the mean average of all of the answers you collected? If you did that, you would be called insane! And yet, the problems we

tackle nationally and internationally are no less complex; if anything, they are more so. Still, we seem to think that somehow, if we ask enough people and get enough answers, we are going to come up with some profound solution to the problems that bedevil us. I suggest that though we may get answers, they are unlikely to be reliable or useful answers. The public opinion pollsters will no more find the answers on the street than will the Prime Minister.

QUESTION: *Is there a fear that our environment of freedom in Canada is being seriously threatened?*

I do not think we should have fear. We should have apprehensions perhaps, and we should be watchful. We have all heard: "The price of freedom is eternal vigilance." But where is the vigilance in polling the public and asking them what is popular? "What do you want? Do you want annual guaranteed incomes?" If you are asked that, and if you have no other facts before you, it is like asking if you are in favor of motherhood. It sounds like a good thing. And so you say, "Yes — I want a guaranteed income, of course!" So, it appears in a poll that most people want it.

But what is not known or asked

is, "What price are you prepared to pay for it?" The price you are bound to pay will be a price reckoned in more government interference, more confiscation of property by way of taxation, direct and indirect, upon death, and in a dozen other ways. There will be less freedom of choice and of occupation, because, let us face it: the more state pension and security plans we have, the more we are hedged about by commitments to these plans; the less mobility we have; the less willing we are to move and try something new.

Every time we subject ourselves to a new measure of social security, each new security measure that takes present earnings from a person in relationship to his job on a promise of future benefits, deprives him of his willingness and freedom to change, to move, to improve himself, to try something new and different. I can understand this fetish for social security in an old and tired culture; perhaps there was nothing else to hope for in a country like England after the War. But the Beveridge cradle-to-grave security has gone a great distance in reducing the inventiveness and resourcefulness of the English people and diminishing the productivity of the population; of that there is no question.


But we are a new nation here

in Canada. We are just beginning to waken to our great national potentialities. What a pity if, at a time when we should be stretching our limbs and testing our strength as individuals and collectively straining our sinews as a nation — not just in the physical or economic sense but socially, culturally, spiritually — we crawl into the confining shell of welfarism and seek a safe and unadventurous life in the stagnant backwaters of the world!

QUESTION: Are those people that are able, willing, and do in fact exercise their right to vote — are these persons more qualified today to make decisions than they were say five or ten years ago?

I would say less so. I would say the person who genuinely desires to inform himself on public affairs today has a great many more difficulties in his way than people encountered, say, forty or fifty years ago, because the facts today are so much more numerous and complex. It is so difficult to acquire the reservoir of information that is necessary to form any rational conclusion, that the challenge is considerably greater. But

simply because the challenge is so great, I think more and more of us will be moved to accept it. It is not that a tiny group of people and no others are capable of making the decisions. We all are. We all have that capacity; but we can participate in the business of decision-making only if we are prepared to study the facts and issues diligently, continuously.

It is not enough to read the headlines and slogans that we find in the press. It is not enough to listen to what comes off the street even if it is dignified by a radio report or a television broadcast. These are only the superficial symptoms of our agitated times. You will learn nothing from them except that people are still capable of violent, irrational, angry acts. In order to form reasonable, workable, helpful judgments, there is no shortcut even in our electronic age. We must be prepared to work and study, and to inform — not inflame — ourselves and others. These are the prosaic, perhaps clumsy, paving stones that make up the road that democracy must travel. Construction may be slow — but there is no glamorous easy way. 

PYRAMIDS



all over the place

LEONARD E. READ

MY ENCYCLOPEDIA explains that, "The true pyramid exists only in Egypt." The reference, of course, is to the familiar pyramidal configuration. Everyone knows that the pyramids of Egypt are pyramids!

But, aside from configuration, what, really, is a pyramid? Reading on, I find that "each monarch built his own pyramid, in which the mummified body might be preserved for eternity from human view and sacrilege and into whose construction went years of time and measureless amounts of material and labor." Here we have our functional cue as to the nature of a pyramid.

A pyramid is a monument to man's pride built by the coerced

labor of others. As with the Egyptian models, the materials and labor must be assembled by extortion if a project is to qualify as a pyramid. The rich man's mansion or mausoleum, if built at his own expense, is not a pyramid. Nor do Disneyland and Fisherman's Wharf qualify as pyramids, financed as they are by consumer choice in a free and open market.

The Taj Mahal — "It is deemed one of the most beautiful buildings in the world" — is, by functional definition, a pyramid. And it is beautiful only in the sense that beauty may be skin deep. For back of that pretentious façade of marble and jewels is ugliness: slave labor, thousands upon thousands of slaves for many years. It

is a pyramid, a monument to the pride of the Mogul Emperor, Shah Jehan.

The impulse to memorialize oneself — a monument to pride — runs strong in many people; but this is of no special concern to others, insofar as it can be satisfied with one's own resources. That's the business of the individual and of no one else. But give these individuals power to command the resources of others, and the impulse runs wild, often swelling into boundless activities and assuming all sorts of forms, even to the monumentalizing of silly ideas in which the originators take pride. And this does, indeed, become everybody's business!

It is easy enough to see that Brasilia, hewed out of wasteland far from where people live and labor, is not a city built in response to the demands of Brazilians in a free and unfettered market. It is no more a response to their aspirations than the Taj Mahal represented a gratification of the slaves who erected it. Brasilia is a pyramid, pure and simple, a monument to the pride of a man who had coercive power over the resources of others — Juscelino Kubitschek.

It is also easy to see that Venezuela's steel mill is a pyramid. This is a monument to an idea quite as silly as the notion that we in the

U.S.A. should grow our own coffee. Were that mill abandoned to the jungle and the steel imported instead, with each worker given severance pay at the rate of his present wage — for the rest of his life, Venezuelans would be money ahead!

Some Home-Grown Examples

Should we not be able to identify just as easily our own pyramids, such as the Gateway Arch in St. Louis, the Fresno Mall, and a thousand and one other more or less conspicuous structures? Most of the towns and cities in America today can boast of similar monuments to pride!

For instance, every Federal "urban renewal" project is a pyramid. Not one of these "developments" is a response to free and willing exchange. The people who are now forced to pay for these monuments to ideological pride have tended to desert the downtown centers for suburban shopping centers. These "renewals" have been made possible by the power on the part of some to command the resources of others; American citizens have no more volunteered their own income or capital for such projects than the people of Egypt volunteered their resources for one of their pyramids.

Every high-rise apartment in

the Federal "slum clearance" program is a pyramid. There are now so many other examples in every city — even in towns — that a local resident would find it difficult to name them all.

Ideas that Enslave

But not every pyramid is made of rock, brick, mortar, steel. Using our functional definition, social security, Medicare, the Federal full-employment program, and countless other ideological innovations are as much pyramids as Brasilia: monuments to man's pride made possible by the coerced labor of others — the originator's pride in his ideas!

I repeat, the impulse on the part of so many people to memorialize self — one's ideas or accomplishments or whatever else — is benign so long as the gratification is achieved solely with one's own

resources. It is harmless, and it is none of anybody else's business.

The harmless memorializing impulse becomes the destructive pyramidal impulse when and only when coercive power over the income and capital — resources — of others is permitted. Grant this power to one and there is no principle by which it can be denied to everyone — as we are now witnessing.

How about granting this coercive power to no one, that is, no special privilege for anyone? That would be fair to everyone. Our pyramids? Why not simply abandon them now as grotesque, unfinished testimonials to the harsh tyranny of the authoritarian way? Let each man build and do as he chooses with his own resources, so long as it's peaceful, and the result will be as high as any civilization can possibly rise. (M)

THE FREEMAN ON MICROFILM

Microfilm copies of current as well as of back issues of **THE FREEMAN** may be purchased from:
Xerox University Microfilms
300 N. Zeeb Road
Ann Arbor, Michigan 48106

Inflationism as Political Policy

J. H. PETERS

The greatest mistake that can be made in economic investigation is to fix attention on mere appearances, and so to fail to perceive the fundamental difference between things whose externals alone are similar, or to discriminate between fundamentally similar things whose externals alone are different.

LUDWIG VON MISES, *The Theory of Money and Credit*

ATTEMPTS to penetrate the nation's economic future are engaging the attention of its business and industrial leaders as never before. They are avidly reading and consulting experts in the fields of economics and politics in an endeavor to interpret as accurately as possible all that is happening today in terms of its implications for the future.

But to attempt to read our economic future in projections based on current developments and those of the recent past is a difficult and unproductive undertaking. It is far more to the point to obtain

from the reading and contemplation of what has happened over an extended period of economic history an improved knowledge and understanding of what we may do to give that future the shape and direction we want it to take. Samuel Taylor Coleridge said it well sometime during the early years of the nineteenth century: "If man could learn from history, what lessons it might teach us! But passion and party blind our eyes, and the light which experience gives us is a lantern on the stern which shines only on the waves behind us."

We have an unexcelled opportunity to avail ourselves of the lessons of economic history in the many writings of Ludwig von

Mr. Peters left the presidency of the First National Bank of Loveland, Colorado, to become for many years the editor of Rand McNally & Company's *Bankers Monthly* magazine.

Mises, who predicted the inflation which followed World War I in a work entitled *The Theory of Money and Credit*, the first German-language edition of which was published in 1912.¹ His writings thus cover a period of nearly sixty years of experimentation with the monetary and fiscal measures invoked by governments in their sundry endeavors to deal with all manner of economic problems. All that follows is based on those of his observations which have a special bearing on the causes of inflation,² its consequences, and its sole remedy: stop-

ping the arbitrary expansion of the money supply.

A Pernicious Fallacy Invades Economic Thought

Perhaps the most pernicious idea that has ever invaded the economic thinking of this or any other time is the one that sees inflation as a more or less harmless device by means of which the welfare of all or some segment of the public may be effectively and permanently advanced. And perhaps the most pernicious aspect of that idea lies in the readiness with which it lends itself to the purposes of demagogues who are quite content to promote the adoption of inflationary measures as a means of achieving some momentary political advantage, regardless of what the more remote consequences of their expansionary efforts may prove to be.

Time was when monetary inflation was achieved by employing a single device for a single purpose: the coin of the realm was clipped, and the motive was profit. The government needed financial help and that was the only then known method of tampering with the currency as a means of satisfying that need. Questions of currency policy played no part in the deliberations that prompted it. There was no thought of influencing economic trends or the general price level

¹ The first English edition of a version written in 1924 appeared in the 1930's, and the book, to which was added a then current essay on "Monetary Reconstruction," was last published in 1953.

² Von Mises indicates a strong preference for the use of "inflationism" as the only term that conveys the precise meaning intended. He defines "inflationism" as "that monetary policy that seeks to increase the quantity of money," whereas "inflation" is said to mean "an increase in the quantity of money (in the broader sense of the term, so as to include fiduciary media as well), that is not offset by a corresponding increase in the need for money (again in the broader sense of the term) so that a fall in the objective exchange-value of money must occur." He makes the further point that inflationism must occur on a very substantial scale before it will manifest as inflation in the ordinarily accepted sense of the term. "Inflationism," in other words, may be said to be the policy that tends to induce "inflation." In the present situation, the policy and its effect appear to be generally regarded as one and the same.

by manipulating supply and demand factors.

More recently, however, our currency has been debased by a number of devices for a number of reasons, most of them poorly considered and far more harmful than helpful, but nevertheless purportedly rooted in well-intentioned currency policy. The free coinage of silver, for example, was advocated by one group of proponents as a means of increasing the price of silver as a commodity, while the prime concern of another group was to raise the general level of prices by increasing the money supply.

It was through the efforts of the latter that paper inflationism came to be advocated in many states, partly as a forerunner of bimetallism and partly in combination with it. But the closely related issues of monetary policy and inflation were then inadequately comprehended and poorly understood by the public at large, a condition that is all too prevalent to this day.

Although today's currency is nominally based on gold, it actually consists in large part of credit and fiat money, the available quantity of which can be increased or decreased almost at will by our monetary authorities for whatever purposes happen to serve the needs or expediencies of the mo-

ment. Every such change is presumed to play a thoroughly considered role in effecting some desired change in the objective exchange-value of the money in circulation.

Indirect Taxation

However valid or otherwise the course pursued to the end in question may be, there remains the problem of the degree to which the prescribed remedy should be applied. To this there can be no precise answer because economists and statisticians have the greatest difficulty in isolating and identifying the determinants of the value of our money, and our Federal agencies and lawmakers find it even more difficult, if not impossible, to control them. Inflation, however, lends itself most readily to any effort to engage in painless spending; and because the effects achieved, particularly in the earlier stages of the process, are quite unobjectionable to both the payers and gatherers of taxes, it has at such times gained considerable unwarranted popularity.

Stated differently, the basic cause of inflation lies in government's unwillingness to raise the funds it requires by increasing taxation, or its inability to do so by borrowing from the public. Inflation as a means of financing

World War I, for example, had the great advantage of evoking an appearance of both economic prosperity and added wealth. Calculations of every kind were thus falsified, giving rise to distortions in the figures upon which business and industry relied for guidance in the conduct of their affairs. These distortions led, among other things, to the taxing away of portions of the public's capital without its knowledge.

It is thus that political considerations all too often interfere with the proper functioning of one phase or another of the economic process. Left to its own devices, the economy has a way of effecting its own cures of maladjustments as they arise. If its pricing mechanism is permitted to reflect without outside interference the extent and urgency of the needs and wants of the public, supply and demand will inevitably arrive at a condition of balance.

It is generally supposed that inflation favors the debtor at the expense of the creditor, but this is true only if and to the extent that the reduction in the value of money is unforeseen. Inflationary policy can alter the relations between creditor and debtor in favor of the latter only if it takes effect suddenly and unexpectedly.

If, on the other hand, inflation is foreseen, those who lend money

will feel obliged to include in the rate of interest they ask both a rate that will compensate them for the loss to be expected on account of the depreciation actually anticipated, and as much more as might result from a *less* probable further depreciation. And any who hesitate to pay this additional compensation will find that the diminished supply of funds available in the loan market will compel them to do so. Savings deposits, incidentally, decreased during the inflation that followed World War I because savings banks were not inclined to adjust interest rates to the altered conditions created by variations in the purchasing power of money.

Supposed Benefits of Inflation Are Illusions

There are inflationists who, though they are admittedly quite aware of the evils of inflation, nevertheless hold that there are higher and more important aims of economic policy than a sound monetary system. A failure on the part of the public to comprehend all of the implications of the position thus taken makes inflation a readily available political expedient. When governments are relieved of the necessity for making ends meet, socialistic trends and other unpopular consequences of a given policy are all too readily

concealed in order to win and hold the required degree of public acceptance; and having arrived at that point, arrival at a condition of absolutism is only a question of time.

There isn't a shred of validity in the proposition that continued inflation is to be preferred to any steps that might be taken with a view to counteracting it; in the notion, for example, that increased unemployment in any degree would be too large a price to pay for a stabilized price structure. Quite ignored in this view of the matter is the consideration that stabilized or increased employment obtained temporarily at the price of inflation is a very poor bargain indeed, and that the effect of that continuing process can only be to give rise to an accumulation of economic maladjustments that must eventually fall of its own weight.

It will be recalled that the nation's economic situation in 1934 was quite the reverse of today's. Employment was at a very low level, but governments around the world were dealing with it altogether unrealistically. Instead of adjusting wages to the generally prevailing low level of prices, they sought to ward off a fall in money wages and otherwise interfered with the processes that would have restored the economy

to a condition of equilibrium in the natural course of events.

They ignored the unwelcome truth that by stabilizing wages at an arbitrarily high level they were actually increasing unemployment and perpetuating the disproportion then existing between prices and costs and between outputs and sales, the predominant symptoms of the crisis with which they were contending. Just as an inflated wage structure stood in the way of needed adjustments when the economy was at a low ebb, it will inevitably be found to have much the same effect when attempts finally are made to curb the malinvestments generated by boom conditions.

Subjective Value of Money

Contributing to the difficulties just cited are, first of all, the multitudinous factors that influence the objective exchange-value of money, popularly called its purchasing power. But its *subjective* exchange value is also important. Just as in the case of economic goods, the economic valuation of money is based on subjective estimates of individuals as prompted by their psychological reactions to whatever circumstances and conditions may happen to obtain in their respective situations. Subjective value, therefore, cannot be determined with even a modicum

of accuracy, and any decisions based on an assumed ability to do so is sure to be highly conjectural, to say the very least.³

It is clear, therefore, that inflation functions quite inadequately as a purely political instrument. Its effects cannot be predicted with any degree of precision, and if continued indefinitely it must lead to a collapse. Its popularity is due in the main to the public's inability to fully understand its consequences.

Barriers to Reversal

Standing in sharp contrast to the great ease with which a policy of inflation may be used by those in authority for their own purposes is the great difficulty of reversing that process — of invoking and implementing a policy of re-

strictionism or restraint which has the effect of increasing the value of money. This may be done (1) by reducing the supply of money in a period of constant demand, or (2) by holding it at a uniform level or one that is insufficiently high to meet anticipations based on recent price trends. The latter less severe method consists in simply waiting for an increase in the demand for a limited supply of money to manifest as a condition of restraint.

Adding to the difficulty of pursuing a policy of restraint are these considerations:

1. Far from bringing to the national Treasury the added dollar resources to which inflation too readily gives rise, restraint diminishes them.
2. It tends to induce a scarcity of some economic goods by facilitating exports and restricting imports.
3. Taxation becomes more burdensome.
4. Unpopular creditors, as a class, are thought to gain at the expense of the far more numerous debtors. (Today in the United States, the large corporations tend to be the debtors, while the creditors by and large are numerous small savers with insurance, savings accounts, and the like.)

³ An article entitled "Psychology and the Consumer," which appeared in the August, 1969, issue of *Business in Brief*, published by The Chase Manhattan Bank of New York, strongly supports this view. The author variously described the consumer as a "hero," a "villain," and a "victim," the respective roles played by him in the (1) 1965-66 period of caution, (2) the period of excessive optimism which got under way at the beginning of 1967, and (3) in the current year of disregard of the restraints on consumer spending which it was sought to impose by the boost in Social Security taxes and the tax surcharge. Notwithstanding the latter, "for 1968 as a whole, consumer outlays were 9.0% above 1967 — significantly contributing to inflationary pressure."

Redeemability

But every inflationary policy must sooner or later be abandoned, and there will then remain the problem of replacing it with another. It was the clear intent of the law in the first place to preserve the metal parity of our currency, and that can be the only legally and morally acceptable objective of the new policy. Suspension of convertibility left that premise altogether unchanged.

The inflation made possible by the suspension of convertibility, however, has already worked grave inequities in contractual relations of every kind, and to abandon metal parity in the formulation of a new policy could only serve to make bad matters worse. Although the consequences of inflation cannot be eliminated by a mere reversal of policy, and existing inequities would in large part remain, metal parity would at least hold more promise of future stability than any available alternative.

Even so, the value of our currency will be too largely subject to political pressure, and it is to be hoped that the electorate will see to it that a preponderance of such pressure is exerted in behalf of a stable currency. For it is, after all, no part of the proper function of government to influence the value of the medium of exchange.

That is the function of the market, in the use and operation of which government is only one of many participants. It is to the market itself that all must look for the means of establishing the relative exchange values of economic goods, and government has, or should have, little actual voice in the matter.

The result of any attempted intervention by government will be determined in large part by the subjective values placed on goods by the masses of participating individuals through the pricing process. While our monetary authorities have some knowledge of the factors that determine the value of money, they have no way of determining the extent to which subjective estimates of value (prices) are affected by variations in the quantity of money. Governmental intervention is therefore confronted with the impossible problem of calculating the intensity with which variations in the ratio of the supply of money to the demand for it affect the market.

The Evils of Price Control


The adoption of price and wage ceilings is frequently suggested as a means of controlling inflation, but history's case against that course is devastatingly complete. Such ceilings would automatically

stimulate demand for and curtail production of the very goods that happened to be in scarce supply. The mechanism of the market would no longer be effective in allocating available supplies, so it would be necessary to bring other forces to bear on the problem. These have historically led through various intermediate stages, beginning with the rationing of the most important necessities, to the eventual abolition of private property. There is no workable substitute for the age-old laws of supply and demand.

And so it is with the balance of international payments. If natural forces are permitted to function without interference, the tighter money conditions which will normally prevail in the debtor country will induce a reduction in its prices, thus discouraging imports and encouraging exports, and thereby tending to bring about a restoration of equilibrium. The government in question can best serve its own needs by refraining from intervention of any kind.

The role of the speculator is a further case in point. In times

long past the activity of speculators was held to be responsible for the depreciation of money; but, here again, history makes it clear that prices are determined in the market, and that any attempt to alter them over a given period by speculation is sure to fail; that the immediate effect of speculation is to reduce price fluctuations rather than to increase them. In the case of a steadily weakening currency, however, the effect of speculation will be to cause the expected depreciation to depart from its otherwise uniform pattern, and to proceed by fits and starts, with intermittent pauses. But the framework will be set by the extent to which market factors are responsible for the decline; and if inflation happens to be the cause of the difficulty, it is to the cure of that malady that all corrective efforts must be directed.

We are faced with a choice between the forces that make for monetary stability and those that will inevitably take us in the opposite direction. We can't have it both ways. 

IDEAS ON

What You Should Know About Inflation



LIBERTY

ONE of the most stubborn fallacies about inflation is the assumption that it is caused, not by an increase in the quantity of money, but by a "shortage of goods."

HENRY HAZLITT



OF LIBERTY

PAUL L. POIROT

"ETERNAL VIGILANCE," advised John Philpot Curran in 1790, is the price of liberty; and numerous scholars have elaborated on that theme. But the "price" to be discussed here is of another order: the rate at which an item moves in trade.

Now, the price of liberty is not just a figure an owner arbitrarily selects to print on a tag. At his figure, buyers may or may not appear. Nor is the price of liberty a figure arbitrarily selected by a prospective buyer. Again, his bid may or may not attract a seller. Rather, the price of liberty is the figure or the ratio at which a trade occurs between a willing buyer and a willing seller in open competition — without coercion or fraud on the part of either trader or any third party.

If the point seems belabored here that the price of liberty can only be derived through voluntary exchange, the excuse is that so many people act as if they had missed the point. The individual who lacks sufficient self-respect to

respect the dignity of every other human being has missed the point. He who uses his own life or property in ways that violate the property rights of other individuals has missed the point. The person who does not understand why scarce resources must be privately owned and controlled if they are not to be wasted has missed the point. Anyone who thinks that buying and selling, saving and investment, production and consumption could occur in a logical or orderly manner without the institution of private property has missed the point.

The point is that unless there is private ownership and control of property then voluntary exchange or free trade between willing buyers and willing sellers could not occur; one must hold full and clear title before he may transfer the right of possession and use. Furthermore, except as it is thus established through voluntary exchange, the price for a commodity or service will not accurately reflect the available supply of the

item or the effective demand for it — and will not serve as a rational and reliable guide for producers or consumers. This is why the price of liberty necessarily must be the price determined through open competition in a free market.

Probably by a process of trial and error and long experience, tradesmen invented or discovered money — a universally traded, easily recognized, readily acceptable item such as silver or gold that would help to facilitate the trading of other goods and services. In any event, further discussion of the price of liberty requires recognition at this point of the vital role of money in the market economy — money that not only originates as a result of voluntary exchange but also serves as the essential unit of accounting and calculation for those who would engage in production and trade.¹

Money and the Market

The market process of voluntary exchange, and that alone, gives value to money as a medium of exchange and as a unit for purposes of economic calculation. The vital information a trader needs

concerning supply and demand is afforded only by the free-market price. Money serves as a common denominator for pricing all kinds of goods and services, for comparing the cost or value of one scarce resource with alternatives or substitutes, for deciding whether to save or spend, produce or consume, buy or sell. But to effectively serve its purpose, money must originate in and derive its value from the working of supply and demand in free and open competition. Governmental declarations of legal tender or issues of fiat money are useless at the very best; and far more often than not they lead to false price signals and the waste of scarce resources. It is important to buyers and sellers to be able to express exchange ratios or prices of all items in terms of money. But it is equally important that the nature and value of the monetary unit be established by willing buyers and sellers in the market rather than arbitrarily by government edict.

Once again, why this repetition or emphasis of the relationship between money and the market and the importance of money for the purpose of business accounting and economic calculation? And the reason again is that so many people act as if they had missed the point. Among the top echelon of economists are those who would

¹ See "Money and the Market" in THE FREEMAN, August, 1969, page 464. See also "Value: the Soul of Economics" by W. H. Pitt, THE FREEMAN, September, 1969, page 515.

possibly agree, if pressed, that gold could serve as money but who prefer instead to debate whether the government should print 2 per cent or 5 per cent or 10 per cent of additional fiat paper money each year, or whether Special Drawing Rights (SDR's) might better serve the purposes of a World Bank than have other paper promises; those persons have missed the point. Anyone who advocates government spending for purposes he is unwilling to finance with his own resources (which probably means that others would rebel if directly taxed for such purposes — which in turn means deficit spending and inflation by government) that person has missed the point. The point is that when either the government or an illegal counterfeiter arbitrarily increases the supply of "money," the market is flooded with deceptive prices, economic calculation is thwarted, and the result must be a wasteful use of scarce and valuable resources.

So, once more, liberty is personal freedom of choice, and the price of liberty is the market price arrived at through voluntary exchange between a willing buyer and a willing seller. The enemies of liberty are coercion and fraud, and the result of such intervention is a false and misleading signal rather than the price of liberty

that accurately reflects supply and demand and upon which producers and consumers may reliably base their economic calculations.

Coercion Sends False Signals

Unfortunately, the prospective trader in the market is ordinarily unable to distinguish between the price of liberty and the false price signals thrown forth by interventionists. The "eternal vigilance" urged upon him must be directed toward an identifiable cause of the misleading signal, toward the coercion that enters and disrupts the market. It is the common duty or responsibility of every would-be trader, of every citizen interested in a free and viable economy, to help police the market. And this is the principled role of government: to maintain the peace, to detect and discourage outbreaks of violence and fraud, to protect the life and property of every peaceful person and his right to enter unmolested into the processes of production and voluntary exchange.

The case for the limitation of government has been made over and over, and the only excuse for taxing the reader's patience with this repetition is that the vast majority of people act as if they had missed the point. Businessmen who advocate intervention to place and hold them on a pro-

tected pedestal above the ordinary trader in the market have missed the point. Labor union leaders and followers who demand special rights and privileges, unavailable to others competing for scarce resources, have missed the point. Would-be educators who advocate the use of force to impose their "superior wisdom" upon others have sadly missed the point. Humanitarians who would confiscate the property of the thrifty and productive to subsidize the shiftless have missed the point. Dreamers who would populate the moon at the expense of those with their feet on the ground have missed the point.

How Government Intervenes

The point is that the only justification and appropriate role for government is to protect and defend the dignity of the individual and the private property each has earned; that government may not be perverted into an instrument of plunder without destroying man's best chance for life and livelihood.

Whenever the individual relaxes his vigilance and allows his duly constituted police force to clip the coins or arbitrarily add to the stocks or decree an artificial value for each monetary unit, the inevitable cost he must bear is a loss of liberty.

The minimum wage established by government edict always has to be a false price signal; it is not the market-established price of liberty — it is a loss of liberty. The false wage or price creates an unmarketable surplus of that most scarce of all resources, human labor; and such a "surplus" is sheer waste.

Rent control laws that hold rental rates below market levels encourage the wasteful occupation of the scarce housing space that already exists and discourage the construction of additional housing. This coercive intervention reflects a false picture of supply and demand; it disrupts economic calculation; it wastes resources; it is antisocial and a denial of liberty. The same is true of any and every attempt at government price control.

There is no end to the examples that could be cited to illustrate how intervention destroys life and property and liberty. What they all illustrate, in effect, is that socialism cannot be made to work, no matter how brilliant the man in charge, because socialism disrupts the market, renders it impossible to know the price of liberty or to make the economic calculations by which human beings can rationally decide what to do with themselves and their resources. "Irrational," "irresponsi-

ble," "unaccountable," and "anti-social" aptly depict the socialist. And all he lacks is *the price of liberty*.

Why Socialism Must Fail

Karl Marx was a socialist whose mind was closed to the price of liberty. "From each according to ability and to each according to need" is first and foremost a denial and denunciation of the institution of private property. This necessarily precludes voluntary exchange. It closes the market and deprives producers and consumers of vital information market prices would otherwise reveal concerning the supply of and the demand for scarce resources. How is anyone's "ability" or his "need" to be evaluated in the absence of free trade and market prices?

So Marx, like most socialists before and since, turned to the "cost-of-production" or the "labor" theory of value. And it's true that human labor is a scarce resource and can be valuable; but it is a half-truth at best and a gross illusion at worst. What gives real value to a tool is not the amount of labor that can be used in producing the tool but the amount of labor saved and the satisfaction gained through the production and use of the tool — as against doing without it. And only through will- ing exchange in the market is

it possible for anyone to know whether to spend his time producing this tool, or that, or neither one. Marx could guess wildly, and enforce his edict if his police power were strong enough; but he would have no way to compare the results with the alternatives under his system. For that comparison, he would need the price of liberty; yet, his basic premises denied the functioning of the market.

This is why Soviet bureaucrats, if they stick rigidly to their closed system of coercion and control, can never know whether to produce spikes or tacks, tractors or toys, human food or jet fuel, shoes or sputniks. Nor can any other government force in the world ever know how hard or how far to push any project, relative to the alternatives, once the project has been pulled out of the free market and out of the realm of rational economic calculation.

That politicians, with their penchant for power over others, should stumble into such chaos is to be expected. But how can one condone the utopian intellectual, whose noble aim is to help his fellow man, but who insists that socialism is a reasonable means to that end? Should not he be expected to know the price of liberty?

Our inalienable Rights

Should government be limited in their defense?

PARK CHAMBERLAIN

IN NOVEMBER of 1965, in the State of New York, a man named Adrian Cancil was sentenced to three years in prison for a crime which he did not commit. Pending appeal, he was released on a so-called certificate of reasonable doubt. He put his free time to advantage by discovering the name of the guilty party, whereupon he bought a tape recorder and concealed it in his clothing. Then he found and engaged the guilty one in conversation, inveigled him into admitting his guilt, took the taped admissions to the district attorney, and won back his freedom.

A heart-warming story of a triumph for the rights of the individual, is it not? Or is it? Or is it actually a story of a serious crime perpetrated by Adrian Cancil against a fellow citizen? In the eyes of the State of California, for example, it was the latter. In 1967, in fact, the legislature of

that state (cheered on by the American Civil Liberties Union) passed a law condemning actions such as that of Adrian as criminal, and punishing them with a three years' prison sentence and a fine of \$2,500!

The reader of THE FREEMAN will immediately see the philosophical question involved, which is this:

To what extent should government interfere with a citizen's rights to clear himself of a charge of crime?

To find the answer, let us restate the principles underlying our American political philosophy, namely, *first*, that every citizen is endowed with inalienable rights to his life and liberty, and *second*, that it is the prime duty of government to preserve these rights. Reasoning from these premises, can we avoid the conclusion that any governmental restraints upon the citizen in this area should be minimal indeed, and, in fact, that here is an area wherein government should itself take positive

Mr. Chamberlain is an attorney in Los Altos, California.

action, and with the most efficient weapons?

It must be agreed, of course, that Adrian Cancil should not have been allowed to take violent action to prove his innocence — such as, for example, a physical assault upon the guilty man. But why should he be forbidden to do what he did? Had he merely surreptitiously *memorized* the guilty man's statement and reported it to the district attorney, he would have committed no crime anywhere — but the district attorney most likely would not have believed him and he would have served out his wrongful sentence. But because he surreptitiously *tape-recorded* the statement, he committed an action so fiendish that in the eyes of the State of California, at least, and perhaps in those of some other states, he would have deserved an additional three years in jail!

And so let us suppose that Adrian had been sentenced wrongfully not in New York but in California, and that while awaiting the result of his appeal he had consulted his district attorney with respect to his plans to clear himself by use of the tape-recorder. That official must, of course, have warned him that any such activities would be criminal. Suppose, then, that Adrian had urged that a plain clothes policeman be di-

rected to don the recorder and get the evidence. In all probability (although the California law is not perfectly clear) the district attorney must have advised Adrian that that too would be illegal! And so this innocent man would have been totally deprived of any use of this excellent weapon for the preservation of his basic rights!

Strange as it seems, there are those who warmly approve of Adrian Cancil's frustration, who would zealously ban the use of such electronic devices by anyone, private or public, for any purpose whatsoever. The American Civil Liberties Union has in fact commenced legal action to have their use declared completely unconstitutional. The success of this suit would mean not only that government should forbid us the use of weapons most effective in preserving our lives and liberties, but also that government itself would not be able to defend our rights by such means. Or, to put it in general philosophical terms, the outlawing of such devices would mean that government would be encouraged to enter an area where its activity should be minimal, and at the same time reduced in efficiency in the area where its activities should be maximal.

INSTINCT and ETHICS

NEARLY EVERYONE is a moralist these days, and a moralist in popular caricature is one who always views with alarm. Even the self-proclaimed immoralists of our time fall into this category, for they denounce as "intolerant" any and all who look askance at their weird "beat" deviations. Disagreements are sharp at all levels, among the viewers with alarm, but the primary breach is between those who hold that the ultimate sanction for ethical standards must be sought in a supernatural order, and — on the other hand — those who assert that within the social and natural orders we may find the ingredients for a viable ethic. The first position is theistic; the latter humanistic.

The Reverend Mr. Opitz is a member of the staff of The Foundation for Economic Education. This is a chapter from a forthcoming book, *Religion and Capitalism: Allies Not Enemies*, to be published by Arlington House.

The humanists, if we may be permitted this term for the second group, admit that the moral code which prevailed in the West until two or three generations ago was widely believed to have had its origin and sanction in religion. But, as they view the matter, the transcendent dimension has such a weak hold upon modern man that to insist on a metaphysical source of moral values in these times is to weaken ethics by tying it to a dead horse. Moral values, they assert, are autonomous if they are anything; let them therefore stand on their own feet. Detach ethics from religion, they urge, in order that men may be virtuous for the sake of happiness! Men should not do right in a vain effort to please some deity, or because they believe that God has arbitrarily commanded certain actions and forbidden others.

These nontraditionalists tout a "scientific" or "rational" ethic. The opposite of "rational" in this context is not "irrational"; it is "theistic," "customary," or "received." No one would admit that his own ethical system or moral code is irrational, and it is obvious to everyone who has checked into the matter that there have been and are ethicists of several schools who are powerful reasoners. Every philosopher relies on reason, and not only rationalists; however, reason does tell some men that reason is not the exclusive route to knowledge of the complex reality that environs us.

A distinction which arises at this point seems to elude many. It is a distinction between reason as a means for achieving a norm, and reason itself as the norm. Perhaps the point may be clarified by analogy. "How do you propose to go to Boston?" is a question which demands answers in two distinct categories. "By car" is one answer, which informs us that the means of transportation is not train, plane, foot, or horse. Having settled this point, we still need further information before the question can be regarded as answered. "By way of the Taconic, north, to the western end of the Massachusetts Turnpike, then east." This gives us the route, so that we know that the car will not

proceed up the Merritt or over the New England Thruway.

Now take the serious question, "How shall we validate ethical norms?" Those who answer, "By reason," are really uttering a mere truism. "We're going to think about it," they are saying. And everyone who thinks about these or any other matters is using his reason. This is our only means for figuring things out, and it is not a means belonging exclusively to rationalists; it is the common means employed by everyone who philosophizes. Using this means, we seek for answers to the question of how to validate ethical norms. This has to do with the realm where the sanctions may find anchorage, whether within nature and society, or in a realm beyond the natural and social orders. Reason is our tool for operating on the problem posed; it is not itself the answer.

Experts at Debate

There are dogmatists on both sides of this controversy, and the skilled among them can and do expose weaknesses in their opponent's position. The humanist might charge his opposition as follows: The moral code is an acquired characteristic; it has to be learned anew by each generation. It is difficult enough to establish this code theoretically, even if we

treat it as self-evidently useful to society and necessary for harmony in human relationships. Why, then, compound these difficulties and force things out of focus by involving ethics with metaphysics? The uncertain, in this or any other area, is shored up by relating it to the certain; but when you hook ethics up with metaphysics, you relate it to the even more uncertain, to the dubious! We don't need a transcendent sanction in order to validate or prove a down-to-earth ethic.

To which the theist might respond: If you appeal to Nature to sanction human conduct, you haven't looked very far into Nature. Not even Kropotkin with his mutual aid theories denied the Darwinian struggle for existence; he merely desired to point out that it was not the whole story. But it is part of the story, and a large enough part so that we are justified in saying that Nature gives a mandate to the powerful, the fleet, the unscrupulous to live off the weaker, the slower, the innocent. And if you think to draw your ethical sanctions from society, whose society are you talking about? A society of headhunters? Nazi society? Communist society? The Great Society? As a matter of fact, if a significant number of people can be made to believe that moral conduct is merely that

which is sanctioned by the society in which they live, then morality is subverted into merely customary behavior and mere legality. Furthermore, you are confusing sanctions with consequences. An ethical code resides somewhere behind the sanctions advanced to validate it, and the consequences cited to justify it. If the code is put into practice, the consequences may well be personal happiness, interpersonal harmony, and a prosperous society. But these results do not constitute a set of sanctions; the sanctions are on the other side of the code, in the realm of philosophy. Once we are intellectually convinced that our moral code is valid, then muster enough will power to practice it, then — and only then — do we get a bonus in the form of well-being in society. But you have the thing turned around! So much for the preliminary give and take.

A Way Through the Dilemma

Evidently, each side has a case which might be spelled out at length. Is it a deadlock, or do we have here an instance of an impasse due to the hardening of the categories on either side to the point where their usefulness as conceptual tools has been impaired? And, if this is so, is there a way between the horns of the dilemma? There might be such a

breakthrough if we could — by adopting a new perspective — pose and develop a thesis which might avail itself of certain strong points in both positions. Here's such a thesis: The moral code plays a role in the life of man comparable to the role of instinct in the lower organisms, in that each functions to relate the inner nature of the respective organism to the full range of its environment.

The recently published *Harper Encyclopedia of Science* says that "the scientific study of instinct has increased greatly in recent years, and the concept itself has regained an academic respectability it has not had since the time of Darwin." At the forefront of this research, much of it under field conditions, are Tinbergen, Lorenz, Thorne and Barrends; Europeans all. "It now seems clear," the entry continues, "that instinct and intelligence are two quite different ways by which animals meet life's problems. Instincts are essentially prefabricated answers." In a word, an organism's instinctual equipment adapts it optimally to its normal environment. Animals — along with birds, insects, and fish — are equipped with a kind of internal servomechanism, or automatic pilot, which keeps them effortlessly on the beam. Instincts align the animal with the forces of life, or with the laws of

its own nature. Organism and environment are thus kept "in play" with each other — except when environmental changes are so catastrophic that the automatic adjustment equipment fails, the organism perishes, and perhaps a species becomes extinct.

The very perfection of automatic, instinctual adjustment may prove the undoing of organisms relying on this device; when survival depends on a creative response to novel environmental changes, something other than instinct is needed. This is, of course, intelligence. Instinct is not a mere precursor of intelligence, nor is intelligence an outgrowth of instinct; they are radically different. In order for intelligence in man to have an opportunity to flourish, the instincts had to be suppressed.

The Absence of Instincts

Human beings are virtually without specific instincts. There is no servomechanism in men which automatically keeps the human organism or the species within the pattern laid down for human life. Men have to figure things out and, by enormous effort, learn to conform their actions to the relevant norms in the various sectors of life. This absence of instincts in man constitutes the ground for man's radical inner freedom, the freedom of his will. Animal lives

are fixed to run in narrow, constricted channels; they obey the will of God willy-nilly. Men, however, vary enormously from each other at birth, and the differences widen as individuals mature each into his specialized individuality. And each person has the gift of a freedom so radical that he can deny the existence of the creative forces which produced him. This freedom of his makes it not only possible but mandatory that man take a hand in the fashioning of his own life. No man *creates* himself, but every man *makes* himself, using the created portions of his being as his resources. This is what it means to say that man is a responsible being.

A magnificent animal like Man o' War is not a natural horse; he is the product of generations of human breeders and trainers of horses. They are mainly responsible for his superiority, not he. Of all the orders of creation only man is a responsible being; everything else, every horse, dog, lion, tiger, and shark is what it is. Only man is, in any measure, responsible for what he is. Man makes himself, and therefore each person is morally responsible for himself. This is possible because man has escaped from the strait jacket of instinct.

Let me quote from a once well-known Dreiser novel, *Sister Carrie*,

which appeared in 1900: "Among the forces which sweep and play throughout the universe, untutored man is but a wisp in the wind. Our civilization is but a wisp in the wind, scarcely beast, in that it is no longer wholly guided by instinct; scarcely human, in that it is not yet wholly guided by reason. On the tiger no responsibility rests. We see him aligned by nature with the forces of life — he is born into their keeping and without thought he is protected. We see man far removed from the lairs of the jungles, his innate instincts dulled by too near approach to free will, his free will not sufficiently developed to replace his instincts and afford him perfect guidance. He is becoming too wise to hearken always to instincts and desire; he is still too weak to always prevail against them."

Dreiser makes full use of a novelist's liberties here, but his pointer is in the right direction. Something within the tiger causes it to obey the laws of its inner nature unconsciously and easily, and, by so doing, the beast is in harmony with outer nature as well. But man's case is radically different. Does he have a true nature deep within him, visible when the environmentally imposed camouflages are peeled off? And, if so, what are its mandates? Once man

knows the laws of his own being, how shall he muster sufficient will power to obey them while avoiding distractions and temptations that emanate from other facets of his complex nature?

My thesis is that the role played by instinct in the lower order — keeping the organism on target — is assumed in man by the ethical code. Animals have instincts but no morals; men have morality but no instincts. An animal's instincts guarantee that he will neither disobey nor deviate from the law of his being; a fish does not seek the dry land, a robin does not try to burrow in the ground, a gibbon does not yearn to swing on the North Pole. But man fulfills the law of his being only with the utmost difficulty — if then — and the only means at his disposal to align him with the forces of life is his ethical code. It is this code, and this alone, which may provide him with a life-giving, life-enhancing regimen.

A Single Ethical Code

Let me anticipate two quibbles. Instinct is sometimes contrasted with intelligence, and it is the latter, some say, on which man must rely. Or reason, as Dreiser suggests above. This is a play on words. We rely on intelligence to improve transportation, but we actually ride in automobiles or air-

planes, which are the end result of applying intelligence to the problem of getting from here to there. Similarly, it is intelligence that discovers, analyzes, frames, and selects the ethical code. Which brings up the second quibble. Why *the* ethical code? Are there not many conflicting codes? Well, no — to be dogmatic! There is a hard core of similarity, almost identity, in every one of the world's developed moral codes. This is the *Tao*, the Way, referred to by the great ethical and religious teachers in all cultures. Without it, man ceases to be man. (For an expansion of this point the interested reader is referred to C. S. Lewis' *The Abolition of Man*.)

This begins to move us away from the humanistic ethics referred to earlier. Do we need to part company, and if so, by how much? The two most prominent schools of naturalistic ethics are the utilitarians and the pragmatists. It was John Stuart Mill who invented the name and argued the case for the former. He described it as "the creed which accepts as the foundation of morals, utility, or the Greatest Happiness Principle." It "holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure, and the absence of pain;

by unhappiness, pain, and the privation of pleasure."

Pleasure and happiness are desirable indeed, and we wish more of them for everyone. But to equate "pleasure producing" with "right" at the outset of a proposed ethical inquiry is to beg the question. There is undoubtedly a connection here, for doing the right thing has a high degree of correlation with happiness, but the connection is along the lines of the intelligence-automobile illustration above. It is as if the utilitarian were asked, "What is the temperature of this room?" and he answered, "I feel chilly." Now there is some relation between this question and the answer, but the answer is not directly responsive to the question. It evades the question, implying that there is no way of finding out the temperature. There is no thermometer, perhaps. Mill and the utilitarians do not really get at the ethical question. They think they are talking about ethics when, in fact, they are discussing something else. Similarly, the pragmatists.

Why Does It Work?

The pragmatists are mainly concerned with workability; it's right if it works. Here is a map of the New England states. The pragmatist follows it and drives to Bos-

ton without getting lost. "Wherein lies the virtue of this map?" you ask him. "This map is good because it works; it got me to where I wanted to go." "Why," you pursue, "do you suppose this map got you to your destination?" "That," says our pragmatist, "is a metaphysical question of the sort I cannot be bothered with." So, we have to answer the question for him. The map "worked" because it was not just any old map; it was a map which corresponded to the terrain over which our pragmatist traveled.

An eminent British philosopher of a generation or two ago, W. P. Sorley, neatly wraps up and disposes of utility-workability theories. "It may be allowed," he writes, that the "relation between theory and practice does not necessitate the pragmatic explanation that the truth of the theory simply consists in its practical utility. The correspondence between theory and practice can also be explained on the view that the knowledge proves itself useful in its applications because it is true: the utility does not make it true; its truth is the ground of its utility. The former explanation is open to the fatal objection that it tends to discredit itself; for, according to it, the truth of the view that truth consists in utility must consist in the utility of this view. It would

be difficult to show any practical utility which the explanation possesses; but if we did succeed in showing such utility, it would be formulated in yet another proposition, whose truth again would have to consist in some practical end supposed to be served by it, and so on indefinitely. But if the truth of the proposition does not consist in or depend upon its utility, then we may hold that its utility depends upon its truth: it is useful because it expresses reality or real relations in the form of knowledge, and this brings them within the range, and possibly within the power, of the human mind."

Objective Moral Values

And now what about the weaknesses in the case for the theistic ethics, as that case is usually put? Fundamental to this position is the conviction that moral norms and standards are as much a part of the ultimate nature of things as the fact of the specific gravity of water. It might be convenient, at times, if water had other characteristics, but wishing won't alter the facts. Likewise, moral values. Honesty is right, and most of the time it may also be the best policy. But there are times when dishonesty would pay, where honesty makes us mighty uncomfortable; there is a conflict between

what I want to do and what I know I ought to do. In order to maintain the integrity of the moral life, the ethicist champions the view that moral values are "out there," objective, as impervious to human tampering as any other fact of nature. Emphasis on their objectivity seems to imply that moral values are alien to human nature, and, if alien, hostile to man. If they are equated with God's will, God comes to seem an Oriental despot inflicting arbitrary and perverse rules upon his creatures for his pleasure and their frustration. This syndrome is, of course, a caricature.

Moral values are said to be objective in the sense that their validity is part of the system and order of the universe, of that same universe which is manifested also in persons. Neither is alien to the other, because both are part of the same reality. Sorley goes a step further. "The objective moral value is valid independently of me and my will, and yet it is something which satisfies my purpose and completes my nature." The ethical code may come into conflict with our superficial self on occasion, precisely because it takes its orders from our real self. Inner conflicts are a part of living, and we encounter them in all the ventures of life.

Take any sport played to win.

It becomes a day and night preoccupation, with hours given over day after day for years to strenuous workouts. But this is only the visible part of the story. There is also a perpetual conflict with the impulse that wants to break training, to goof off, to lead a more normal life. Then there is the agony of the contest itself where the will to win takes over and pushes the athlete beyond his powers of conscious endurance into collapse the moment after his victory. His deepest will had attached itself to a regimen for optimum functioning, overcoming the continuous static and rebellion from other facets of his personality. Similar experiences are encountered in the intellectual life, and in the moral life.

Check out the latter with a medieval theologian. Thomas Aquinas says: "If virtue were at odds with man's nature, it would not be an act of the man himself, but of some alien force subtracting from or going beyond the man's own identity." Go back to St. Paul. The Gentiles do not have the Mosaic law, he writes in his Epistle to the Romans, but "they show the work of a law written in their hearts." And Moses himself, as recorded in Deuteronomy, commends the keeping of God's commandments in order that there shall be flourishing life. "Choose


life," he says. Where is this commandment, he asks rhetorically; is it up in heaven or beyond the sea? No, he declares, "the word is very nigh unto thee, in thy mouth and in thy heart, that thou mayest do it." What are we to understand Thomas, Paul, and Moses to be saying? Are they saying that to obey God's will for us is equivalent to following the laws of our own being? It's pretty close to that. And that is precisely what an animal's instincts do for him. The difference is that we are free to ignore or disobey the laws of our being, whereas no animal has that power.

**Tested by Time,
the Human Potential Emerges**

In the course of several thousand generations of human beings a slow deposit has accumulated as the result of individuals here and there successfully realizing a portion of the human potential. The recipes they left behind, tested and winnowed over the centuries, form the hard core of the ethical code. This is not a prescription for a life of power-seeking, or one of money-making, or a life devoted to fun and games, or to fame. These things are not intrinsically evil, but an inordinate attachment to any one of them breaks training, so to speak. Proper use of them, on the other

hand, is part of life's schooling process.

What are we being schooled for? A clear-cut positive answer to this question is impossible, for it outruns human experience. But a pretty clear hint comes through when we contemplate the alternatives. Wealth, pleasure, power, and even knowledge, when sought as ends in themselves, begin to send up signals that they are, in reality, only means to ends beyond themselves. The space scientists "build redundancy" into their capsules, more of everything than

normal requirements would ever demand. Man, too, is overbuilt, in that each person has a wide range of potencies and a reservoir of untapped energy at his disposal, more than any of us ever use. Nor is man left on dead center with all this latent power. He has a chart containing the salient landmarks, and this chart is the ethical code. Let him begin to use this chart and the pieces fall into place, bits of the great design begin to emerge, the person fulfills his destiny. "The event is in the hands of God." 

A Difficult Question

STANLEY YANKUS

WHAT did you talk about at the dinner party last night? Chances are you discussed the weather, your favorite TV show, sports, a story in the news, and similar trivia. We don't often discuss our deepest concerns; how often do we engage in a conversation about the purpose of life? It's not that few persons care about life's meaning; everyone wants to know what it's

all about. Conversations about the purpose of life are rare because one difficult question leads to another and no one likes to admit he's stumped.

Why do we need a purpose in life anyway? Should not life, after all, be lived spontaneously and adventurously? Let the philosophers think about life; the rest of us are content to live it! But can we live life to the full — and not merely exist — unless our lives have direction? The effort to discover the

Mr. Yankus moved to Australia from Michigan in protest against government intervention in agriculture, but knows that it is not a sufficient purpose for his life.

purpose of life is to provide us with a goal, lacking which we are hopelessly lost. No wind serves him who has no destined port, runs an old proverb.

You own a clock to tell the time, a pen to write with, a chair to sit on. Catalogue your possessions and isn't it true that every one of them is owned to some purpose? When something has served its purpose — your purpose really — you discard it. Things which do not serve some purpose of ours are without value to us; but what purpose do we serve? We don't value any object except as it serves some purpose, and a man will not value his own life unless he discovers a genuine purpose for living. The higher level his purpose, the more will he value the days of his life.

Man Needs a Purpose Beyond Primary Survival Needs

Let's pose a basic question: Why do we need anything at all? In imagination, abandon all your possessions, then observe what needs come first to the fore. Before the day is out we'll experience discomfort and perhaps pain; hunger pangs and the sharp edge of the north wind make it clear that our primary survival needs are for food, clothing, and shelter. If you wish to go on living, old mother nature doesn't offer you

any alternatives at this level; meet these primary needs or die! But once these needs are met and your survival assured, then you are confronted by the need to find something to do with your life that will give meaning to survival by challenging your powers and drawing out the best that is in you.

Some men have said that the noblest purpose in life is to serve our fellow man. Suppose someone dedicated to the ideal of serving others knocked on your door saying, "I have decided that I know what is best for you. You are making some horrible mistakes in your life and I have come to convert you to the correct way of living." Such a caller would get a cold reception. Every man has a right to live his own life, and men whose professed purpose it is to serve others deny this right to those others. Besides, the man who is busy serving others cannot be engaged in his own self-improvement. And if his own self is unimproved, how can he improve others?

There are many choices open to anyone who tries to select the best purpose in life. Choice itself is the foundation of every such purpose; life would be meaningless in the absence of any choice. If some bureaucrat had the power to decide how you should think and act

in every situation, there would be nothing in your life you could call your own, not even your life purpose.

The Liberty to Choose

The greatest opportunity in life given to man by his Creator is free will — the liberty to choose what he likes to do and reject what he does not like to do. Many men let their lives be governed by their likes and dislikes. However, what a man likes to do and what is right are not always identical, as I shall demonstrate.

Children at play will always choose what they like to do. Watchful mothers forbid their children to play with electricity, matches, poisonous drugs, and other harmful substances because the consequences can be injurious or even fatal, no matter how much the child may enjoy such play. One of the aspects of growing to maturity is a recognition that our actions have consequences for which we are responsible.

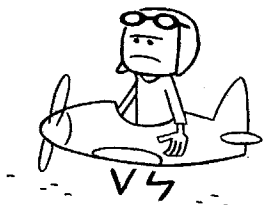
Many men believe the circumstances in their lives occur by luck or chance. Such men deny that cause and effect operate in the universe. It is self-evident that a man is free to choose what he likes to do, but he cannot choose the consequences of his actions. These are determined by the nature of things.

For example, a man is free to touch a red-hot stove with his bare finger and he is free to tell lies to all of his friends, but he is not free to choose the results. His finger will get burnt and his friends will despise him for his untruths. The results of these actions and of every other action in life are determined by the natural laws, whether man likes these results or not. His likes and dislikes will not turn his mistakes into virtues.

What is a law of nature, anyhow? The laws of nature, the laws of God, the laws of Creation are simply phrases used to describe the way things are and the way things work. The laws of nature cannot be canceled, bribed, or evaded. If you seek liberty, good health, or success in any other worthy endeavor, look for the laws of nature underlying all things. As I see it, man's chief purpose in life is to discover the laws of nature so he can harmonize his actions with them and achieve good results in whatever he wishes to do with his life. Such a purpose in life excludes no one. It is open to everyone, no matter what his circumstances may be.

By seeking the laws of nature in all things, a man best serves God, his fellow men, himself, and the cause of liberty.

The Art of Iconoclasm



ORIEN JOHNSON

MY FIRST experience in iconoclasm occurred one afternoon after a hard day at the office. My four-year-old son greeted me with the announcement, "I can fly, Daddy; I can fly."

Not wishing to squelch the vivid imagination I saw developing in his fertile brain, I went along with him and allowed him to rattle on in great enthusiasm about his new idea. Then I saw what I was doing. I was building him up for a grand let-down, psychological and perhaps even physical—for our second-story sun deck was his favorite play spot and I had visions of him trying a take-off which might have disastrous effects on his little bones. So I knew I must point out the fallacies in his cherished belief in order to prevent possible harm later.

Mr. Johnson, of Palo Alto, California, is a counselor in public relations and fund raising.

Iconoclasm is the practice of tearing down idols or false concepts and ideals which people hold to tenaciously. At first glance this seems a negative position to take, but I am suggesting that it is a good and helpful technique to employ and an art which should be cultivated.

For untold centuries men thought the world was flat, and such a belief didn't matter as long as our transportation needs were confined to a continent or two. But the iconoclasts, the early explorers and scientists, took away this ancient belief and replaced it with a concept more compatible with the world in which we live. Iconoclasm, in this case, proved a beneficial practice for the good of all mankind.

When we move from the area of the physical sciences into that of the social sciences we find a multitude of theories and prac-

tices being taught and held with great passion. My particular concern in this paper is the so-called revolutionary ideals and hypotheses being disseminated among college and university students. In a sense the tired old men of the Establishment have had a hard day at the office and the young generation is saying, "We can fly, Daddy; get out of the way."

Highly idealistic young people are dreaming grand dreams about changing the nature of man and liberating the world from all oppression. Many are evidently only concerned with rebellion against the established order and seek only to disrupt and destroy it. Some are so certain they will succeed in the complete overthrow of the present order that they are wondering what they will put in its place. At this point a few are dragging in Marxism and other variations of faded socialistic dreams and holding them up as if they were innovations on the social scene. They can't understand why everyone doesn't see the light, and are quick to label all unbelievers "racists" or "fascists." They are like the little boy who found a dead cat in the garbage can and said to his mother, "Look at the perfectly good cat I found," then was puzzled at his mother's attitude when she refused to share his enthusiasm.

It is time for parents, teachers, and others who have any contact with youth to learn the gentle art of iconoclasm. We must discover how to carefully point out the fallacies in their theories before they are severely disillusioned and irreparably hurt.

I use the term "gentle art" and urge the *careful* approach as opposed to the *confrontation* and *polarization* tactics of the young radicals. Men only use these latter tactics when they won't take the time to learn how to communicate or wish only to impose their will on others with displays of power.

Blueprint for "Liberation"

The following quotations are from a program written by several "Berkeley Liberation Committees" as examples of theories and ideals being adopted and disseminated by certain radical students, professors, dropouts and fellow sympathizers in one university community. From these we might be able to formulate an approach for parents and educators who would establish communication with those who follow such leadership.

"We shall create a genuine community and control it to serve our material and spiritual needs."

I had to look for this statement. I wanted some point of agreement, some common point from

which to say, "Here we stand together. Now where do we go from here?" Can we not commend young people for their desire to provide for man's material and spiritual needs? I'm sure we could all agree that such needs can only be met in community. Now our only problem is to seek feasible ways to accomplish the goal we both desire.

There is one word in that quote we should probably clarify first. Exactly what is meant by "control"? Are we not all concerned with liberty? Are we not concerned with restrictions and controls that inhibit the fulfillment of our material and spiritual needs? We must know the nature of this new "control" before we shake off present "controls" or we may live to regret the change in jailors.

"We will create an International Liberation School in Berkeley as a training center for revolutionaries," they say. *"We will unite with other movements throughout the world to destroy this racist-capitalist-imperialist system."*

We dare not snort at such bravado or flinch when they throw in a few four-letter words. This is all part of the calculated shock-treatment intended to create fear and confusion. We exercise great restraint and inquire further.

"We will create malls, parks, cafés and places for music and

wandering. High quality medical and dental care, including laboratory tests, hospitalization, surgery, and medicines will be made freely available. Child care collectives staffed by both men and women, and centers for the care of strung-out souls, the old and the infirm will be established. Free legal services will be expanded. Survival needs such as crash pads, free transportation, switchboards, free phones, and free food will be met."

And Who Will Pay?

Here are some points we can respond to with sincere interest. This is a positive program. We can commend them on their concern for these urgent human needs. But we must ask, "How will these services be paid for?" And the "Berkeley people" have an idea.

"Businesses on the Avenue should serve the humanist revolution by contributing their profits to the community." Indeed. And what if they don't?

"Berkeley cannot be changed without confronting the industries, banks, insurance companies, railroads, and shipping interests dominating the Bay Area. We will demand a direct contribution from business, including Berkeley's biggest business — the University, to the community until a nationwide

assault on big business is successful."

We force ourselves to hear them out, then probe some more. "What if confrontations and demands don't bring in enough money? Would more violent means then be attempted?"

"Through rent strikes, direct seizures of property and other resistance campaigns, the large landlords, banks and developers who are gouging higher rents and spreading ugliness will be driven out. We shall force them to transfer housing control to the community, making decent housing available according to people's needs."

Transferring Title

Now we are beginning to get the picture. They propose to seize property by force and drive out the present owners. Would it be possible for us to point out that when this occurs *they* will then become the oppressors and the former owners would become the poor people with the same problems they seek to solve by means of this violence. Will these new poor people then have to start another revolution and wrest the power back again in order to meet their needs? Perhaps this is what they have settled for, an endless succession of oppressions and revolutions in which the power mon-

gers use the "needs of the down-trodden masses" as a psychological weapon by which to gain sympathy for their cause. Once they are in power another power structure will form and hope to gain the upper hand. And the slogan-symbols for such a program are "peace and love."

It should be easy for us to point out that political revolutions are comparatively easy to precipitate. They have been occurring quite regularly for many centuries. The manuals tell how it is done. You march, you demonstrate, you protest, you write clever slogans on signs, you resist, you propagandize, you destroy. These are easy to do because you can always point your finger at the "bad guys" and keep at it until you cut them down. And I'm sure many young people have settled for this exciting prospect and are ready to die for such a short-sighted goal.

Innocent Victims

But there are many more thoughtful young people who are genuinely concerned about social issues. Yet some of these will get caught up in the excitement and go along on the destruction jag just for the ride. They think this is the only way to fly, and are not prepared for the crash that inevitably occurs at the end of such

utopian dream flights. These are the ones in which we must invest special time and interest in our iconoclastic pursuit.

A skillful iconoclast knows that a person will not give up a cherished belief until he finds a better one. The reason some people hold so strongly to false concepts is because of a basic insecurity. They are usually deeply concerned about life and its problems and sincerely want to have some part in change for the better. They have become disillusioned with the clichés and the slogans of successive political platforms and their inability to live up to their many promises. Some have settled for the fanatical destruction philosophy as a last desperate attempt to level the status quo and build again on the ruins.

We must remember that these highly motivated young people are not basically diabolical and evil. Most of them sincerely desire good to come of their actions however radical they may seem to some.

They are like the possum which crawls farther and farther out on a limb when a hunter climbs the tree after him. The more the hunter shakes the limb, the tighter the possum clings to his insecure position. He will only leave this tenuous position by sheer physical force; or when the pressure is

off, he will find his way back to a more secure position.

So the skilled iconoclast does not begin by shaking limbs, but carefully shows and demonstrates a better way. In a sense we are saying, forget all these grandiose programs aimed at healing all the ills of the world. Give freedom a chance. The social problems of mankind are much too sophisticated for any simplistic plan to cure. None of these ideologies is worth defending with all the pent up emotions that divide men and cause an eternal succession of bloody conflicts and wars.

On a Person-to-Person Basis

But there *is* something we can do about the needs of men. There is a positive program to which we can subscribe. But it is a program we design ourselves and one that can only be implemented by us as individuals or by others with whom we voluntarily cooperate.

We create our own social revolution by doing something revolutionary whenever we see a fellow human suffering. According to the ancient parable, two-thirds of the men who saw the wounded man lying beside the road passed him by. Only the Samaritan did something about the situation. The two who were too busy to respond that day were busy men dedicated to work for mankind through the respected


institutions of their day. They were so busy serving "humanity" that they failed to notice a suffering *human*.

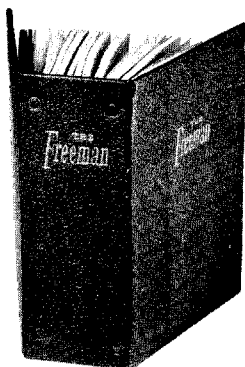
This hypocrisy hasn't escaped the notice of sensitive young people who see the same attitude reflected in many of our modern institutions. So the cry goes out to renounce allegiance to all the traditional institutions and to celebrate this new freedom with singing and dancing in the streets. And in the alleys behind those streets are the cheap flats where rats gnaw on baby's toes and old people live in solitary loneliness with no one to care.

The climate of opinion which the young radicals have created calls for renunciation of the inhumanity of computerization and the depersonalization of automation. It calls for globe-encompassing plans to liberate the masses. It calls for a new terminology

which makes extensive use of the words *love, peace, brotherhood*. Yet it makes no realistic provision for the brother in the alley who is an epileptic and can't enjoy the music in the streets.

How revolutionary must a program be to attract today's youth? Is this one radical enough to tear a few of them away from the singing and dancing long enough to read a book to a blind person in a smelly hovel? Or listen to the woes of a gin-soaked mother, especially if she happens to be their own?

There's more to the art of iconoclasm than meets the eye. It is not so much a philosophy to expound and argue as it is a radical way of life. This kind of philosophy is caught rather than taught, but it is probably the only way to save our youth from utter cynicism and at the same time to save our own sanity. 



HANDSOME BLUE LEATHERLEX
FREEMAN BINDERS

\$2.50 each

Order from:

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

Who PAYS TAXES— and How?

LEMUEL R. BOULWARE

EVERYONE is demanding a rapidly rising level of living. And most citizens expect their take to mount much faster than their contribution . . . with government paying the difference.

They seem vaguely to assume that government will recover most of its costs from a very few individuals or from the owners of business or from future generations or from some magic source. Public servants in both parties, as the price of getting and staying in office, are forced to appear to be getting a lot done, and trying to get a lot more done, in this direction demanded by the majority. But most citizens — including most college graduates — seem not to know where the money is to come from.

Government can and does get money in only two ways. The first

Mr. Boulware, now retired, is noted for his educational approach to industrial relations at General Electric. This article is excerpted by permission from *The Truth About Boulwarism*, reviewed on page 760.

is from current taxes assessed as taxes. The second is from what appears to be borrowing against future taxes. But most all such borrowing now turns promptly into the very current tax of inflation.

Government collects this money through both direct and indirect taxes. Both kinds wind up being paid almost entirely by consumers. But taxing consumers directly and visibly is unpopular and very bad politics. The electorate keeps forcing government to minimize direct taxes and collect its major revenue indirectly through taxes hidden in prices and collected from consumers in two ways.

The first is through the levies on business which are erroneously believed by most citizens to be levies on the owners. These taxes are not and cannot be paid by the owners in any business that survives. They are merely collected for government by business in prices which have had to be increased enough to cover the hidden indirect tax.

The second way government collects money indirectly through consumer prices is by inflation which, historically and now, is simply a tax of the most deceitful, most brutal, and most debilitating kind. How it comes about is this:

Government does not dare tax to equal expenditures, because that

would require disillusioning the majority of voters who believe something-for-nothing can be obtained for the many through government or other gang force.

So government borrows. If it can borrow from individuals — with a proven history of paying back loans — this would not normally be inflationary since the arrangement is self-correcting. But government quickly finds it cannot borrow enough from individuals since they know government is on an inflationary course and will not pay back as much value as it borrows.

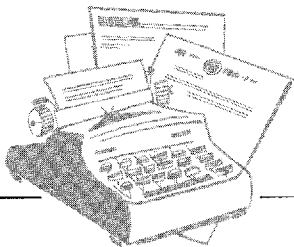
So government is forced to borrow from the banks. The money is put on deposit. This results in creation of new money to match the amount of the borrowing but not matched by any new supply of goods. This is politely called "monetizing debt." Actually, it is just printing worthless money which is added to the existing supply and dilutes the value of existing dollars by just that much. The consumer pays his part of this as a hidden tax in every purchase thereafter.

So, who pays taxes? Everybody does. No few do or could supply the enormous sums which government is spending and which long since exceeded the total income of everybody west of the Mississippi.

Such huge taxes cannot be supplied from any few considered wealthy. Even the best-off 10 per cent of all families — down to include the \$1,000 a month level — pay only 28 per cent of the nation's tax bill. The rest has to come from the remaining 90 per cent of the population. These 180 million persons — while as a group receiving 85 per cent of benefits to individuals — have generally no idea they are themselves supplying 72 per cent of everything government spends.

The further down the income, savings, and even the relief scale a citizen is — that is, the poorer he is — the greater is the relative impact on him of the taxes levied on business and of the tax of inflation levied on him through government cheapening his money.

Consumer tax and price problems are not solved by what appears to be a shift of the burden to business. Borrowing hardly delays at all their impact to the consumer. The only remedy to stop inflation is at its source. The best way to start is to cut out the futile and wasteful part of the government spending and to tax openly to match the remaining expenditures. Public servants will do this once they become convinced that a majority of their constituents knows the facts and wants it done.



A FREE LANCE IN THE FREE MARKET

ROBERT G. BEARCE

DURING my freshman year of high school, I took upon myself that patriotic but arduous task of making myself a fervent anticommunist. Books pertinent to the subject were studied with more zeal than were algebra and world geography, and I proceeded to accumulate a voluminous library exposing that most evil monster formulated by Karl Marx. Complex numbers, the binomial theorem, and the main waterways of Europe held but a secondary status in my education. My energies were channeled toward more profound subjects — dialectical materialism, slaughter of the kulaks, and Comintern policy.

One of my first priorities was to really *know* what communism was, that is, what it was that I abhorred with so much enthusiasm. This was accomplished by writing a definition compiled from dictionaries, various encyclopedias, and literature on Marxism-Leninism. I labored on this momentous undertaking for a full two weeks, using in the process at least two score sheets of notebook paper. Only after the most scholarly and diligent study was I able to gloat over the final draft defining communism in two or three precise, hard-hitting paragraphs.

Since that period of shrewd study into Bolshevism eight years ago, I have lost my prized definition, not only in material fact but

Mr. Bearce promised to try an article when he recently subscribed for *The Freeman*. Here it is.

also from my memory, for I did have it memorized. Remember, I wanted to prepare myself adequately for the opportunity to enlighten unwary Americans about the threat of the Red Horde.

Quite frankly, my enlightenment as to the horrors of communism was nothing more than a naive, emotional response. It had nothing to do with a penetrating, conscious understanding of the real nature and threat of communist theory.

But in this type of involuntary hypocrisy, I doubt that I stand alone. I fear that today I have many comrades-in-arms who are zealous defenders of capitalism, the free market system, free enterprise, and the like, without practicing what they preach. Their devotion to the integrity of the individual is a deceiving accumulation of words, clichés, and books on capitalism, not a day-by-day living example of that belief.

Several days ago, on my way to see my physician, I spotted a bulletin board outside a church which gave wee words of wisdom to passers-by.

The message: "Preach by your ACTIONS and not by your WORDS!"

Amen and ditto! We have a bad habit of cloaking ourselves in self-contented pride concerning our intentions and thoughts with-

out ever taking positive steps forward in proof of our faith.

I've seen a lot of my physician these past few years. During my senior year of high school, I had to drop out due to illness. I am now twenty-two, and still haven't recuperated enough to permit my attending a bastion of higher learning, that is a college, where some of my colleagues are sitting, cursing, marching, burning, and rioting. Yet, I have gained during this time a better understanding not only of communism but of many other areas of life as well. Despite my lack of a degree and material-physical assets that many claim necessary for security and accomplishment, I have rolled up my sleeves and entered into that stimulating proving ground for progress — the free market.

Rugged Competition

No, I'm not an industrialist, public relations man, or supermarket proprietor. I'm a free-lance writer, a financially embarrassed one to be certain, but a writer, nevertheless. It is in this field of joy and disappointment that I have learned to appreciate free enterprise, and only when I began to understand this system did I really attain any knowledge of what communism is. I claim no more than an elementary understanding of the American economic system,

but what I have learned on the positive side of capitalism proves to me that socialism has always failed, that it will always fail, and that it works contrary to the freedom with which man is endowed by God.

Take away the hammer and sickle, the workers' parades with red banners, the brute force, and the concentration camps so characteristic of Soviet communism, and what do you have? Nothing but a miserable, freedom-choking system known as socialism. Indeed, if you removed the brute force, you wouldn't have socialism at all, since the system survives on totalitarian coercion bolstered by occasional transfusions of good old capitalism.

But I do not mean to wander into a slough of despond over the evils and sins of the socialist state in the Soviet Union. My testimony is one of optimism regarding my experience in the free market realm of editors and rejection slips.

Finding the Market

I am my own man, left to my self-discipline, individual initiative, and personal responsibility. I've no desire to write pornography, so I have no state interference or regulation. The only restrictions imposed upon my work are those I place on myself — laziness,

conceit, inefficiency — and those placed on me by magazine editors.

Now, magazine editors are human — a fact that I doubt often but one that gains credibility when the postman brings me a check in return for an accepted story. Editors are guided primarily by what their readers want, whether it be true confessions, murder mysteries, or essays on economic philosophy. This public demand is tempered by editorial innovations and experiments. For example, the public might not be in a mood for the harsh realities concerning air pollution. An energetic editor, though, will use the informative power of his periodical to print a forceful article on the subject, even though his readers might possibly enjoy reading more about rattlesnake hunting in Oklahoma.

My *Writer's Market* lists some 4,000 markets for a free-lance writer. Imagine! *Four thousand* opportunities to sell the product of my ingenuity and initiative — articles that might range from a swashbuckling tale of the sea to an account of the young men and women working in Honduras with Amigos de las Americas. The possibilities open to me include art magazines, trade journals, nature magazines, travel magazines, and garden magazines. Those aren't all. There are calendar magazines, as-

trology magazines, poetry magazines, and western magazines, not to speak of detective magazines, aviation magazines, and automotive magazines.

Suppose, for example, that I submit a brief article describing a certain druggist's participation in civic affairs to *Drug Topics*, a trade journal catering to the pharmaceutical profession. As often is the case, my submission is rejected. What do I do? I have at least thirteen other trade journals in the drug business that might find my article suited to their publishing needs. I submit to them.

What does this mean? Free market capitalism and *free* competition! The market is there, and it is open to me, unbridled by state interference.

***Faith in Freedom Plus Basic
Political and Economic Rights***

It is in this field of writing that I have come to appreciate freedom. I can't really define this word; I don't need to, for I know that it works in men's lives. Freedom is a living faith to me, and I don't need to have a precise definition of it. Besides the political rights to freedom of speech and press, I have these five basic economic rights:

1. to work in callings and localities of my choice.
2. to bargain with my employers.

3. to go into business, compete, make a profit.

4. to bargain for goods and services in a free market.

5. to be free of arbitrary government regulation and control.

One lesson writing has taught me, with no little pain on my part, is that men definitely are not equal in some respects.

Our Declaration of Independence states: "We hold these truths to be self-evident, that all men are created equal. . . ." What does this mean as we take it in the context of the remaining portions of the Declaration? Simply that each of us has the constitutional right to rise to any level of achievement in this world consistent with his individual capabilities and ambitions.

Nowhere in the Constitution or Declaration of Independence do we find the Founding Fathers proposing that government must assure its citizens equal standards of living, equal intellectual achievement, or equal job status. Henry Van Dyke stated the thought quite nicely: "Democracy declares that men, unequal in their endowments, shall be equal in their right to develop these endowments."

Basic to the above documents of individual freedom are the beliefs that man is not perfect and that only God is divine. It follows that all utopian plans for chang-

ing society through coercive legislation against the integrity of the individual — all in the name of ultimate perfection — are predestined to failure and are contrary to the will of God.

This ambitious notion that state legislating will change man's environmental conditions and thus achieve utopia without poverty, discrimination, hatred, envy, and the like, is the pleasant reverie of social scholars in a dream world. The heart of the problem lies within *man's heart*. Only when man's inner self-seeking, rebellious nature is changed can he set his mind to overcoming covetousness, jealousy, and racial hatred.

Man Is Responsible

Man is responsible for his actions and thoughts — envy, hypocrisy, and yes, love for his fellow man. Assuming that some state could achieve an all-encompassing equalization of wealth — without totalitarian force — and a society with a minimum of disease, I dare say we would still witness the product of man's inner nature — greed, pride, and all the rest.

Again, men are responsible, each individual endowed with varying ambitions and capabilities.

Frequently in my writing, my ambitions sag, and I must admit, humbly so, that my capabilities remain at a fairly consistent low level. Thus it is that I receive ten rejection slips for each sale that I make. That's a discouraging batting average. Alas, do you not feel for the plight of the downtrodden free-lance writer in America!

I doubtless could make a case with today's compassionate humanitarians and utopians who would demand that the state subsidize me! My rightful share of this nation's wealth would be doled out to me! I could join the legions of other Americans who are daily relinquishing personal responsibility in return for greater authority over their lives! I would be on the road to blissful state security!

No, thank you. I'm content to rise and fall, and rise and fall again according to my own ambitions and abilities. I have a certain amount of satisfaction in knowing that when I'm up, it is due to my own efforts, and that when I'm down, it is due to my own failure.

Success or failure, I am responsible for my own — and free to preach what I practice. ☉

WELFAREISM and Beyond

JEFFREY ST. JOHN, author of *Countdown to Chaos: Chicago, 1968: Turning Point in American Politics* (Nash Publishing Corp., 9255 Sunset Blvd., Los Angeles, Calif., \$6.95), is among the prophets. He has been the bearer of bad tidings, predicting the Yippie politicizing of the Hippie movement, and telling us of the leftist campaign to substitute street brawling for Constitutional legislative procedures, long before any of it happened. But he also has his constructive side: he hopes to turn the forthcoming 200th anniversary of the Republic which is coming up in 1976, into a real celebration of the philosophy of the Founding Fathers, which included a principled acceptance of libertarian economics as well as the politics of limited government and separation of the powers.

In its opening chapters *Countdown to Chaos* deals with the news in a special way, seeking to determine the continuity of Leftist planning that connects such things as the Democratic 1968 convention week in Chicago with what had

gone before it and what has come out of it. It was a fortnight before the Students for a Democratic Society and the Yippies had descended on Mayor Richard Daley's Chicago that Mr. St. John, in collaboration with Williamson Good, told *Barron's Financial Weekly* subscribers precisely what was going to happen on the Chicago streets during the convention.

The whole thing had been set in motion early in 1966 with the formation of a Chicago Project Committee by the National Mobilization Committee Against the War in Vietnam, headed by a middle-aged radical named David Dellinger. Rennard (or Rennie) Davis, a chief planner for something called the Center for Radical Research, was put in charge of the Project Committee. Tom Hayden, a founder of Students for a Democratic Society, and Jerry Rubin, the creator of the Yippies, both of whom had collaborated on the march on the Pentagon in 1967, threw in their lot with Dellinger and Davis, and a meeting was held in March of 1968 at an unsuspect-

ing YMCA camp in northern Illinois to coordinate plans for moving the members of some eighty-five Leftist organizations to Chicago for the "battle of the century" against Mayor Daley's "pigs" and, incidentally, the whole American political process.

In brief, Chicago was anything but spontaneous, even though the "political riot" attracted many innocent youngsters who had put in appearance just because they felt it the "in thing" to do to "make the scene."

If the media had really tried to get at the truth of what happened in Chicago, there would have been no need for Mr. St. John's recapitulation of events. But the TV coverage, as was perhaps inevitable, zeroed in on violence with no attempt to explain its genesis. What we got from the news media was an unmotivated story. We saw the police "reacting" to events; we learned nothing very much about the long-planned provocation designed to turn the week of the Chicago Democratic Convention into the opening salvo in a revolutionary war.

Mr. St. John is an excellent reporter who tried to delve below the surface of immediate happenings. But he is much more than a reporter; he is also a student of liberty in the Leonard Read sense. The second half of his book takes

an unexpected turn when he makes the announcement that "regular Democrats and Republicans have no idea of the real aim of the New Left." The Convention Week events in Chicago of 1968, he tries to tell the "regulars" of both parties, were "part of an attempt, such as that in Germany in the 1920's and 1930's, to carry the country beyond the welfare state." And with this Mr. St. John is off into a description of how the welfare state becomes a "bridgehead to the police state."

Mr. St. John is worried about certain historical parallels. Quoting Dr. Leonard Peikoff of Brooklyn College, he notes that the period of the German welfare state under Bismarck and the coming to power of Hitler and National Socialism was "roughly forty-five years." The period spanning the birth date of the New Deal in 1933 to the "violence and disorders" of the Democratic 1968 Convention is "roughly thirty-five years." More ominous still, in Mr. St. John's opinion, is the collapse of latter-day Liberalism (not really Liberalism) in the 1960's and the emergence of a New Left radicalism similar to that which engulfed Europe prior to both World Wars. The New Left anarchists echo the syndicalist Sorel on violence; the hippies recall the Vandervogel German youth of the

Weimar Republic who dressed in nonconformist clothing, strummed guitars, and moaned around their camp fires that the "older generation would not let them be 'free'."

Far from making them happy, the welfare state and the "mixed economy" encourage the young in their contempt for the whole subject of economics. The need for savings is not understood when a minimum is seemingly guaranteed without regard to one's contribution to production. Mr. St. John notes that the appearance of the "mixed economy" and the welfare state was followed by dictatorship in Russia and Poland (1917), Italy (1922), Spain (1923), Turkey (1923), Chile (1927), Greece (1928), Japan (1929), Brazil (1930), the Dominican Republic (1930), Argentina (1931), Guatemala (1932), Uruguay (1933), Austria (1933), Germany (1933) and Mexico (1934). In all cases the retreat from capitalism was followed by an abandonment of democratic government.

Mr. St. John quotes Hayek: "It is now often said that democracy will not tolerate 'capitalism.' If 'capitalism' means . . . a competitive system based on private property, it is far more important to realize that only within the system is democracy possible." No doubt a certain amount of state welfarism can be tolerated for a time

in the richer nations without a relapse into dictatorship. But the attrition of democracy begins when enough people, responding to the demagogues, begin demanding more from the central government than is compatible with maintaining a rate of savings sufficient to keep production expanding as the population itself increases. Inflation and taxation, the source of welfare funds, require compulsion to make them acceptable. And, as Hayek has said, "the worst gets on top," for only the "worst" is willing to use the clubs that are necessary to compel the producers to yield what ought to be regarded as the seed corn for future crops.

To save the U.S. from the anti-capitalist "counterrevolution" that began in the nineteen thirties, Mr. St. John suggests that we institute an "Age of Reform and Repeal." In 1976, he says, "we will observe the 200th anniversary of the signing of the Declaration of Independence." Unfortunately the plans for celebrating the anniversary are not taking off from the individualism of the Founding Fathers. The Boston Bicentennial Commission, says Mr. St. John, "is stressing the Liberal and left-wing premise of 'interdependence' . . . and completely ignores the affirmative aspects — and the very existence of the American Revolution and of the subsequent

Industrial and Technological Revolutions." And the Philadelphia Bicentennial Commission will have a hard time commemorating the Founders' principles if former Democratic Senator Joseph Clark, an enemy of the original doctrine of the separation of the powers, uses his membership on the Commission to put forward his own anti-Federalist point of view.

As a description of the events leading to the "political riot" at Chicago Mr. St. John's book is first-rate. But its greater importance may derive from its insistence that we revive our old traditions in preparation for the 200th anniversary of the Republic that will be here before we know it.

► **THE TRUTH ABOUT BOUTWARISM** by Lemuel R. Boulware (Washington, D.C.: The Bureau of National Affairs, 1969, \$7.50 cloth, \$2.85 paperback. 190 pp.)

Reviewed by Edmund A. Opitz

PIONEER investigators of electrical phenomena are memorialized by the terms in which later generations discuss the science. Every time we talk about amperes, ohms, volts, and watts we pay tribute to A. M. Ampere, G. S. Ohm, Alessandro Volta, and James Watt. It seems fitting, therefore, that a new approach to industrial rela-

tions should turn up in the electrical industry as "boulwarism," after Lem Boulware, now retired from General Electric.

The term boulwarism was coined as an epithet; it is now part of the vocabulary as a label for the efforts of a business or industry to fill voluntarily its five-fold obligation to: Employees, Customers, Shareholders, the Community, and Government. For General Electric this involved an extensive program of education which began in 1947, under Mr. Boulware's direction. So successful was this operation that General Electric suffered little from the union problems which plagued other industries. The unions gave us the word when they blamed their failure on "boulwarism."

Precisely what did Mr. Boulware do? The book under review tells the story in broad outline and it reproduces some of the messages and illustrations used in company publications at the time. Simply, the campaign was designed to tell the story of how the business system operates, the nature of the free market, and the limited role of government. The story of how this was done has been admirably told here, making this book a handy manual for people in personnel work as well as a lively account of an important incident in business history.

THE FREEMAN — Volume 19, January-December 1969

Prepared by BETTINA BIEN of the Foundation staff

NOTE: In page references, the number preceding the colon designates the month, the number following the colon refers to pages. All articles have at least three entries—author, subject, and title—except in a few cases when title entries seemed repetitive. Books reviewed are listed on page 768.

- ACADEMIC freedom**
 Consider your stand (Dietze) 2:98-100
 Education in America (Roche) 6:363-369
- ACTIVIST judges and the rule of law**
 (Cummerford) 5:280-283
- ADVERTISING**
 In praise of the conventional wisdom
 (McCroskey) 1:48-52
 Protected to death (Hazlitt) 8:481-482
- AFRICA, southern, hands off** (Chamberlin)
 3:176-182
- AGRICULTURE**
 Pricing ourselves out of world markets?
 (Cravens) 2:109-112
 Problems the free market can't solve
 (Poitrot) 10:630-635
- ALIENATED American, The** (Darling)
 3:131-135
- ANYONES, The** (Siebert) 10:629 (poem)
- ART of iconoclasm, The** (O. Johnson)
 12:744-749
- AS** Tocqueville saw us (Winston) 5:311-316
- BANKING and consumer credit**
 Good sense makes good business! (Bugbee)
 11:692-697
See also Federal Reserve; Money
- BATTLE in the streets, The** (Carson)
 11:662-669
- BEARCE, Robert G.**
 Free lance in the free market, A.
 12:752-756
- BENEATH the gap** (J. C. Sparks) 7:406-409
- BENT ruler, The** (Gearhart) 7:393-396
- BEST audience is one! The** (Read) 8:483-487
- BEYOND the law** (Manas) 9:564-572
- BIEN, Bettina.** *See* Book reviews (Lazo)
- BIG business**
 Fear smallness, not bigness (Read)
 7:425-426
 Socialism and beyond (Opitz) 7:420ff.
- BOULWARE, Lemuel R.**
 Who pays taxes — and how? 12:750-751
- BROWN, Harold O. J.**
 Training in trust. 3:149-155
- BUGBEE, Helen**
 Good sense makes good business! 11:692-697
- CALLAWAY, Howard**
 Unknown costs of pollution. 11:679-682
- CAMPBELL, John W.**
 Technological status. 2:113-122
- CANADA, political opinion**
 Democratic dilemma, A (Shumliatcher)
 12:707-713
- CAPITAL gains** (Hagedorn) 8:461-463
- CAPITALIST manifesto, A** (Chamberlin)
 6:323-330
- CARSON, Clarence B.**
 Battle in the streets, The. 11:662-669
 Problem or opportunity? 10:622-628
 Rise and fall of England, The
 (11) Fabian thrust to socialism, The.
 1:14-24
 (12) Fabian program, The. 2:81-90
 (13) Reform ideas into political action.
 3:158-170
 (14) Decline of England, The. 4:205-218
 (15) Socialism in power. 5:300-309
 (16) Fall of England, The (Part I).
 6:335-345
 (17) Fall of England, The (Part II).
 7:427-435
- CHAMBERLAIN, John.** *See* Book reviews
- CHAMBERLAIN, Park**
 Our inalienable rights. 12:730-731
- CHAMBERLIN, William Henry**
 Capitalist manifesto, A. 6:323-330
 Collective guilt myth, The. 1:3-9
 Failing dynamo, The. 5:291-297
 Hands off southern Africa. 3:176-182
 Our totalitarian radicals. 4:236-242
 Squeeze on the middle class, The. 2:91-97
 Supreme issue, The: the individual versus
 the state. 11:699-700
- CHAMBERLIN, William Henry** (1897-1969)
 Obituary. 11:698
- CHARITY, private**
 Forgotten man, The (Sumner) 8:470-480
- CHODOROV, Frank**
 Peace or politics. 4:251-252
- CITY/local problems**
 Battle in the streets, The (Carson)
 11:662-669
 Defeat on the home front, A (McAdoo)
 4:203-204
 Problem or opportunity? (Carson)
 10:622-628
 Unknown costs of pollution (Callaway)
 11:679-682
- COLLECTIVE guilt myth, The** (Chamberlin)
 1:3-9

- COLLEGE/university unrest
 Art of iconoclasm, The (O. Johnson)
 12:744-749
 Beneath the gap (J. C. Sparks) 7:406-409
 Collective guilt myth, The (Chamberlin)
 1:3-9
 Consider your stand (Dietze) 2:98-100
 Education in America (Roche)
 2:101-108; 5:272-280; 7:397-405
 In doing "one's own thing" (Simons)
 10:619-621
 Our totalitarian radicals (Chamberlin)
 4:236-242
 Student power and all that (Rogge)
 9:519-521
 Too mad to laugh! (Trueblood) 9:554-555
- COMBINATIONS in restraint of trade
 (Poirot) 6:331-334
- COMMUNISM/collectivism
 Capitalist manifesto, A (Chamberlin)
 6:323-330
 Socialism and beyond (Opitz) 7:410-424
 Supreme issue, The: the individual versus
 the state (Chamberlin) 11:699-700
See also Marx
- CONSEQUENCES are absolute, The (Ward)
 8:504-506
- CONSERVATION of resources
 Problem or opportunity? (Carson)
 10:622-628
- CONSIDER your stand (Dietze) 2:98-100
- CONTRACTUAL rights/obligations
 Consider your stand (Dietze) 2:98-100
 Tenure (T. L. Johnson) 3:145-148
- CONVENTIONAL wisdom, in praise of
 (McCroskey) 1:48-52
- COOPERATION (social), voluntarism
 Free market, The—what it is . . . what it
 implies. (Rose) 7:387-392
 Peace or politics (Chodorov) 4:251-252
- CRAVENS, M. E.
 Pricing ourselves out of world markets?
 2:109-112
- CRIME, riots, destruction
 Battle in the streets, The (Carson)
 11:662-669
 Collective guilt myth, The (Chamberlin)
 1:3-9
 Combinations in restraint of trade
 (Poirot) 6:331-334
See also College/university unrest
- CUMMERFORD, Edward F.
 Activist judges and the rule of law.
 5:280-283
- DARLING, Linda
 Alienated American, The. 3:131-135
- DEFEAT on the home front, A. (McAdoo)
 4:203-204
- DEMOCRATIC dilemma, A (Shumiatcher)
 12:707-713
- DEMOCRACY, majority rule
 As Tocqueville saw us (Winston) 5:311-316
- DIETZE, Gottfried
 Consider your stand. 2:98-100
- DIFFICULT question, A (Yankus)
 12:741-743
- DISTINGUISHED everybodies (Peace)
 3:156-157
- DONWAY, Roger
 Intellect in utopia, The. 6:346-351
- DYNAMICS of the free market (Eagle)
 3:183-185
- EAGLE, Robert H.
 Dynamics of the free market. 3:183-185
- ECONOMIC calculation/planning
 Free market disciplines (Read) 11:656-661
 Inflationism as political policy (Peters)
 12:717-724
 Marx's view of the division of labor
 (North) 1:28-35
 Money and the market (Poirot) 8:464-469
 Mythology of spaceship earth, The
 (North) 11:683-691
 Training in trust (Brown) 3:149-155
 Urban renewal and the doctrine of sunk
 costs (North) 5:263-270
- ECONOMIC depression
 Great depression, The (Sennholz)
 10:585-596
 Repressed depression (North) 4:224-234
- ECONOMIC development/progress
 Hong Kong (Shenoy) 7:439-443
 Technological status (Campbell) 2:113-122
- ECONOMICS, production, trade, incentive
 Capitalist manifesto, A (Chamberlin)
 6:328ff.
 Dynamics of the free market (Eagle)
 3:183-185
 Free lance in the free market, A (Bearce)
 12:752-756
 Value — the soul of economics (Pitt)
 9:515-519
- EDUCATION, theory of
 Beneath the gap (J. C. Sparks) 7:406-409
 Best audience is one! The (Read) 8:483-487
 Beyond the law (Manas) 9:564-572
 Free society and its enemies, The (Machan)
 1:25-27
 Tenure (T. L. Johnson) 3:145-148
See also Academic freedom; College/
 university unrest
- EDUCATION in America. *See* Roche
- ELECTORAL College, why have? (B. M.
 Sparks) 4:219-223
- EMANUELSON, Jerry
 Socialized airwaves. 10:597-598
- ENGLAND. *See* Great Britain

- EQUALITY** (government enforced)
 As Tocqueville saw us (Winston) 5:311-316
 Inquiry concerning inequality, An (Paton) 1:53-60
 On economic rights (Kelley) 9:541-545
 Two concepts of equality (Opitz) 9:529-540
- FABIANS** (British)
 Rise and fall of England, The (Carson) 1:14-24; 2:81-90
- FAILING** dynamo, The (Chamberlin) 5:291-297
- FALLACY** of "intrinsic value," The (North) 6:370-375
- FEAR** smallness, not bigness (Read) 7:425-426
- FEDERAL** Reserve and credit expansion
 Great depression, The (Sennholz) 10:585-596
 Value of money, The (Sennholz) 11:670-678
- FISHER**, Sam R. *See* Book reviews (McWhorter)
- FLOATING** exchange rates (Powell) 8:451-461
- FORGOTTEN** man, The (Sumner) 8:470-480
- FREE MARKET/enterprise/competition**
 Dynamics of the free market (Eagle) 3:183-185
 Free lance in the free market, A (Bearce) 12:752-756
 Free market disciplines (Read) 11:656-661
 Free market — what it is . . . what it implies, The (Rose) 7:387-392
 Hong Kong: a case study in market development (Shenoy) 7:439-443
 Problems the free market can't solve (Poirot) 10:630-635
 Speakman 100 (Russell) 5:259-262
- FREE** society and its enemies, The (Machan) 1:25-27
- FREEDOM**, liberty — philosophy of
 Consequences are absolute, The (Ward) 8:504-506
 Difficult question, A (Yankus) 12:741-743
 Freedom is responsibility (B. M. Sparks) 9:522-528
 Golden calf, The (Youngquist) 11:645-651
 Non-system, The (Schaffer) 11:655
 Price of liberty, The (Poirot) 12:725-729
- FREEDOM** of speech/press
 Free lance in the free market, A (Bearce) 12:752-756
 Intellect in utopia, The (Donway) 6:346-351
See also Academic freedom; Ideas FROM Spencer's 1884 to Orwell's 1984 (Hazlitt) 2:67-75
- GALBRAITH**, John Kenneth — ideas of
 In praise of the conventional wisdom (McCroskey) 1:48-52
- GEARHART**, John R.
 Bent ruler, The. 7:393-396
- GEORGE**, Henry — ideas and influence of
 Rise and fall of England, The (Carson) 1:20ff.
- GERMANY**, post World War II
 Failing dynamo, The (Chamberlin) 5:291-297
- GOLDEN** calf, The (Youngquist) 11:645-651
GOLD'S dust (North) 10:599-607
- GOOD** sense makes good business! (Bugbee) 11:692-697
- GOVERNMENT** controls/regulations
 From Spencer's 1884 to Orwell's 1984 (Hazlitt) 2:67-75
 Protected to death (Hazlitt) 8:481-482
- GOVERNMENT** enterprises
 Problem or opportunity? (Carson) 10:622-628
 Problems the free market can't solve (Poirot) 10:630-635
 Pyramids all over the place (Read) 12:714-716
- GOVERNMENT**, limited — philosophy of
 Battle in the streets, The (Carson) 11:662-669
 Bent ruler, The (Gearhart) 7:393-396
 Beyond the law (Manas) 9:564-572
 Golden calf, The (Youngquist) 11:645-651
 Our inalienable rights (P. Chamberlain) 12:730-731
 Out-of-bounds dilemma, The (Read) 5:284-290
 Supreme issue, The : the individual versus the state (Chamberlin) 11:699-700
- GOVERNMENT** spending
 Dynamics of the free market (Eagle) 3:183-185
 Mythology of spaceship earth, The (North) 11:688-691
 Our saving grace (Poirot) 2:76-80
 Spend now, pay later! (Poirot) 5:297-299
 Squeeze on the middle class, The (Chamberlin) 2:91-97
 Tax policy (Sennholz) 9:556-563
 Who pays taxes — and how? (Boulware) 12:750-751
- GREAT** Britain
 Failing dynamo, The (Chamberlin) 5:291-297
 From Spencer's 1884 to Orwell's 1984 (Hazlitt) 2:67-75
 Housing policy for Great Britain, A (Powell) 3:171-175
 Rise and fall of England, The. *See* Carson
GREAT depression, The (Sennholz) 10:585-596

- HAGEDORN, George**
Capital gains. 8:461-463
- HANDS off southern Africa (Chamberlin)**
3:176-182
- HAZLITT, Henry**
From Spencer's 1884 to Orwell's 1984.
2:67-75
How we discourage investment. 1:36-37
One-sided capital-gains tax. 5:270-271
Protected to death. 8:481-482
Uruguay: welfare state gone wild.
4:195-202
See also Book reviews (Friedman)
- HEALTH, the right to (Szasz)** 6:352-362
- HONG Kong: a case study in market development (Shenoy)** 7:439-443
- HOUSING policy for Great Britain, A (Powell)** 3:171-175
- HOW we discourage investment (Hazlitt)**
1:36-37
- HUNT, Richard E.**
Political intervention in medicine.
7:436-438
- ICONOCLASM, art of (O. Johnson)**
12:744-749
- IDEAS, ideologies — influence of**
Art of iconoclasm, The (O. Johnson)
12:744-749
Instinct and ethics (Opitz) 12:732-740
Libertarian philosophy, The (Rogge)
10:579-584
Rise and fall of England, The (Carson)
1:14-24; 2:81-90; 3:158-170
Too mad to laugh! (Trueblood) 9:554-555
- IDEAS, innovations, inventions, change**
In doing "one's own thing" (Simons)
10:619-621
Intellect in utopia, The (Donway)
6:346-351
Non-system, The (Schaffer) 11:655
Technological status (Campbell)
2:113-122
- IN doing "one's own thing" (Simons)**
10:619-621
- IN praise of the conventional wisdom (McCroskey)** 1:48-52
- INDIVIDUAL rights, freedom**
Alienated American, The (Darling)
3:131-135
Democratic dilemma, A (Shumiatcher)
12:707-713
Medical care is not a right (C. W. Johnson) 4:234-235
On economic rights (Kelley) 9:541-545
Our inalienable rights (P. Chamberlain)
12:730-731
- INDIVIDUALITY, inequality, human nature**
Free lance in the free market, A (Bearce)
12:752-756
- Free market — what it is . . . what it implies, The (Rose) 7:387-392
- Free society and its enemies, The (Machan) 1:25-27
- Inquiry concerning inequality, An (Paton)
1:53-60
Only kind of people there are, The (Williams) 1:10-13
Political intervention in medicine (Hunt)
7:436-438
- INFLATIONISM as political policy (Peters)**
12:717-724
- INQUIRY concerning inequality, An (Paton)** 1:53-60
- INSTINCT and ethics (Opitz)** 12:732-740
- INTELLECT in utopia, The (Donway)**
6:346-351
- IPA (Institute of Public Affairs, Australia)**
Progress. 5:310
- JOHNSON, Charles W.**
Medical care is not a right. 4:234-235
- JOHNSON, Orien**
Art of iconoclasm, The. 12:744-749
- JOHNSON, Thomas L.**
Tenure. 3:145-148
- KELLEY, David**
On economic rights. 9:541-545
- KIRZNER, Israel — ideas of**
Urban renewal and the doctrine of sunk costs (North) 5:263-270
- LABOR unions and employment**
Great depression, The (Sennholz)
10:585-596
Marx's view of the division of labor (North) 1:28-35
Socialism and beyond (Opitz) 7:421ff.
- LAW, order, judicial system**
Activist judges and the rule of law (Cummerford) 5:280-283
Our inalienable rights (P. Chamberlain)
12:730-731
Unknown costs of pollution (Callaway)
11:679-682
- LET us give thanks (Thompson)** 11:643-644
- LIBERALISM, classical versus modern**
Libertarian philosophy, The (Rogge)
10:579-584
On economic rights (Kelley) 9:541-545
Right to health, The (Szasz) 6:354n.
Two concepts of equality (Opitz)
9:529-540
- LIBERTARIAN philosophy, The (Rogge)**
10:579-584
- MACHAN, Tibor R.**
Free society and its enemies, The. 1:25-27
- MANAS**
Beyond the law. 9:564-572

- MARCUSE, Herbert — ideas of
Our totalitarian radicals (Chamberlin)
4:236-242
- MARX, Karl — ideas of
Fallacy of "intrinsic value," The (North)
6:370-375
Marx's view of the division of labor
(North) 1:28-35
Rise and fall of England, The (Carson)
1:16, 22ff.
- McADOO, James E.
Defeat on the home front, A. 4:203-204
- McCROSKEY, Jack
In praise of the conventional wisdom.
1:48-52
- MEDICAL care
Medical care is not a right (C. W.
Johnson) 4:234-235
Political intervention in medicine (Hunt)
7:436-438
Right to health, The (Szasz) 6:352-362
- METHODOLOGY, libertarian
Best audience is one! The (Read)
8:483-487
- MILL, John Stuart — ideas of
Beyond the law (Manas) 9:564-572
Instinct and ethics (Opitz) 12:737ff.
Right to health, The (Szasz) 6:359ff.
Rise and fall of England, The (Carson)
1:19ff.
- MISES, Ludwig von — ideas of
Inflationism as political policy (Peters)
12:717-724
Marx's view of the division of labor
(North) 1:31ff.
Mythology of spaceship earth, The
(North) 11:687ff.
Repressed depression (North) 4:224-234
- MONEY, inflation, credit expansion
Fallacy of "intrinsic value," The (North)
6:370-375
Floating exchange rates (Powell)
8:451-461
Gold's dust (North) 10:599-607
Great depression, The (Sennholz)
10:585-596
Inflationism as political policy (Peters)
12:717-724
One-sided capital-gains tax (Hazlitt)
5:270-271
Price of liberty, The (Poirot) 12:725-729
Repressed depression (North) 4:224-234
Tax policy (Sennholz) 9:556-563
Value of money, The (Sennholz)
11:670-678
Who pays taxes — and how? (Boulware)
12:760-761
- MONEY and the market (Poirot) 8:464-469
- MYTHOLOGY of spaceship earth, The
(North) 11:683-691
- NATURAL law/order/rights
Consequences are absolute, The (Ward)
8:504-506
Difficult question, A (Yankus) 12:741-743
Instinct and ethics (Opitz) 12:732-740
On economic rights (Kelley) 9:541-545
Quiet revolution, The (Opitz) 10:611-618
- NON-system, The (Schaffer) 11:655
- NORTH, Gary
Fallacy of "intrinsic value," The. 6:370-375
Gold's dust. 10:599-607
Marx's view of the division of labor.
1:28-35
Mythology of spaceship earth, The.
11:683-691
Repressed depression. 4:224-234
Tariff war, libertarian style. 8:488-496
Urban renewal and the doctrine of sunk
costs. 5:263-270
- ON economic rights (Kelley) 9:541-545
- ONE-SIDED capital-gains tax (Hazlitt)
5:270-271
- ONLY kind of people there are, The
(Williams) 1:10-13
- OPITZ, Edmund A.
Instinct and ethics. 12:732-740
Quiet revolution, The. 10:611-618
Socialism and beyond. 7:410-424
Two concepts of equality. 9:529-540
See also Book reviews (Barzun, Boulware,
Kirk, Ludovici)
- ORWELL, George — ideas of
From Spencer's 1884 to Orwell's 1984
(Hazlitt) 2:67-75
- OUR inalienable rights (P. Chamberlain)
12:730-731
- OUR saving grace (Poirot) 2:76-80
- OUR totalitarian radicals (Chamberlin)
4:236-242
- OUT-OF-BOUNDS dilemma, The (Read)
5:284-290
- PATON, W. A.
Inquiry concerning inequality, An. 1:53-60
- PEACE, Archie
Distinguished everybody. 3:156-157
- PEACE or politics (Chodorov) 4:251-252
- PETERS, J. H.
Inflationism as political policy. 12:717-724
- PITT, W. H.
Value — the soul of economics. 9:515-519
- POIROT, Paul L.
Combinations in restraint of trade.
6:331-334
Money and the market. 8:464-469
Our saving grace. 2:76-80
Price of liberty, The. 12:725-729
Problems the free market can't solve.
10:630-635
Spend now, pay later! 5:297-299

- POLITICAL action/privilege**
 Battle in the streets, The (Carson)
 11:662-669
 Peace or politics (Chodorov) 4:251-252
 Read's law (Read) 10:608-610
 Right to health, The (Szasz) 6:360n.
 Rise and fall of England, The (Carson)
 3:158-170
 Two concepts of equality (Opitz)
 9:529-540
- POLITICAL intervention in medicine**
 (Hunt) 7:436-438
- POLLUTION, unknown costs of (Callaway)**
 11:679-682
- POVERTY, government programs**
 Battle in the streets, The (Carson)
 11:662-669
 Forgotten man, The (Sumner) 8:470-480
 Good sense makes good business! (Bugbee)
 11:692-697
 Two concepts of equality (Opitz)
 9:529-540
- POWELL, J. Enoch**
 Floating exchange rates. 8:451-461
 Housing policy for Great Britain, A.
 3:171-175
- POWER (governmental), coercion**
 Combinations in restraint of trade
 (Poitot) 6:331-334
 Golden calf, The (Youngquist) 11:645-651
 Pyramids all over the place (Read)
 12:714-716
 Socialism and beyond (Opitz) 7:418ff.
 Two concepts of equality (Opitz)
 9:529-540
- PRICE of liberty, The (Poitot) 12:725-729**
- PRICES/pricing**
 Price of liberty, The (Poitot) 12:725-729
 Value — the soul of economics (Pitt)
 9:515-519
- PRICING ourselves out of world markets?**
 (Cravens) 2:109-112
- PRIVATE property**
 Battle in the streets, The (Carson)
 11:662-669
 Defeat on the home front, A (McAdoo)
 4:203-204
 Price of liberty, The (Poitot) 12:725-729
 Socialized airwaves (Emanuelson)
 10:597-598
- PROBLEM or opportunity? (Carson)**
 10:622-628
- PROBLEMS the free market can't solve**
 (Poitot) 10:630-635
- PROGRESS (IPA Facts) 5:310**
- PROTECTED to death (Hazlitt) 8:481-482**
- PYRAMIDS all over the place (Read)**
 12:714-716
- QUIET revolution, The (Opitz) 10:611-618**
- RADIO/TV**
 Socialized airwaves (Emanuelson)
 10:597-598
- READ, Leonard E.**
 Best audience is one! The. 8:483-487
 Fear smallness, not bigness. 7:425-426
 Free market disciplines. 11:656-661
 Out-of-bounds dilemma, The. 5:284-290
 Pyramids all over the place. 12:714-716
 Read's law. 10:608-610
- RELIGION, morality, ethics**
 Beyond the law (Manas) 9:564-572
 Instinct and ethics (Opitz) 12:732-740
 Quiet revolution, The (Opitz) 10:611-618
 Training in trust (Brown) 3:149-155
- REPRESSED depression (North) 4:224-234**
- RESPONSIBILITY, individual**
 Collective guilt myth, The (Chamberlin)
 1:3-9
 Free lance in the free market, A (Bearce)
 12:752-756
 Freedom is responsibility (B. M. Sparks)
 9:522-528
 Golden calf, The (Youngquist) 11:645-651
 "She says my house is dark . . ."
 (Woodson) 11:652-655
 Training in trust (Brown) 3:149-155
- RIGHT to health, The (Szasz) 6:352-362**
- RISE and fall of England, The. See Carson**
- ROCHE, George Charles III**
 Education in America
 (4) Decline of intellect, The. 1:38-47
 (5) Discipline or disaster? 2:101-108
 (6) Perpetual adolescent, The.
 3:136-144
 (7) Why institutionalize our errors?
 4:243-250
 (8) Multiversity, The. 5:272-280
 (9) Academic freedom for what?
 6:363-369
 (10) Revolt on campus. 7:397-405
 (11) Creativity. 8:497-503
 (12) Philosophy of growth, A. 9:546-553
- ROGGE, Benjamin A.**
 Libertarian philosophy, The. 10:579-584
 Student power and all that. 9:519-521
- ROSE, Tom**
 Free market — what it is . . . what it
 implies, The. 7:387-392
- RUSSELL, Dean**
 Speakman 100. 5:259-262
- SAVINGS and investment**
 How we discourage investment (Hazlitt)
 1:36-37
 Our saving grace (Poitot) 2:76-80
 Urban renewal and the doctrine of sunk
 costs (North) 5:263-270
- SCHAFFER, Martin F.**
 Non-system, The. 11:655

- SCIENCE, technology
 Free market disciplines (Read) 11:656-661
 Intellect in utopia, The (Donway) 6:346-351
 Mythology of spaceship earth, The (North) 11:683-691
 Out-of-bounds dilemma, The (Read) 5:284-290
 Technological status (Campbell) 2:113-122
- SECURITY, government guaranteed
 Alienated American, The (Darling) 3:131-135
 Golden calf, The (Youngquist) 11:645-651
 Problems the free market can't solve (Poirot) 10:630-635
- SELF-IMPROVEMENT, self-reliance
 Difficult question, A (Yankus) 12:741-743
 Distinguished everybodies (Peace) 3:156-157
 Progress (IPA) 5:310
 "She says my house is dark . . ." (Woodson) 11:652-655
- SENNHOLZ, Hans F.
 Great depression, The. 10:585-596
 Tax policy. 9:556-563
 Value of money, The. 11:670-678
- SHENOY, Sudha R.
 Hong Kong: a case study in market development. 7:439-443
 "SHE says my house is dark . . ." (Woodson) 11:652-655
- SHUMIATCHER, Morris C.
 Democratic dilemma, A. 12:707-713
- SIEBERT, Al
 Anyones, The (poem) 10:629
- SIMONS, Henry Edward
 In doing "one's own thing." 10:619-621
- SOCIALISM and beyond (Opitz) 7:410-424
 SOCIALISM (British) See Carson
 SOCIALIZED airwaves (Emanuelson) 10:597-598
- SPARKS, Bertel M.
 Freedom is responsibility. 9:522-528
 Why have an Electoral College? 4:219-223
- SPARKS, John C.
 Beneath the gap. 7:406-409
 SPEAKMAN 100 (Russell) 5:259-262
- SPENCER, Herbert — ideas of
 From Spencer's 1884 to Orwell's 1984 (Hazlitt) 2:67-75
- SPEND now, pay later! (Poirot) 5:297-299
 SQUEEZE on the middle class, The (Chamberlin) 2:91-97
- STUDENT power and all that (Rogge) 9:519-521
- SUMMER, William Graham
 Forgotten man, The. 8:470-480
- SUNK costs, urban renewal and (North) 5:263-270
- SUPREME issue, The: the individual versus the state (Chamberlin) 11:699-700
- SZASZ, Thomas S.
 Right to health, The. 6:352-362
- TARIFF war, libertarian style (North) 8:488-496
- TAX policy (Sennholz) 9:556-563
- TAXES, taxation
 Capital gains (Hagedorn) 8:461-463
 Forgotten man, The (Summer) 8:470-480
 How we discourage investment (Hazlitt) 1:36-37
 Money and the market (Poirot) 8:464-469
 One-sided capital-gains tax (Hazlitt) 5:270-271
 Our saving grace (Poirot) 2:76-80
 Squeeze on the middle class, The (Chamberlin) 2:91-97
 Who pays taxes — and how? (Boulware) 12:750-751
- TECHNOLOGICAL status (Campbell) 2:113-122
- TENURE (T. L. Johnson) 3:145-148
- THANKSGIVING
 Let us give thanks (Thompson) 11:643-644
- THOMAS, Norman — ideas of
 Socialism and beyond (Opitz) 7:410ff.
- THOMPSON, Donna
 Let us give thanks. 11:643-644
- THORNTON, Robert M. See Book reviews
- TOCQUEVILLE, Alexis de, as he saw us (Winston) 5:311-316
- TOO mad to laugh! (Trueblood) 9:554-555
- TRADE, international
 Pricing ourselves out of world markets? (Cravens) 2:109-112
 Tariff war, libertarian style (North) 8:488-496
- TRAINING in trust (Brown) 3:149-155
- TRANSPORTATION
 Technological status (Campbell) 2:113-122
- TRUEBLOOD, D. Elton
 Too mad to laugh! 9:554-555
- TWO concepts of equality (Opitz) 9:529-540
- UNITED Nations
 Hands off southern Africa (Chamberlin) 3:176-182
- U. S. CONSTITUTION
 Activist judges and the rule of law (Cummerford) 5:280-283
 Why have an Electoral College? (B. Sparks) 4:219-223
- UNKNOWN costs of pollution (Callaway) 11:679-682
- URBAN renewal and the doctrine of sunk costs (North) 5:263-270
- URUGUAY: welfare state gone wild (Hazlitt) 4:195-202

- VALUE — the soul of economics (Pitt)
9:515-519
- VALUE of money, The (Sennholz)
11:670-678
- VALUE, intrinsic, the fallacy of (North)
6:370-375
- WARD, Barbara — ideas of
Mythology of spaceship earth, The
(North) 11:688ff.
- WARD, June I.
Consequences are absolute, The. 8:504-506
- WELFARE state philosophy
Forgotten man, The (Sumner) 8:470-480
From Spencer's 1884 to Orwell's 1984
(Hazlitt) 2:67-75
Golden calf, The (Youngquist) 11:645-651
Uruguay: welfare state gone wild
(Hazlitt) 4:195-202
- WHO pays taxes — and how? (Boulware)
12:750-751
- WHY have an Electoral College?
(B. Sparks) 4:219-223
- WILLIAMS, Roger J.
Only kind of people there are, The.
1:10-13
- WINSTON, Alexander
As Tocqueville saw us. 5:311-316
- WOODSON, Benjamin N.
"She says my house is dark . . ."
11:652-655
- YANKUS, Stanley
Difficult question, A. 12:741-743
- YOUNGQUIST, Walter R.
Golden calf, The. 11:645-651

BOOK REVIEWS

(Reviewer's name in parentheses)

- BALLVE, Faustino. *Essentials of economics*
(Chamberlain) 5:317-320
- BARZUN, Jacques. *The American university*
(Thornton & Opitz) 3:191-192
- BEILENSON, Laurence W. *The treaty trap*
(Chamberlain) 9:573-576
- BOULWARE, Lemuel R. *The truth about
Boulwarism* (Opitz) 12:760
- CARSON, Clarence B. *The war on the poor*
(Chamberlain) 11:701-704
- DUBOS, Rene. *So human an animal*
(Thornton) 6:383-384
- FLEMING, Thomas. *The man from
Monticello* (Thornton) 10:640
- FRIEDMAN, Milton. *Dollars and deficits*
(Hazlitt) 6:379-383
- FRIEDMAN, Milton. *The optimum quantity
of money, and other essays* (Hazlitt)
6:379-383
- JACOBS, Jane. *The economy of cities*
(Thornton) 8:510-511
- KIRK, Russell. *Edmund Burke: a genius
reconsidered* (Opitz) 7:447-448
- KIRK, Russell. *Enemies of the permanent
things* (Thornton) 9:576
- LAZO, Mario. *Dagger in the heart* (Bien)
3:189-191
- LUDOVICI, Anthony M. *The specious
origins of liberalism* (Opitz) 7:447-448
- McWHORTER, Thomas O. *Res publica*
(Fisher) 4:256
- NOCK, Albert Jay. *The book of journeyman*
(Thornton) 8:511-512
- NOCK, Albert Jay. *Free speech and plain
language* (Thornton) 8:511-512
- NOGUEIRA, Franco. *The third world*
(Chamberlain) 3:186-189
- NUTTER, G. Warren. *The strange world of
Ivan Ivanov* (Chamberlain) 7:444-446
- PAOLUCCI, Henry. *War, peace, and the
presidency* (Chamberlain) 1:61-64
- PEI, Mario. *The America we lost*
(Thornton) 2:127-128
- READ, Leonard E. *The coming aristocracy*
(Chamberlain) 6:376-379
- ROCHE, George Charles III. *Education in
America* (Chamberlain) 10:636-639
- RUSSELL, Dean. *Frederic Bastiat: ideas
and influence* (Chamberlain) 8:507-510
- ST. JOHN, Jeffrey. *Countdown to Chaos:
Chicago, 1968* (Chamberlain) 12:757-760
- SCHLESINGER, Arthur M. *The birth of
the nation* (Thornton) 2:126-127
- WEAVER, Richard. *The southern tradition
at bay* (Chamberlain) 4:253-256
- WEBSTER, Noah. *An American dictionary
of the English language* (Chamberlain)
2:123-126