

# the Freeman

VOL. 23, NO 1 • JANUARY 1973

<b>The Premises of Freedom</b>	<b>Donald M. Dozer</b>	<b>3</b>
Societies are to be judged by their impact on the individual, and his freedom.		
<b>A Herculean Task</b>	<b>Francis E. Mahaffy</b>	<b>11</b>
Concerning the limits of one man's responsibility to others.		
<b>Valueless Education</b>	<b>Ray Colvard</b>	<b>15</b>
A teacher's call for a reformation in the establishment—a reorientation toward freedom.		
<b>Before We Burn It Down!</b>	<b>E. F. Wells</b>	<b>25</b>
A sobering look at the results of socialism before we destroy our private enterprise economy.		
<b>The Founding of the American Republic:</b>		
<b>18. The Bill of Rights</b>	<b>Clarence B. Carson</b>	<b>31</b>
The arguments and arrangements for a listing of protections against governmental infringement of personal rights.		
<b>Drug Legislation — Mainline to Disaster</b>	<b>Robert Patton</b>	<b>45</b>
To outlaw a bad habit creates a profitable market opportunity for criminals.		
<b>Herbert Spencer: Apostle of Liberty</b>	<b>Ronald F. Cooney</b>	<b>54</b>
More than eighty years ago, he spoke for liberty against threats from a growing Statism.		
<b>Book Review:</b>		<b>61</b>
"The Fall of the American University" by Adam Ulam		

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "The Founding of the American Republic."





# The Premises of Freedom

DONALD M. DOZER

THE "mania of saving worlds," wrote Thomas Carlyle, "is itself a piece of the Eighteenth Century with its windy sentimentalism. Let us not follow it too far. For the saving of the *world* I will trust confidently to the Maker of the world; and look a little to my own saving, which I am more competent to!"<sup>1</sup>

As individuals we are not, in any realistic sense, as much a neighbor to the English clerk in Fleet Street, or to the Russian worker in Dnepropetrovsk, or to the Chinese peasant in Yunnan as we are to Mr. and Mrs. John Doe across the way. We all live *in* the world, but we do not live *for* the world at large except in a way which is meaningless for all practical purposes. "They have had a

peace meeting here" in Concord, Henry D. Thoreau wrote to Ralph Waldo Emerson who was in England in November 1847, "and some men, Deacon Brown at the head, have signed a long pledge, swearing that they will 'treat all mankind as brothers henceforth.' I think I shall wait and see how they treat me first."

Each of us lives in a community which has, to be sure, round-the-world relationships, but which, at the same time has a hard core of community relationships transcending in importance those of any other area. The challenge to successful living on the Main Streets of America is greater and even more exhilarating than is the call to "Greenland's icy mountains" or "India's coral strand." In each individual conscience is found the only true basis for universality.

"To be of one's own region, of one's corner of the earth," writes

<sup>1</sup> "The Hero as Man of Letters" in *Heroes and Hero Worship* (Boston, 1902), 203.

Dr. Dozer is Professor of History Emeritus at the University of California, Santa Barbara.

the Brazilian sociologist, Gilberto Freyre, "is to be more of a person, a living creature, closer to reality. One must belong to one's own house in order to belong more intensely to humanity."<sup>2</sup> Like Antaeus of old we renew our strength every time we touch our own earth. We will find our best inspiration in our own reality. Did not Washington, Jefferson, Franklin, Lincoln as they worked and lived in the service of their nation perform also a service to mankind in general? In this sense they can truly be called cosmopolitan patriots, whose fame endures precisely because they were, first of all, patriots. Universal values can have meaning for us all only within the framework of our own national realities. The more intensely we live our American beliefs the more fully we enrich the human race.

In international relations voluntarism or the free consent of peoples, growing out of the genius and efforts of each nation, must remain our principal reliance. Our dictates are resented by foreign peoples, for many of those peoples have traditions and cultures long antedating ours and they like their own ways. Our creed of liberty does not authorize us ever to

say to another people: "We know what is good for you better than you yourself know, and we are going to make you do it." Too many people think they know what is good for other people. To assume all wisdom and all justice is to fall into a fatal delusion of universality, if not indeed divinity. It was Hamlet's tragedy that he believed that because the time was "out of joint" he "was born to set it right." Our *peccavimus* must, therefore, include the greatest of all sins, blasphemy, or making ourselves equal with God. Justice Oliver Wendell Holmes once said that the first lesson of philosophy is to learn that one is not God.

### **The Political Dilemma**

Our persistent political dilemma arises from the fact that while we assume in our political philosophy that only the people can say, through their ballots, what is good for them they expect their leaders to tell them what is good for them and to get it for them. The ideological battle between John Stuart Mill and Karl Marx still goes on, projected with vital meaning into our present age. It is a conflict between those who hold that government should do only what individuals themselves lack the means to do and those who demand that government assume a positive role in promoting indi-

---

<sup>2</sup> Gilberto Freyre, *Região e Tradição* (Rio de Janeiro, 1941), 20.

vidual welfare; between those who would enlarge the area of individual initiative and freedom and those who would circumscribe it with legislative and official limitations; between those who regard society as only a changing complex of individual citizens and those who consider it as an organic specimen to be systematized and directed; between those who would keep open the book of life containing the pages of the past and those who would write a brand new book starting with the pat formulas of a narrow science. In this conflict the old liberalism of the free man in society will be destroyed by the new positivism unless we do something about it.

What we all desire is to get some of the advantages of conscious social management without sacrificing our individual freedom. Our most difficult problem as social beings is to derive from society the constant aid that we need without accepting its yoke. What we really want is the fullest possible individualism consistent with the putative benefits of collectivism. The individual action which is most highly esteemed and which is most satisfying over the years is not utterly free individualistic abandon but rather individual enterprise which is socially motivated. We desire a balanced combination of responsible indi-

vidual action on the one hand and responsible social action on the other. But we must exert constant vigilance to ensure first the achievement and then the maintenance of this essential balance between the individualistic-anarchist impulse on the one hand and the collectivist-socialist impulse on the other. The emphasis must be placed not upon equality but upon the harmony of unequal classes and individuals. This is the synthesis which we desire. This is the reconciliation between the old liberalism and the new. "The individual," Reinhold Niebuhr has acknowledged, "cannot find his fulfillment outside of the community; but he also cannot find fulfillment completely within society."<sup>3</sup>

### **Voluntary Cooperation**

Social action taken primarily for the purpose of creating favorable conditions for individual development, if undertaken cooperatively, is not inconsistent with the fullest individual freedom. In just such endeavors men may reach their highest sense of accomplishment and feel their greatest glow of satisfaction. By voluntary, cooperative action the American pioneers raised their homes in new wildernesses and

<sup>3</sup> Reinhold Niebuhr, *The Irony of American History* (New York, 1952), 62.

organized joint stock companies without direction by government. By concerted group activity a people not only may harden their own fiber and character but may enrich themselves by their own efforts, literally raising themselves by their own bootstraps. All the people in a society acting together can do many constructive and wholesome acts which single individuals cannot do. But the value of every cooperative effort, every institution, every governmental policy must be judged by its effect upon individuals. If it is not conducive to individual growth it must be abandoned, for the aim of society must be not society but the individual. The objective that must be kept steadily in mind is to increase the range of opportunities open to each individual in society and to create the kind of conditions which will predispose him to make moral choices as between the largest possible number of available opportunities.

### **The Great Danger of Ascribing Moral Attributes to Government**

Great danger comes from ascribing moral attributes and therefore moral duties to government. For government is not moral, though a state may make itself a champion of moral causes and may claim moral power for political purposes. The proper

function of government is to enact and enforce legal justice as between man and man, not to establish changed economic and social relations between them. When it tries to do the latter it finds itself lacking in legal criteria for action. Statutory enactments may adequately define legal justice, but they cannot define social justice. When a government undertakes to be the fountainhead of social justice it makes itself responsible not simply for the legal or orderly operation of society but also for the moral conduct of individuals in society. As the number of citizens who act illegally is much smaller than the number who act immorally, the state which claims social justice functions must enlarge not only its obligations but also its coercive authority. Love and charity are primarily individual responsibilities. They cannot be practiced or enforced by society as a whole. Social justice is a paradox and social love is meaningless. What kind of social action can possibly be taken which will assure to all citizens freedom from want and freedom from fear? And would not such action also necessarily have to assure them freedom from desire and ambition, freedom from adventuring, and freedom from risk?

We can be certain that no social action can be justified in the

long run if it causes individuals to lose their integrity and character. The indispensable thing is the preservation of personal morale, the *élan vital* or inner drive of individuals, the right of each individual to be a person. What is needed is a reassertion of egoism, a new ringing, hands-clenched affirmation by each individual that "I am I. I am a unique human being. I want to live my life, and I am not willing to be suffocated even by those who wish me well and say that they intend to do me good." As Ayn Rand is pointing out, it is a psychological impossibility to live someone else's life. If people do not live their own lives, nobody will live at all. If life, as Coleridge defined it, is "the principle of individuation" then fusion, coalition, alliance, and merger which destroys variety and suppresses individualism is death.<sup>4</sup> Whatever builds up individual virtue, therefore, is socially good; whatever tears it down is socially evil. Whatever increases human worth increases the strength of our society; whatever reduces it weakens us all.

The maintenance of the proper balance between individualism and collectivism requires that state intervention should only supplement

individual requirements in character and degree. When it does more, the state starts down the road toward totalitarianism. What is acceptable social conduct for an individual must be determined largely by the individual himself, except in cases which have been deemed to be of overriding social concern ever since the Mosaic code.

#### *Man Inclined Toward Goodness*

This conception assumes that an impulse toward good citizenship is the natural condition of mankind. If it were not so, government and social life generally would be impossible. To nurture this condition but not to smother it is the true function of government. Governmental action should be limited merely to attempts to remove the more formidable barriers to the achievement of this goodness, without, however, forgetting that the individual struggle for goodness, is, by divine law, a necessary part of the process. Our assumption that we can eliminate tragedy from human life is an impious conceit, for tragedy is embedded in the very processes of history. The ancient Greeks, who perhaps attained the finest adjustment to life of any people in the world's history, accepted tragedy and tried to sublimate it into something constructive. "The final wisdom of life," says Niebuhr, "requires, not the annulment of

<sup>4</sup> Samuel Taylor Coleridge, quoted in Joseph Needham, *Time, The Refreshing River* (London, 1943), 187.

incongruity but the achievement of serenity within and above it."<sup>5</sup>

Only the travailing soul experiences great spiritual revelations and produces great works of art. The most beautiful lines in a human face are the lines etched there by struggle. Unless the chrysalis of the butterfly is allowed to struggle out of its cocoon it does not develop the wing strength necessary to fly. If the stone in the arch of great cathedrals is not made to bear its full share of structural stress, it will crumble away — not from strain but from lack of strain. Opposition must not be undervalued as a stimulus to action. "To overcome difficulties," wrote Schopenhauer, "is to experience the full delight of existence." The destiny of humanity, it appears, is to advance through personal struggle. Nothing is more certain than that in the divine scheme of things each individual must endure the consequences of his own wrongdoing, misjudgments, and shortcomings.

### ***The Values Individuals Hold***

We must believe that the final judgment on our handling of the problems of our times will be expressed in terms of individual values. The passion for the preservation of those values is ineradicable in every human being. Even mod-

ern war, which represents the height of collectivist effort, must still be "sold" to the people under the guise of promoting individual liberty. The first desideratum for an ordered universe is to establish order within each individual self. This point was made many centuries ago by the Chinese philosopher Confucius, as follows:

The ancients who wished to illustrate illustrious virtue throughout the kingdom first ordered well their own states.

Wishing to order well their own states, they first regulated their families.

Wishing to regulate their families, they first cultivated their persons.

Wishing to cultivate their persons, they first rectified their hearts.

Wishing to rectify their hearts, they first sought to be sincere in their thoughts.

Wishing to be sincere in their thoughts, they first extended to the utmost their knowledge.

Such extension of knowledge lay in the investigation of things.

Things being investigated, knowledge became complete.

Their knowledge being complete, their thoughts were sincere.

Their thoughts being sincere, their hearts were then rectified.

Their hearts being rectified, their persons were cultivated.

Their persons being cultivated, their families were regulated.

Their families being regulated, their states were rightly governed.

<sup>5</sup> Reinhold Niebuhr, *op. cit.*, 62-63.



Their states being rightly governed,  
The whole kingdom was made tranquil and happy.<sup>6</sup>

The question that constantly haunts each one of us, despite all the hapless confusion and obscurantism with which it has been surrounded, is "How shall I live up to the best in my own nature?" This is intensely personal. Each one must begin with himself, through a repentance and rebirth which will establish a new and right relationship between himself on the one hand and God and his fellow men on the other. Only such an effort of individual wills can restore the sanity and relieve the hypertension of our years. The essential problem is the problem of sin in the world, and no one has ever found a mechanistic answer to that. When a durable answer is found it will have to be found in each human heart. We perceive that the rules that govern our mastery of the physical world are of little avail in spiritual matters. Our material wealth is accompanied by spiritual poverty. We realize that "the infinite perfectibility of man" of which Thomas Jefferson spoke is not attainable by our methods. It is our spiritual deficiencies which predispose us to failure and fright.

The human adventure is not a really human adventure unless it is viewed as also a divine adventure. The founders of the American government wisely warned that the durability of the new nation would depend upon individual virtue. Whether to make that our goal or not is the decision on which our future hinges.

### **Faith in Freedom**

We must place our faith in the excellence of free institutions and their destiny to survive. The Soviets have preached so dogmatically the inevitable triumph of Communism that they have contrived to draw the design of history over to their side. We need a counter-faith in the inevitable triumph of freedom. We need to remind ourselves that everything truly evil will in time disclose and punish itself. It is the function of evil to destroy itself. Otherwise we would not be living in a moral universe, a universe which makes sense. Collectivist pressures to make the American system over in a foreign image muffle our voices when we try to speak out for human freedom. A society in which the government is supreme over its citizens is not a free society. A governmentally managed economy is not a free economy. A state which is the master and not the agent of its citizens is a total state.

<sup>6</sup> James Legge, *The Chinese Classics*, 5 vols., (Hong Kong University Press, Hong Kong, 1960), I, 357-359.

To the extent to which we subordinate ourselves to foreign influences or limit the freedom of individual citizens beyond traditional bounds the authority of our national example is limited. It behooves individuals, therefore, so to order their lives as to conform to the framework of history within which they live and move, confident that this framework is divinely implanted within it.

We can do so only when we make sure that the present lives in harmony with the past. If we can ac-

complish this result we can be optimistic about the future, for, in the words of Professor William Ernest Hocking, "no man who knows reality as purposeful, and history as therefore significant, can have a right to ultimate doubt, nor to ultimate fear, nor to ultimate condemnation."<sup>7</sup> Freedom should not be impatient, for she is immortal.

<sup>7</sup> William Ernest Hocking, *Strength of Men and Nations: A Message to the U.S.A. vis à vis the U.S.S.R.*, (Harper and Brothers, Publishers, New York, 1959), 8.

### *Nature's Way*

SENTIMENTAL MEN AND WOMEN, observing the weaknesses of the human race, hope to spare their fellow-beings pain and suffering by relieving them of personal responsibility.

Thus we get our uplift movements, our paternalism, our coddling of the shiftless, the thriftless, the unfit.

This man will not save money for his old age; therefore, we shall do his saving for him.

Another man will not learn a trade; therefore, we shall protect him against the consequences by unemployment insurance. A third man refuses to conserve his health; therefore, we shall pay him a weekly dole in time of sickness.

That is not nature's way. Nature would compel us to suffer the consequences of our acts. Nature puts the responsibility on the individual.

I do not argue for less sympathy and kindness. I merely urge the necessity of responsibility.

From *The William Feather Magazine*, October, 1972

IDEAS ON



LIBERTY

# A HERCULEAN TASK



FRANCIS E. MAHAFFY



WHILE SERVING as a missionary in Africa, I received a letter from a fellow minister in which he stated, "We have a responsibility for the welfare of all men." I am sure that the author of this statement is a pious Christian who has a genuine concern for helping the poor in Africa and in the United States. Yet the philosophy behind such a statement is hostile to the Christian ethic. If generally applied, it would destroy Christianity and reduce the world to abject poverty. A more careful scrutiny of this cliché will reveal that it would destroy the very welfare it aims to promote. Yet to challenge such a pious-sounding statement imme-

diately categorizes the challenger as lacking in Christian love. One writer described those who oppose the coercive redistribution of the Welfare State as a "bunch of cold-hearted rascals."

Nevertheless, I emphatically deny that I am responsible for the welfare of all men. Nor is the minister who made this assertion. Nor is anyone. Such a task is impossible of fulfillment. A scrutiny of the meaning of this all-too-popular cliché is very much in order.

Had my friend said, "I have a responsibility for the welfare of all men," I might have considered him irrational and utterly unrealistic. Had he sought to fulfill this responsibility as an individual, he might amuse himself in the effort, with few adverse effects except on himself and his family.

---

The Rev. Mr. Mahaffy served for twenty-three years as a missionary of the Orthodox Presbyterian Church in Ethiopia and is presently serving as a home mission pastor north of Chicago.

But when he said "we," he was seeking to rest this herculean task on my shoulder and implying that, were I a devout Christian, I would naturally assume my responsibility. If *all* men are our responsibility, the task obviously must be a collective one with the *we* broadened to include all in our society acting through their representatives in the state. This can not be accomplished apart from legal coercion. The author of a recent book clearly indicates this when he writes:

But when people will not give voluntarily, is it wrong to make sure that they at least produce the external fruits of Christian love, even if this means legal enforcement? Is the freedom of people to give or not to give more important than the desperate needs of other human beings? . . .

The Christian himself must remain uncommitted to any human system, holding himself free to move where God leads him at a given time and under a given set of conditions. . . . The free enterprise system is best suited for an individualistic society where high value is placed on material gains; the socialistic system is best suited for a large, strongly interacting society where it is essential to retain some human values.<sup>1</sup>

<sup>1</sup> Richard H. Bube, *The Human Quest* (Waco, Texas: Word Book Publishers, 1971) pp. 223-4, 236.

This popular cliché seeks to fix responsibility for universal welfare. Responsibility, however, involves a higher authority to whom we must give an account. A child is responsible to his parents. Parents are not responsible to their children, but responsible to God for the care of their children. We have a responsibility to those in authority over us to obey the laws and not to interfere with the freedom of our neighbor. We do not have a responsibility to other people as such. If we did, they would have a just claim to our wealth, our care, or for whatever our responsibility involved. This is a popular concept but not a Christian one. For the Christian, charity and help must spring from love to God and must be voluntary in nature to be true charity.

### **Armed Hitchhikers**

Sometime after I received the above-mentioned letter, I was on the way to preach in a distant African village when stopped by fifteen armed villagers who wanted a ride. When I declined because of lack of room and began to drive on, a gun was leveled at my head. Though my righteous indignation (a clerical expression for anger) was aroused, my respect for the power of the rifle impelled me to stop, to compromise my former refusal, and to "voluntarily" offer

rides to *two* of the villagers. When ten of them squeezed into my Volkswagon Combi along with my other passengers, I refused to grant that I had a responsibility for the welfare (transportation to the next village in this case) of all ten. Keeping my eye on the many rifles to make sure none threatened me from behind, I was prepared to resist this claim upon my property. I won a partial moral victory when, after a protracted discussion, all but two of them backed out. (The added adrenalin put some extra punch into my sermon that morning.)

Shortly thereafter a boy from a neighboring village came to our house with a few eggs to sell. He looked ill. Upon inquiry we learned that the family of ten children with their parents were on their last bag of grain, reduced to one scant meal of coarse bread per day. We purchased a sack of grain and took it to the family as a gift to help tide them over until harvest. But we did not have a responsibility to the hungry family, nor did they have any claim on our charity. Our responsibility we deemed only as one to God to help the neighbor we meet in his need. This, while a much-needed Christian activity, is something far removed from the concept of a universal responsibility for all men.

My friend failed to define what

he meant by the *welfare* of all. Just how *well* is each to *fare*? A good daily wage for common labor in the area in which we worked was about forty cents. Should our effort at assuming responsibility for all begin with increasing the increment of those in our employ or in giving aid to the vast majority who lived on far less income? It is easy to state a pious cliché; it is quite another thing to put it into practice. Even if all the wealth of the world were evenly divided, I am told, each individual would receive something like \$50 — the outer limit of fulfilling this responsibility to *all*. The attempt to fulfill this “responsibility” for universal welfare would necessitate complete collectivization. But as numerous economists have demonstrated, the result of collectivization is always an increase in general poverty, never an increase in the welfare of all.<sup>2</sup>

### Love Thy Neighbor

None of us is responsible for the welfare of all men. This demand is not only impossible to meet but also would destroy the very welfare it proposes to promote.

We do, however, have a responsibility to our Creator which in-


---

<sup>2</sup> See Ludwig Von Mises, *Socialism*, F. Hayek, *Road to Serfdom*, and H. Hazlitt, *Economics in One Lesson* for examples.

cludes a proper relationship with our fellow man. This, first of all, involves a refusal to interfere with his freedom. The Apostle Paul summarized this obligation clearly:

Love worketh no ill to his neighbor: therefore love is the fulfilling of the law. *Romans 13:10.*

We are responsible for obedience to the commands of God which forbid murder and all coercion, theft whether individually or the "legal plunder" of the collective, dishonesty in our dealings with him, and even coveting that which belongs to him. It involves also the positive demand of voluntarily lending a helping hand to the neighbor we meet in special

need. One of the most effective ways of helping is to show him by example and precept that in this world the only way to improvement in welfare is by assuming our responsibility before God in refraining from coercive activity except to restrain violence, in using and improving our God-given minds and abilities, and by peaceful exchange of the fruit of our labor with others. Accepting a responsibility for the welfare of all men is a task that even a Hercules could not perform. Let us rather accept the limited responsibility which God has given to us and not seek to lay upon our own and the shoulders of others an unbearable burden. 

### ***To Help a Neighbor***

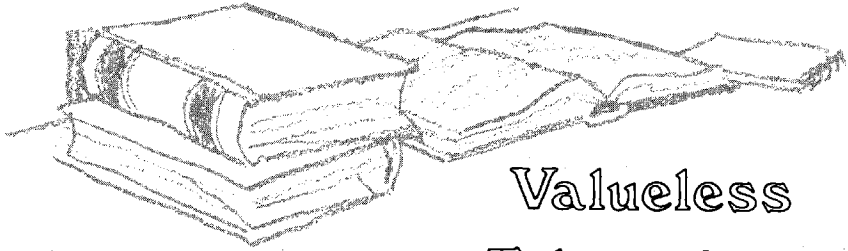
WHAT POSSIBLE MOTIVE can a man have for wanting to put the responsibility of social welfare on the willing shoulders of the bureaucrats in Washington? How much is needed? Who can say where poverty stops and plenty begins? Where can government get what it gives but from the people? How can it take it but by the use of force? How can it avoid taking more and giving less? We do not escape the problems of our needy neighbors by putting these problems at the door of the legislators in Washington. We only compound what must eventually return to us for solution.

GLENN PEARSON

IDEAS ON



LIBERTY



RAY L. COLVARD

## Valueless Education

It was found that all his property . . . was represented by valueless shares in bubble companies.

Thackeray: *Vanity Fair*

WE CAN CREATE an entertaining kind of excitement in the classroom talking about the great government-financed swindles of history: the Mississippi Bubble of Louis XIV and the South Seas Company of George I. We hold students' interest as we tell about the larcenous grabbing of railroad subsidies by California's Big Four. We can join with students to denounce the government partnerships which puffed up a utilities balloon for Samuel Insull and financed the invisible storage tanks of Billie Sol Estes. "The art of government," Voltaire said, "consists in taking as much money as possible from one class of citizens to give to the other." We support that, insofar as it does not touch our own enterprise.

Mr. Colvard teaches at Clairemont High School in San Diego.

In or outside the classroom we teachers ignore the bureaucratic beams which are in our own eyes. As an integral part of a government bureaucracy, we excuse our Federal dependency and even enhance the role of government's intervention in our schools. The National Education Association, in the true spirit of Parkinson's Law, actively lobbies for a cabinet post — Secretary of Education. We blandly ignore the widespread taxpayers' votes which have turned down educators' bond proposals election after election. We might consider the possibility that their votes are expressions of "no-confidence" in our programs and that American taxpayers may believe that they have been conned into investing in America's fastest growing bubble company — public education.

In favoring our security over freedom and the equality of mass performance over individual excellence, we are systematically undermining the fundamental concept of a free market economy. The thrust of our policies has been to place the public school systems among the liabilities rather than among the assets of the wealth of the nation. A fair question might be this: Should public education be allowed to go the way of the stage coach and canal boat? Henry Hazlitt noted: "It is just as necessary to the health of a dynamic economy that dying industries be allowed to die as that growing industries be allowed to grow." A case could be made for rendering out what is valueless in educating the nation's youth.

### **Premises Stated**

To paraphrase Leonard Read, the *Freeman* reader has a right to know my biases. Certainly I favor education. Long years of classroom teaching in public schools have whitened my hair, thickened the lenses in my bifocals, and rounded my shoulders. I am proud of my work and I have a solid respect for the great majority of my co-workers. I can not objectively appraise the superintendents, associates and assistants in my business. They keep their own counsel. Nor can I speak for the educa-

tional directors, specialists and consultants. They seem to meet and confer with others at their hierarchical level. Meanwhile, in the classrooms across the nation we teachers and our students are trying to do the best we can with what we have. We don't do what we do well enough, however. The most charitable thing that can be said for us is that we are in conflict and are confused about our purpose and our far goals. A harsher indictment would be that we are effectively conditioning our students for purposeless living in a valueless society.

Students are not given freedom in our structured programming to exercise the principle of choice, to grow toward maturity in value judgment. The late Abraham H. Maslow wrote that education of youth, if it has purpose beyond the custodial, must be concerned with man's final values:

. . . Questions: What is the good life? What is the good man? The good woman? What is the good society and what is my relation to it? What are my obligations to society? What is best for my children? What is justice? Truth? Virtue? What is my relation to nature, to death, to aging, to pain, to illness? What is my responsibility to my brothers? Who are my brothers? What shall I be loyal to? What must I be ready to die for?



We have encouraged our youth to "do it if it feels good." We have avoided fixed values. It would seem that our primary aim has become bigness. We expand our programs wildly to maintain our position in claiming financial and legislative support from an expanding government.

An old folk song runs through my brain. It begins with, "There was an old lady who swallowed a fly, I don't know why she swallowed the fly. . . ." To get rid of the fly she, according to the song, swallowed in turn a spider to swallow the fly, a bird, a cat, a dog, a cow, and then, a horse. The song ends abruptly with, "she's dead, of course." As teachers we note apprehensively that mushrooming problems in public education have progressed far beyond the "fly" stage, and we fear we are approaching the year of the "horse". An uncomfortable feeling prevails that successive decades of American educators have jumped down the pedagogic gullet in search of an illusive fly which is becoming more and more enveloped in the hierarchical bowels of birds and cats and other misplaced instructional innovations. Even among educators we need to place a limit on gullibility.

Thomas Paine wrote these lines in *The American Crisis* No. 1, December 23, 1776:

. . . What we obtain too cheap, we esteem too lightly; tis dearness only that gives everything its value. Heaven knows how to put a proper price upon its goods; and it would be strange indeed, if so celestial an article as FREEDOM should not be highly rated.

### **Old-Fashioned**

Recently Professors William Ebenstein and Edward Mill published *American Government in the Twentieth Century*. Dr. Ebenstein has lived under two extremes of socialism, the Nazi control of the means of production and the Communist ownership. His is a profound gratitude to America. His text's chapter, "Democracy and the Free-Market Economy" reflects his feeling. I asked a colleague how he had presented this chapter's concepts to his students. He said, "It was a riot. I let the class comedian in each section read it aloud. The kids broke up laughing over the American housewife pushing her cart in the supermarket being called a reincarnation of the goddess of liberty. When the kids got to the 'crap' about customer sovereignty they were about ready to hold a demonstration in the cafeteria."

"My class thought the description of the market system was especially well presented," I told him.

"Strictly right-wing," he said.

John Maynard Keynes gave us this truism: "Economics is not everything." He went on to say, ". . . Do not let us over-estimate the importance of the economic or sacrifice to its supposed necessities other matters of greater and more permanent significance." Keynes' thesis was that individual economic freedoms must give way to the collective need in the planning of a welfare state. Professor B. F. Skinner calls the desire for freedom a "fetish" and Herbert Marcuse notes in *One Dimensional Man* that independence is overrated:

Freedom of enterprise was from the beginning not altogether a blessing. As the liberty to work or starve, it spelled toil, insecurity, and fear for the vast majority of the population. If the individual were no longer compelled to prove himself on the market, as a free economic subject, the disappearance of this kind of freedom would be one of the greatest achievements of civilization.

Traditionally in public education we have vocally set major importance on individual liberties. Our property in freedom and our freedom to own property we have asserted, and many of us firmly believe, is the foundation of our economic system. We would that each man become an independent participant in a market, that he be

free to determine where and for whom he shall work and what and from whom he shall buy. We believe in the maximum freedom for every man.

The President's Commission on National Goals stated in their 1960 report that:

. . . Schools and institutions of higher education . . . have a particular responsibility to ensure freedom of expression by students, faculty and administrators alike. We must bring up young men and women to believe in the individual and to act upon that belief. There are subtle and powerful pressures toward conformity in the economic, social, and political world. They must be resisted so that differences of taste and opinion will remain a constructive force in improving our society.

### **The Urge to Conform**

In a curious kind of logic the drive toward alienation from our society is unimaginative and collective. The matron in a *New Yorker* cartoon a few years ago looked at her husband who was wearing sandals, jeans, granny glasses and a beard and asked: "Do you have to be a non-conformist like everybody else?" On the campus and from the pulpit the phrase "materialistic capitalism" is spouted by liberal scholars and clergymen with the caustic distaste that was, in the McCarthy

era, reserved for the term "atheistic communism." The mouthing of political economic labels, however, does not indicate an adherence to a principle.

For a teacher to talk realistically with students about socialism and the welfare state may appear as foolhardy as it would be for a politician to denounce motherhood or for a minister to advocate sin. The trend in our teaching, directly and indirectly, is toward favoring some form of socialist economy.

There is a wry comfort for some of us in knowing our ideological counterparts around the globe have their troubles too. In Czechoslovakia educational leaders complained in the official party newspaper, *Rude Pravo*, last year that children learn in schools that socialism is good, but the free enterprise ideas they hear at home confuse them. "The school gives the children a materialist, atheistic, world outlook, but in the family there is still a belief in God and churchgoing."

The freedom of an American has three fundamental limits: (1) the regulations of organized society, (2) the rights of other individuals, and (3) the capacity of the individual. Within these dimensions each individual in the nation has every right to reach as high as he is able. Obviously such a concept of individual freedom

would demolish the myth of mass equality and the belief in community ownership which are the stock in trade of slavemasters and slaves, of despots and dependents.

### **Early Warning**

A quarter century before Robert Owen established his fanciful experiment in community brotherhood at New Harmony, Indiana and almost three centuries before Karl Marx published *Capital*, John Adams warned the nation against leveling schemes:

Debts would be abolished first; taxes laid heavy on the rich, and not at all on the others; and at last a downright equal division of everything be demanded and voted. The idle, the vicious, the intemperate, would rush into the utmost extravagance of debauchery, sell and spend all their share, and then demand a new division of those who purchased from them. The moment the idea is admitted into society, that property is not as sacred as the laws of God, and that there is not a force of law and public justice to protect it, anarchy and tyranny commence.

There is a terrible paradox for us, as teachers, to proclaim a declaration of independence. We are as a profession among the most devoted adherents of what Ayn Rand calls "the cult of depravity and impotence." We fear to test ourselves or our ideas in the mar-

ket place. We claim the benefits of weakness: tenure in office so that we need not compete, and compulsory attendance for students so that we are ensured a monopoly. We pay lip service to individual freedom, but we join with the economically non-productive who claim welfare rights, and the politically privileged who demand subsidies. If the concept of freedom is cloudy to us, it becomes virtually impossible to clarify our value judgment for our students. This point may be clarified by the explanation which is said to be overheard in Warsaw. "Under Capitalism man exploits man; under Socialism it's just the opposite."

### **25 Centuries of Socialism**

I seek no quarrel with those whose conviction it is that individual freedom is a burden from which they would be relieved. I do not, however, wish them to relieve me of my freedom because they believe that my freedom should seem onerous to me.

The renouncing of personal independence, and absolute obedience to law, has been the keystone of twenty-five hundred years of socialism. The "philosopher kings" of Plato, the "general will" of Rousseau, the "co-operation" of Robert Owen, the "Welfare State" of Bismarck all lead to what the

socialist novelist George Orwell pointed out as the basic feature of socialism: a totalitarian and terroristic nightmare. There is neither a collective conscience nor a collective responsibility. The purge trials of Moscow, the extermination camps at Auschwitz, and the peoples' court at Peking are ultimate examples of socialism following its collective dream.

Ironically, it is the "good" socialists who pose the threat to individual freedom in America. In spite of Marxian agitators like Herbert Marcuse and activists like Angela Davis, American institutions have little to fear from Marxism. The great danger is the relentless drive for a Utopia of Fabian Socialism as it is permeated through the Skinner Box of public education. It was the promise of Sidney Webb that "the inevitability of gradualism" will save the world from the evils of capitalism.

Fabians of the 1880's, as the society was formed, would support no violent overthrow of government, no seizure of political power. They would form a socialist *elite* to reconstruct society "in accordance with the highest moral possibilities." They would remake man in their image through education, by planting doubt as to the political capacity of the average man, and by teaching him to look to a

social elite for direction. The national state, according to the Fabians, was a machine which they could take over and use to promote the general welfare.

### **Goals Achieved**

A measure of the Fabians' success may be gauged by noting their goals as stated in the 1880's: social security; compulsory insurance managed by the state; minimum wage laws; progressive taxation on income and inheritance. The *Fabian Essays* of 1889, edited by R. H. S. Crossman, were writings by comfortable and patient men and women willing to use existing political machinery to achieve *their* social solutions in a far distance — years, decades, centuries.

The Fabians preferred John Stuart Mill over Karl Marx. They chose evolution over revolution. As summarized in the Fourteenth Edition of *Encyclopaedia Britannica*, “. . . the impact of Fabianism has been through the gradual permeation of Fabian ideas among teachers, civil servants, politicians, trade union officials and others in influential positions.” Fabian Socialists' goal was not public ownership of all industry, “but a planned economy in which public and private ownership exist together.”

The name of a thing changes, but the thing remains. Today the

term “Fabianism” is virtually unknown while its principles are being widely espoused by today's educators under the concept of “the general welfare.” Throughout the eighteenth and nineteenth centuries the rise in individual freedom was a continuous and spectacular phenomenon. During this century the trend has reversed itself, and the concept of Jeffersonian Democracy seems about as archaic to many Americans as the belief in the divine right of kings. It is now the collective right of the welfare state which holds primacy.

### **A Way of Life**

The Swedish economist, Gunnar Myrdal, has observed Americans of this century as objectively as did the French aristocrat, Alexis de Tocqueville, during the nineteenth. In *Beyond the Welfare State* Myrdal points out to us that socialism, whatever else we may choose to call it, is now our way of life:

The sanctity of private property rights to do what one pleases with a piece of land; or the right to keep all, except a nominal tax charge, of one's income and wealth for private consumption or investment; the freedom to enter upon any profession one wants at one's own risk; the right of the employer to negotiate individually with his workers, to

pay the smallest salary he can for the job, and to hire and fire whom he wants, when he wants; or the right of the worker to leave the shop as and when he desires; indeed, the free choice to own, acquire, and dispose, to work or to rest, to invest, to trade, to move—all these time-honored individual liberties are gradually eaten away by the controls of organized society.

At all levels in our national educational bureaucracy are those who firmly avow and actively foster the principles of Marx and Mao. Others favor the benefits of collective responsibility. Idealists preach "brotherhood" and the commune as the way of life. They search for a new philosophy of hedonism in a mass surrendering of reason and of living by emotion. They would drop out of competitive social systems and return to a pastoral and primitive world. These lovable and not so lovable "fringes" in our schools have only modest and fluctuating followings. But those who continue the fourth generation exposition of Fabian principles are malevolently corrosive.

### **Say What You Believe**

Teachers who believe in the merits of the market system need to clarify their own value systems. When Jesus asked, "who is a neighbor?" his parable pointed

clearly to a significant fact—that an individual, not a collective society, had come to another individual's assistance. We hear the rhetorical question: "Am I my brother's keeper?" and we have been altruistically conditioned to respond with "yes." The answer should be "no." When Cain posed this weasel-worded question, rather than state a forthright answer, he had never been expected under the Hebraic Code to provide for his brother's welfare. He'd just been expected to contain his envy and to refrain from murder.

Our task as teachers who believe in the free market is what Albert Jay Nock called an "Isaiah's Job." To paraphrase the words of Nock, there are in the Nation's classrooms many teachers who believe in the value of individual freedom. "They are obscure, unorganized, inarticulate, each one rubbing along as best he can. . . ."

Thoreau noted that "public opinion is a weak tyrant compared with our own private opinion." It is the values of the individual teacher, what he thinks of himself and in what respect he holds his students, that determine his classroom goals. There are powerful drives toward mediocrity. Only as free individuals can we reverse the course of history.

We can depict the role of Amer-

ican capitalism for what it is — the moral, non-material base of our freedoms. Professor Peter Viereck wrote in *The Unadjusted Man*:

Private property educates its possessors in the moral qualities of sturdy independence, sense of responsibility, and the training of judgment and character brought whenever free choice is exercised in any field, including the economic field. It is these moral qualities, not the gluttonous material ones that have historically associated the rise of personal liberty with the rise of personal property.

It was the fundamental faith of a century of freedom-seekers from Locke to Jefferson that freedom for property would in the end result in liberties for men. During the decade before 1776 Colonial newspapers carried the motto on their masthead: "THE UNITED VOICE OF ALL HIS MAJESTY'S FREE AND LOYAL SUBJECTS IN AMERICA — LIBERTY AND PROPERTY, AND NO STAMPS." Conversely, the emotive nihilistic feeling of valuelessness which permeates the minds of floundering youth in the 1970's is summed up in the lyrics of a popular song, ". . . freedom's just another word for nothing left to lose. . . ." Freedom in teaching and in learning is more than an idea; it is a skill

which will eventually disappear if it is not used.

Any true teacher, whatever his political bias, would take issue with critics of the 1972 Oldsmobile who based their criticism on the embryonic malfunctioning of the 1902 production model. Yet in hundreds of classrooms across the nation there is a continuing denouncement of laissez faire. Conclusions are formed against capitalism because of the monopoly policies of Jay Gould and the "watered stock" sold by Daniel Drew. Surely we need not continue fighting the mouldering ghosts of Henry C. Frick and George Pullman in this age of polyesters and jets.

### **Man Is Evolving**

Capitalism is by historical standards still a young force. It is yet unpatterned and largely experimental. It is still creating and evolving. Its value systems are those of freedoms, individualists, and responsibilities. The philosopher Teilhard de Chardin saw man as nature's phenomenon, "the ascending arrow of the great biological synthesis." No teacher would restrain creativity and aspiration. "Man's chief purpose is the creation and preservation of values," stated Lewis Mumford. "That is what gives meaning to our civilization, and the participa-

tion in this is what gives significance, ultimately, to the individual human life."

Socialist dogma of envious and vitriolic criticism toward American Capitalism labels it "Social Darwinism." Their frustrated name-calling should be a major source of our renewed confidence

in our adoption of freedom of choice as Man's greatest value. "Social Darwinism," like "laissez faire" is not a term for which individualists need apologize. Man evolves in accordance with his freedoms. The great lesson that Darwin gave us is that man has not evolved. He is evolving. ☉

### *Value and Exchange*

FOR ALMOST two thousand years economic investigation was handicapped by the common notion that economic exchange is fair only as long as each party gets exactly as much as he gives the other. This notion of equality in exchange even permeated the writings of the classical economists.

Back in the 1870's the Englishman Jevons, the Swiss Walras, and the Austrian Menger irrefutably exploded this philosophical foundation. The Austrian School, especially, built a new foundation on the cognition that economic exchange results from a *difference in individual valuations*, not from an equality of costs. According to Menger, "the principle that leads men to exchange is the same principle that guides them in their economic activity as a whole; it is the endeavor to insure the greatest possible satisfaction of their wants." Exchange comes to an end as soon as one party to the exchange should judge both goods of equal value.

IDEAS ON



LIBERTY





**BEFORE WE BURN IT DOWN!**

SOME TIME AGO, Reverend Billy Graham spoke with one of the New Left's leading theorists, a part time university professor. Writing of it in *Reader's Digest*, (June, 1969) Reverend Graham added that the young man announced, "Our intention is to tear this country apart."

The religious leader asked, "What system would you substitute after this one's demolished?"

"I don't know," the young man replied, "but anything's better than what we have now."

If our young are so woefully misinformed, perhaps they ought to study in China, Cuba, or the Soviet Union, so that they can see and experience the serfdom suffered by the laborer under state ownership.

One year under those tightly

---

Mr. Wells has been an educator and currently is a free-lance writer and supervisory training consultant.

regimented, totalitarian governments would undoubtedly leave these students as disillusioned as are the young Africans who have studied in Russia. According to Victor Lasky, author of *The Ugly Russian* (1965), Africans quickly learned that socialism was no cure for bigotry. Russian students often surrounded blacks and snickered over racial differences. A boy from Uganda was beaten by a mob of mocking Muscovites. A medical student from Ghana was found dead in the snow, a victim of violence. The Patrice Lumumba University where they study is a segregated school, dubbed "Apartheid U" by the embittered Africans.

The Sino-Soviet split and the intense nationalism displayed by most Russians has been enough to convince many of the brighter black radicals that socialism will not end wars. The tanks rolling into Czech-

oslovakia were proof enough for most that socialism is no guarantee against imperialism. These students have shared the popular Czech joke currently being whispered among the Soviets. "What is the most neutral country in the world?" one Czech is supposed to have asked another. "Ah, Czechoslovakia, of course," his friend replied; "she doesn't even interfere in her own affairs."

So before we burn it down, perhaps we should face up to the alternatives. Pure socialism has never succeeded anywhere. Even though half the working force is assigned to farms, the Soviet Union has never been able to feed its people. According to *U.S. News and World Report* of May 15, 1972, one American farmer *outproduces seven* Soviet farm workers, because the American benefits personally from his increased productivity. The Ukraine, once the breadbasket of Europe, has been unable to feed the people, who have had to rely on wheat sold to them by such capitalistic countries as Canada and the United States.

As Eugene Lyons wrote in *Workers' Paradise Lost* (1967), Russia is a *laboratory test* of the effectiveness of private versus socialized farming. Because of the peasants' resistance and sabotage, Joseph Stalin was forced to grant them the right to own a cow, a few

animals, and a small section of land on which they could produce products for the open market at free prices. These private farms make up *merely three per cent* of the acreage in use, yet they produce forty per cent of all Russia's vegetables, sixty per cent of its potato crop, and sixty-eight per cent of all its meat products.

### **Lazo Finds Problems in Cuba**

Before Fidel Castro seized the farms, Cubans produced almost 8 million tons of sugar. It was Cuba's "money crop." Four years after Castro shot his way to power, sugar production had plunged to 4.8 million tons. To harvest this vital commodity, Castro forced the militia into the fields at the rate of 7 pesos a month (about \$2.00). Conscripts must spend ten hours a day for a minimum of twenty-four months cutting cane or working the fields, policed by armed guards.

When the rebellious deride materialism, they should remember that the abundance of food in the United States is due both to our incentive system and our *industrial advances*. Machinery, improved fertilizers, electrical and mechanized power are contributions made by many of the giant companies that are now being harassed by those wishing to destroy our republic.

Cuba can scarcely feed its own. Toward the end of 1967, butter was no longer available. Chicken could not be bought, nor could fish. Except for infants and the aged, milk could be purchased *only* with a doctor's prescription. Dr. Mario Lazo, a noted Cuban attorney and author of *Dagger in the Heart* (1968), stated that meat was doled out at a quarter of a pound a week — "what Americans consume in a single hamburger." Even the contemptible *malanga*, humble cousin to the potato, which used to be given away free, was being rationed. Despite huge shipments of wheat from Canada, bread, too, was a scarcity. In fact, Castro's regime has been kept from bankruptcy, not only by aid from Russia, but by credit or aid from Canada, England, France, and even Spain.

#### **Communes Fail, Incentives Restored in China**

As for China, according to Morris R. Wills, one of the twenty-one GI's who defected and later returned, Chinese officials attempted to combine the agricultural cooperatives into communes back in 1958. In these communistic units, the diligent worker, the skilled, and the lazy were all paid, not according to their ability or output, but according to their needs, a basic tenet of Marxism. It resulted

in complete, if grim, equality for the serfs, while the influential Party members or highly skilled citizens lived in comfort or even wealth. It also resulted a year later in nationwide starvation. The communes had failed!

"It was a common thing in the countryside," Wills told J. Robert Moskin in an interview for the book *Turncoat* (1966), "to find a baby lying at the side of the road — thrown away." It had died, and, helplessly, the parents had left it there, but make no mistake, they were not indifferent; they were bitter.

The desperate situation forced the Chinese officials to *reintroduce the incentive system*, an important aspect of *capitalism*. Workers were to be rewarded for special effort by monthly bonuses — extra food, extra clothing, extra allowances. In a bakery Wills visited in 1965, he learned the women wrapping candy were being paid *according to piece work!* How Karl Marx would have raged over such bourgeois retrogression! But, unhappily for the Chinese, Marx's theory ignored human nature. It is human to resent injustice. Paying the competent the same as the incompetent infuriates the able and causes them to despair. Seeing no future in their efforts, most cease striving. Any political theorist, of whatever leanings, had best take

into consideration this inescapable fact.

### **Housing Shortages in Russia**

Despite Russia's fifty years of highly touted progress, it cannot adequately house its people. Almost half of Moscow's citizens still share kitchen and bath facilities with other families. In this so-called "laborer's paradise," the workers' requests for apartments get less consideration than do the requests of privileged Communist Party members.

Russia's astounding scientific and technical advances have been equaled or surpassed by other nations, nations that have not had to resort to political genocide and mass enslavement. Furthermore, the New Left ought to make a careful note that when President Richard M. Nixon made his famous visit to Russia as Vice President he found roughly *half* the machines in Novosibirsk's largest machine-tool plant were American made. Many of the rest bore German markings, proof that much of the Soviet's technical progress has been made through the efforts of the free enterprise system.

According to *Time* magazine's annual review in 1929, the International General Electric Company signed a twenty-five million dollar contract to electrify the Soviet Union. Other U. S. corporations

agreed to build a 100-million dollar hydro-electric plant in the Ukraine, steel mills, coal mines, and tractor factories at Stalingrad. Ford sold the Russian government a complete automotive factory, installed and equipped. These are crucial facts, because current leftists too often dismiss the failure of socialism in China, Cuba, and Russia by saying these countries were not sufficiently industrialized for the changeover. They overlook or ignore Russia's utilization of the technical advances created by capitalism. Much of Russia's difficulty came from the resistance of the people. They grew less grain because of heavy taxes and the scarcity of goods. They slaughtered their cattle and uprooted their fruit trees rather than turn them over to the state. They burned their houses, thinking that soon they would get a brand new one from the government. During 1928, nine thousand homes were destroyed by fire in the Russian province of Samarra. Of these, one third, *three thousand*, were gutted because of arson.

### **Red Tape and Waste**

Theoretically, socialism is supposed to be more efficient than capitalism due to state control and centralized planning. In practice, it isn't. It suffers from the same ills

that plague our own huge, cumbersome, Federal bureaucracy. It is strangled by red tape. It suffers from wasteful duplication. Typical is the factory that received *seventy* different commands from *fifteen* overlapping, government bureaus. Since it isn't necessary to show a profit for a plant or factory to survive, gross inefficiency continues year after costly year. Unlike our own economy, however, there is no free enterprise system to support bureaucratic mismanagement.

The humor of the people is perhaps more revealing than are the periodic progress reports. One story tells of a leading Communist who died and was sent to hell. At the entrance, Satan offered him the choice of two gates, one marked "Capitalists," the other "Communists."

"I'll take the Communist hell, naturally," the Russian replied.

"Oh?" said Satan.

The Communist nodded cynically, then added, "Yes. There's bound to be a fuel shortage there."

As *Nation's Business* pointed out, if we wanted to match Russia's economy, we would have to: "tear down sixty per cent of our homes, demolish sixty per cent of our steel mills, rip up two thirds of our railroad tracks, destroy nine out of every ten telephones, and reduce our standard of living

a full sixty per cent." Of course, in comparison to China and Cuba, Russia has indeed made giant strides. Mao and Castro have reduced the worker's lot to grim survival.

### **Government Doesn't Wither**

Furthermore, the government that Karl Marx said would decrease in importance and disappear, remains as strong as ever. It has become entrenched by suppressing all dissent. Recently, seven Russians were imprisoned for merely complaining about the plight of the worker (*Facts on File*, November 26, 1969).

In Cuba, according to Dr. Lazo, a person cannot change his residence or transport so much as a chair or lamp to a new apartment without the knowledge and consent of the Committee for the Defense of the Revolution.

China, like Cuba and Russia, has found the most insidious instrument of tyranny is the informer. For awhile, Wills played poker with an American couple also working with the Chinese Communists until their children walked in to demand the gambling be stopped or the children themselves would report it.

Borrowing a device from Czar Nicholas I, the Soviet leaders have had many critics declared "demented" and placed in insane asyl-

ums. So, before we tear down our republic, perhaps we should decide: Do we want a system where the sane are caged and the mad allowed to rule?

### **Paper Promises**

So long as socialism remained an untried theory, it was understandable that idealistic young men and women should be drawn to it. It promised much: more efficiency in the productive capacity of a country, equality for all, an end to depressions (such as the famines both the Soviets and the Chinese Communists have suffered), a fairer distribution of the goods, and — once the state had been abolished — a true democracy of the people.

The promises were *paper* promises. They have all failed to materialize. Today, the only explanation for the continuing dream of a Utopian Socialistic Society is lack of knowledge or a belief that by destroying the free world, there

need be no atomic war. In view of the possible consequences, to remain ignorant is criminal negligence.

As for the fear of a world-wide holocaust, there is no guarantee that the internal destruction of America would end this awesome threat. Such a belief is naive and illogical, for if a socialistic China can split with a socialistic Russia, there is no reason to believe a socialistic America would fare any more harmoniously.

At a prominent Eastern university, the majority of young men who were polled agreed with the slogan, "Better Red than dead." But how many of these knew they were voting for slavery? Surely, if the real test comes, the majority of Americans will choose the words of Franklin Delano Roosevelt, as expressed in his third Inaugural, (January 20, 1941): "We, and all others who believe as deeply as we do, would rather die on our feet than live on our knees."



### **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.

IDEAS ON



LIBERTY

CLARENCE B. CARSON

THE  
FOUNDING  
OF  
THE  
AMERICAN  
REPUBLIC

18

The Bill  
of Rights

THE THRUST for a list of rights to be added to the Constitution gained momentum during the debates over ratification which took place in the states. No distinct statement of rights had been made a part of the Constitution, nor did it contain any systematic protection of those rights traditionally thought to be in especial need of defenses. To some few within the convention, and to a much larger number of those who were not there, the omission was a deficiency that must be corrected or the Constitution rejected. In retrospect, it appears strange that the men who sat in the convention should have neglected to supply something that was so universally considered essential by Americans and the absence of which so many would judge to be a fatal defect of their work. Among the reasons they did not were these: the leaders were focusing their efforts on getting a stronger general government, not upon restraining it; declarations of rights had not proved to be substantial deterrents to governments within the states; and, as some would argue, it was unnecessary to have such restrictions for a government possessing only enumerated powers. However good their

---

Dr. Carson, noted lecturer and author, is Chairman of the Department of History at Hillsdale College in Michigan. The articles of this series will be published as a book by Arlington House.

reasons might be, the omission ran counter to American tradition and the predilections of the bulk of the populace.

The belief in the necessity of a bill of rights went deeper than the *American* tradition, too. Britons traced their liberties to restraints on government. That was the lesson, Americans thought, of Magna Charta, of the Petition of Right, and of the Bill of Rights. That government should be restrained by documentary prohibitions was deeply ingrained in Americans with a British background.

Statements of rights, too, drew much force from natural law theory which underlay so much of American constitutional theory. The doctrine of natural rights not only held that man has certain rights in the nature of things but that government which is charged with protecting them tends, if not restrained, to invade and diminish them. The accepted means for introducing protections of such rights into practice was by way of distinct bills of rights. By natural law theory, they do not become rights because attention is called to them in fundamental instruments of government — they inhere in the nature of things; but many believed that there was greater likelihood of their being observed if they were written into fundamental law.

The example of the states appeared conclusive to many. If state governments which were much more closely dependent upon popular support had to be restrained, then how much more necessary would be restraints on a general government which was remote from the people both in physical distance and by the manner in which its branches were to be chosen.

Conventions proceeded state by state to the consideration of and debate over ratification following the submission of the Constitution to the states in September of 1787. The Constitution provided for ratification by conventions made up of delegates chosen by electorates within states. For it to go into effect, it was mandatory that two-thirds of the state conventions approve the Constitution. Approval required only a majority vote. Whether a state which failed to ratify would be excluded from the union was not stated in the Constitution, but presumably the state would have to take some kind of affirmative action to come into it. Most of the states acted with dispatch to hold elections followed in short order by conventions, but Rhode Island refused to hold a convention until 1790, and the North Carolina convention adjourned without acting on ratification in July of 1788.



**"The Federalist"**

The debates over ratification within the states have retained considerable historical interest. Perhaps the most important reason for this is that during these debates a thorough examination and exposition of the principles of the Constitution took place. Its strengths, weaknesses, and nature were thoroughly explored. The greatest brief in support of the Constitution was *The Federalist*, a book which was first published as newspaper articles for the express purpose of getting New York to ratify the Constitution. The articles were published under pseudonyms, but the bulk of them have since been attributed to Alexander Hamilton, a goodly number of the others to James Madison, and a few to John Jay. They are generally considered to be the most authoritative exposition of the original Constitution, despite the fact that they must have been composed in considerable haste for a specific occasion. Their success is a tribute not only to the brilliance of Hamilton and Madison particularly but also to the superiority of the analytical tools and rhetoric of an age. Though papers in opposition to ratification were published in a losing cause, some highly perceptive ones were brought forth; of these the most important were by George Mason, Richard Henry

Lee, and Elbridge Gerry. In several of the conventions, spirited and lengthy debates took place. The debates in the Virginia convention were the most thorough, as befitted the leading state in America, followed by those in Massachusetts and New York.

**Loopholes Feared**

The other matter to come out of the debates to make them lastingly important was the demand for, promise of, and eventual adoption of a Bill of Rights. There were many objections raised to the Constitution in the debates. Some saw it as establishing a general government of such powers that as they were augmented over the years would tend to extinguish the independence of the states. The powers of the President were much too great, critics declared, and since there was no barrier to reelection, he might become, in effect, a ruler for life. The Senate, too, came in for much criticism, since it was remote from the people, the terms of its members were long, and its powers were intertwined with those of the President. Hardly a phrase or idea or provision of the Constitution that did not somewhere by somebody come under biting criticism. Even the phrase, "We the people," in the preamble was found to be offensive: reference should have been

to the states rather than the people, they thought. Much of the criticism was frivolous, some of it was entirely off the mark, and part of it was arrived at by simply misconstruing what was provided in the Constitution. The heart of the criticism, however, was that a government was being set up unrestrained by sufficient protections of traditional and natural rights. Until this deficiency should be made up, there were a great many who simply could not accept the Constitution.

#### **Hamilton's Ingenious Argument**

Alexander Hamilton attempted to make as full answer as could be made to the proponents of a bill of rights in *The Federalist* number 84. He noted, first of all, that certain rights were protected within the Constitution, such as the right to a writ of *habeas corpus*, to trial by jury, and so forth. So far as particular bills of rights are concerned, he pointed out that they were, in their inception, instruments to restrain monarchs, hence, of doubtful appropriateness in a republic. Perhaps the most ingenious part of his argument is contained in the following, however:

I go further and affirm that bills of rights, in the sense and to the extent in which they are contended for, are not only unnecessary in the proposed

Constitution but would even be dangerous. They would contain various exceptions to powers which are not granted; and, on this very account, would afford a colorable pretext to claim more than were granted. For why declare that things shall not be done which there is no power to do? Why, for instance, should it be said that the liberty of the press shall not be restrained, when no power is given by which restrictions may be imposed? I will not contend that such a provision would confer a regulating power; but it is evident that it would furnish, to men disposed to usurp, a plausible pretense for claiming that power . . . This may serve as a specimen of the numerous handles which would be given to the doctrine of constructive powers, by the indulgence of an injudicious zeal for bills of rights.<sup>1</sup>

Patrick Henry probably made as good answer to Hamilton as could be made when he spoke on the subject in the Virginia convention:

Mr. Chairman, [he said] the necessity of a bill of rights appears to me to be greater in this government than ever it was in any government before. I have observed already, that the sense of the European nations, and particularly of Great Britain, is against the construction of rights being retained which are not expressly relinquished. I repeat, that all nations have adopted this construction — that all rights not expressly and unequivocally reserved to the people are impliedly and incidentally relinquished

to rulers, as necessarily inseparable from the delegated powers. It is so in Great Britain; for every possible right, which is not reserved to the people by some express provision or compact, is within the king's prerogative . . . It is so in Spain, Germany, and other parts of the world.

### ***Demand for Specific Limitations***

Whatever the merits of the arguments on either side, feeling was strong for a bill of rights and opposition was great to a Constitution which did not contain one specifically. As one recent account says, many were "sincere in deploring the failure of the Constitution to defend basic freedoms in so many words. At worst these prohibitions would do no harm, and might be expected to work much safety. America had recently, in the Revolution, freed itself from certain concrete oppressions by a distant government, and these should not be allowed to creep in again by any eventuality."<sup>2</sup> Richard Henry Lee penned a poignant plea for just this during the debates:

. . . Fortunate it is for the body of a people, if they can continue attentive to their liberties, long enough to erect for them a temple, and constitutional barriers for their permanent security: when they are well fixed between the powers of the rulers and the rights of the people, they become vis-

ible boundaries, constantly seen by all, and any transgression of them is immediately discovered: they serve as sentinels for the people at all times, and especially in those unavoidable intervals of inattention.<sup>3</sup>

Indeed, so strong was the sentiment for some sort of bill of rights that the Constitution received ratification in several crucial states only after the promise that one would be added.

### ***Broad Support for Constitution Despite Criticism***

Though the debates over ratification of the Constitution do provide valuable insights into it — and opponents did make some telling points — it is easy to make too much of them. Some twentieth-century historians have alleged that the Constitution was unpopular, that its ratification was accomplished by underhanded maneuvers, and that had a larger electorate been consulted it might not have been adopted. This is not only speculative but also argumentative, for it assumes that uninformed opinions should be given equal weight with the opinions of those who had studied the questions carefully. In fact, in most places the Constitution had the support of the bulk of men of learning and substance as well as most of the leading characters in the country. Most of the more

thoughtful opponents of ratification of the Constitution as it stood were by no means wholehearted in their opposition.

Besides, the vote in favor of ratification in most states was not close. Delaware ratified the Constitution December 7, 1787, by a vote of 30-0; Pennsylvania followed on December 12, by a vote of 46-23; New Jersey was unanimous for ratification a few days later, 39-0; Georgia unanimous on January 2, 1788, 26-0; Connecticut overwhelmingly approved, 128-40, on January 9. The vote was close in Massachusetts, 187-168, but ratification was achieved on February 16. The Maryland vote in favor of ratification was not even close; it was 63-11, despite the fact that several Maryland delegates to the Constitutional Convention at Philadelphia opposed it. Those in favor of ratification in South Carolina won handily, 149-73, on May 23; New Hampshire followed on June 21, 57-47. Nine states had now ratified it, and the Constitution could be put into effect. But the chances of succeeding without Virginia and New York were slim. Attention now focused on their conventions.

### ***The Debate in Virginia***

In the Virginia convention which met for most of June, both sides were most reluctant to take

a vote for fear of losing. This was one of the reasons the debates were so prolonged and the examination of the Constitution so thorough. James Madison was the leading exponent of the Constitution, ably assisted by John Marshall among others. Patrick Henry was the most tenacious opponent of ratification. When the vote was finally taken, it was 89 to 79 for ratification. The New York vote was even closer; that state ratified the Constitution by a vote of 30-27 on July 26. Thereafter, Americans turned to the task of organizing and getting the new government underway. North Carolina finally ratified the Constitution in November 1789 by a vote of 194-77. With all the other states in, and under the threat of a boycott, Rhode Island finally held a convention in 1790 which proceeded to the ratification of the Constitution by the narrowest possible margin, 34-32.<sup>4</sup> There were some close votes, then, but the composite picture is one of widespread willingness to try the new Constitution and almost universal acceptance of it when it had been amended. The fact that opposition dwindled into insignificance once it was ratified shows the limited nature of that opposition; the opponents could accept its adoption as a condition of political life which they found tolerable. The

main questions about the Constitution now concerned how it should be amended and interpreted.

Of course, the opposition did not melt away until the Bill of Rights was made a part of the Constitution. Moreover, North Carolina's (and probably Rhode Island's) ratification of the Constitution was given impetus by the fact that such amendments were in the process of being adopted. Thus, while other things of great moment for the founding of the American Republic were taking place between 1788 and 1791, it is appropriate to complete at this point the discussion of the Bill of Rights.

#### **Madison's Role**

Whether James Madison was the Father of the Constitution may remain debatable, but that he was the Father of the Bill of Rights is as near indisputable as such things can be. He examined the proposals as they had come from the state conventions, pondered the question of what rights were generally in greatest need of protection, and as a member of the first House of Representatives kept bringing the matter up until the House consented to act. Moreover, Madison served on the committee which brought forth the proposals as well as on the joint House-Senate committee which worked out the

final form of the amendments. There were suggestions at the time that he was less than enthusiastic about a bill of rights — as well as suggestions since that he deliberately made them vague and imprecise —, but the record shows him working diligently to get something done when many of those who had been called Federalists were dragging their feet and some of the anti-Federalists were more inclined to niggling criticism than to working toward what could be achieved. Madison did oppose going into intricacies in the amendments; let us, he said, “confine ourselves to an enumeration of simple, acknowledged principles,” for by doing so, “ratification will meet with but little difficulty.”<sup>5</sup> Surely this was wise counsel.

#### **A Happy Choice**

Two pitfalls were avoided by the manner in which the Bill of Rights was made a part of the Constitution. It was passed by two-thirds majorities in the House and Senate and ratified by legislatures of the states, with concurrence by three-fourths of the states being necessary for adoption. The method used was one of amendment rather than of inserting these protections of rights within the body of the original Constitution. The first pitfall would have

been the calling of another constitutional convention to produce a bill of rights. Those who wanted to get on with establishing a general government were most desirous of avoiding any such gathering, for it would most likely get out of hand and proceed to the undoing of the work of the first convention. To have the amendments advanced by Congress not only avoided that danger but also utilized the legislative branch of the new government in one of its more important functions, thus enhancing the prestige of the new government. Madison had at first thought that protections of rights should be placed within the original Constitution, but the House decided that they should be added as amendments. This, too, was a happy decision, for it avoided the spectacle of Congress tampering with the Constitution and setting the precedent for its being rewritten from time to time by the legislature.

The Bill of Rights was submitted to the states in September of 1789 and acquired a sufficient number of state votes of approval to go into effect in December of 1791. Twelve amendments were submitted, but two were not approved. The first of the two dealt with apportioning representatives in the House and would have fitted poorly in a bill of rights. The second laid

down rules about determining the pay of members of Congress and would have been equally ill-placed at the head of an enumeration of rights and privileges. Madison had hoped to include an amendment which would have restricted the states as well as the general government from violating basic rights, but this proposal was turned down in the Senate.

### **A Bill of Prohibitions**

The first ten amendments to the Constitution contain a list of restrictions, some specific, others more general, on the United States government. It would not be incorrect to call them a Bill of Prohibitions instead of a Bill of Rights, for they are in the nature of prohibitions. They are not so much a list of rights as they are a series of protections of rights. The phraseology is generally negative: "Congress shall make no law," "the right of the people to keep and bear Arms, shall not be infringed," "no Warrants shall issue," "No person shall be held," "no fact tried by a jury shall be otherwise re-examined," "Excessive bail shall not be required," "shall not be construed," and "powers not delegated."

The meaning of this negative formulation and restrictive character can be succinctly stated. Some constitutions have contained

declarations of rights which were more or less extensive lists of the rights supposed to belong to the people. Such lists tend to be ineffective and to amount to little more than pious wishes of those who state them. If one has a right, who is it against, and how is it to be enforced? For example, suppose it be declared that the people have the right to free speech. This is a noble sentiment, but unless there is a prohibition against someone who would violate it, it is of no use. Moreover, even if such a general right were enforced, it might well be done so as to limit someone else's speech.

#### **Fear of Government**

The Founders were generally of the opinion that once law and order had been established the greatest danger to rights came from government itself. The movement for a bill of rights to be added to the United States Constitution came specifically from those who feared that the government it established would violate them. For example, Richard Henry Lee was involved in the debates in the Senate over whether a bill of rights was necessary. Some said that they needed more experience to determine which and if amendments were necessary. Lee indicated in a letter that he thought there had been experience enough

“to prove the propriety of those great principles of Civil liberty which the wisdom of the Ages has found to be necessary barriers against the encroachments of power in the hands of frail Man.”<sup>6</sup> Wherever government power was lodged, there must be a variety of restrictions and limitations on its exercise if men's rights were to be protected; so thought most Americans of that day.

#### **Specified Rights**

The first two amendments deal with certain specified rights. The first reads: “Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press, or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.” An established religion is one which is supported by government, i.e., by tax money, by requiring attendance, or other such aids and privileges. To say that Congress should make no law prohibiting the free exercise of religion would appear to mean that Congress should not concern itself with either prescribing or proscribing religious practices. (This prohibition did not extend to state governments, since they were left free to prescribe or proscribe religions, limited only by their own

constitutions.) The right to believe and practice any or no religion was usually described at the time as the "right of conscience." Free speech, free press, peaceful assembly, and the right to petition did not mean so much as one might suppose. The historical problem had been that those who governed had used such restrictions to prevent criticism of themselves or influences upon their actions. What the Founders were primarily, probably exclusively, interested in protecting was the right of the people to speak, write, assemble, or petition so that they might freely characterize, criticize, or influence those who governed them. It is most doubtful, for example, that they any more conceived of the right to a free press as a right to publish pornography than that they thought of the right to assemble as the right to intimidate. It is true, of course, that governments may restrict speech, the press, and assembly on other grounds than protecting those who govern from criticism and influence, but it is not clear what the incentive would be except for some public, as opposed to personal, reason. Be that as it may, the first amendment provides protections for several traditional rights generally most prized and often standing in need of protection.

**The Right to Bear Arms:  
Argument for a Trained Militia**

The second amendment is the most peculiarly phrased of all of them, and for that reason its import is somewhat obscure. It says, "A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed." The first two phrases are surely rhetorical flourishes rather than prohibitions on government. The only rights involved are those of keeping and bearing arms. There is no mystery about the right to keep arms; it means simply the right to store them on one's property. The right to bear arms is subject to two interpretations. It might mean simply the right to carry them about from place to place. But in the context of the opening phrases, it might mean also the right to serve in the militia. The larger purpose of the amendment appears to have been to tip the scales in favor of citizen armies. Few things were more feared at the time than armies composed of foreign mercenaries. Indeed, standing armies from whatever source were considered a grave danger. A government with these at its disposal could go far to impose its will on the people, as had occurred at many times in the past. The suggestion of the amendment, per-



haps it should be called a hint, is that the military force should be assembled from part-time soldiers who composed the militia. The effectiveness of the militia would be greatly enhanced, they thought, if its members were practiced in the use of firearms. This would be greatly facilitated if they were permitted to keep as well as to bear arms. Arms in the hands of the citizenry would also be a safeguard against either foreign mercenaries or standing armies.

#### ***A Man's Home Is His Castle***

Amendments three and four deal with both rights and procedures. The primary right involved is the right to the use of one's home in privacy and security. "A man's home is his castle" is an ancient saying, and these amendments were aimed to make this so as against the United States government. The third amendment prohibits the quartering of soldiers in private houses, in time of peace without the consent of the owner, and in time of war only according to rules laid down by law. The fourth deals with searches and seizures and prescribes the procedures by which they may be done.

Amendments five through eight are concerned almost entirely with processes by which government may take life, liberty, and prop-

erty. They constitute restrictions which government is supposed to observe when it is going about the business of taking one or more of these from a person. It may appear ironic that a government which is supposed to protect life, liberty, and property may also take these on occasion. Yet, it has been the considered judgment of most men through the ages that governments must take one or more of these from persons from time to time in order to protect the life, liberty, and property of the generality of people. It was also the view of the Founders that these are dread actions which must be hedged about with procedures and prohibitions to assure that men are not casually deprived. Article V declares, in part, that no person shall be "deprived of life, liberty, or property without due process of law." Most of these processes are set forth in amendments five through eight, such as, trial by jury, indictment by a grand jury, compulsory processes for obtaining witnesses by the accused, and the right to counsel.

#### ***To Protect the Innocent***

The courts exist, however, to settle disputes and to discover and punish malefactors. The primary purpose of the criminal courts is to protect the life, liberty, and property of peaceful persons by

dealing sternly with those who violate them. They do not exist for the purpose of protecting criminals; if this were their purpose, it is doubtful that society would be sufficiently concerned to establish courts. Those who attend only to the Bill of Rights might suppose that our constitution-makers were concerned only with the rights of the accused. They were not, of course; the basic business of government and of the courts was assumed — so apparent as hardly to be worth stating —, whereas, the supplementary matter of protecting the accused and the criminal was considered worthy of concentrated attention.

### ***Umbrella of Protection***

The ninth and tenth amendments provide the general protections of rights; they were drawn as an umbrella over the whole to protect the individual and the states from encroachment by the general government. The ninth specifies that "The enumeration in the Constitution of certain rights, shall not be construed to deny or disparage others retained by the people." Opponents of a bill of rights had pointed out that it would be impossible to spell out all the rights which men might justly claim. The listing of a few of them might set up the presumption that those not listed did not

belong to men as rights. This article was intended to make it as clear as could be that all manner of rights still belonged to the people, though no mention was made of them in the listing.

The tenth amendment puts the roof on the edifice, so to speak. It proclaims that "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." The language derives its impact from the natural law philosophy. On this view, rights belong to individuals in the nature of things. The powers of government are justly derived from the people, and since these governmental powers place some limit on individual rights they must be acquired by delegation (or by usurpation, which would be unjust, of course). The powers not delegated, then, whether it be to the general government or to the states, are reserved.

### ***Room for Flexibility***

There were those who would have attached the modifier "specifically" to "delegated," but they were defeated in their efforts to do so. This raised the specter of endless wrangling over whether the power to perform acts in order to exercise the powers delegated had been granted or not. More


deeply, the inclusion of the modifier would have posed the problem whether this government could exercise powers that are said to be inherent in government or not. Perhaps there was no need to retain the notion of powers inherent in government, but men who have just been engaged in the business of drawing up a constitution may be forgiven for being uncertain as to whether they had covered the whole ground or not. They might have, for aught they knew, failed to grant powers specifically which would shortly be necessary to the performance of functions which they had readily conceived. At any rate, the tenth amendment can be accurately construed as restrictive — that is surely its purpose — but not as confining as it would be if “specifically” were added to it.

#### ***A Unique Position***

Any amendment to the Constitution occupies a unique position in the American system. It supercedes anything preceding it which is contrary to it; that is, it becomes the governing article in the matters with which it deals. The first ten amendments, however, occupy an even more prominent place in the Constitution than their position as amendments would perforce give them. They were conceived as and quickly be-

came known as the Bill of Rights. They were thought of, in part, as taking their place alongside Magna Charta, the Petition of Rights, and the British Bill of Rights. But the American Bill of Rights is significantly different from and more than these great British guarantors of the rights of Englishmen. For the British bethought themselves only to guarantee themselves against encroachment by the monarch. Whereas, the American Bill of Rights draws a line between the whole government and the citizenry which the government is not to transgress. In doing this, it differs somewhat from the original Constitution. That instrument generally grants and restricts powers in terms of branches. This mode was continued in the first amendment, then abandoned in the rest, so they may be interpreted as restraining the whole Federal government. The American Bill of Rights is informed by the idea that it is not just the executive, not only the courts, but also the legislature that must be restrained. Government itself — in all its branches and so far as it may reach — is a potential threat to the people under it. If they are to be secure in their rights, if they are to enjoy their lives and possessions, that government over them must be kept to its appointed tasks and

observe the procedures prescribed for it.

The adoption of the Bill of Rights reconciled most of the opponents of the Constitution to the new government. With it as a bulwark of defense against consolidated government, all the states could come into the union. The Bill of Rights did not yet reach through to all the inhabitants of the United States, but the provisions were such that all could desire to be covered by them. 

• FOOTNOTES •

<sup>1</sup> Alexander Hamilton, et. al., *The Federalist Papers* (New Rochelle: Arlington House, n.d.), pp. 513-14.

<sup>2</sup> Broadus and Louise Mitchell, *A Biography of the Constitution* (New York: Oxford University Press, 1964), p. 189.

<sup>3</sup> Forrest McDonald, intro., *Empire and Nation* (Englewood Cliffs: Prentice-Hall, 1962), pp. 134-35.

<sup>4</sup> See Merrill Jensen, *The Making of the American Constitution* (Princeton: D. Van Nostrand, 1964), pp. 141-46.

<sup>5</sup> Mitchell and Mitchell, *op. cit.*, p. 196.

<sup>6</sup> Quoted in Robert A. Rutland, *The Birth of the Bill of Rights* (New York: Collier Books, 1962), p. 215.

Next: Establishing the Government.

### **Government of the People**

GOVERNMENT, as has been before observed, is in the very nature of it a Trust; and all its powers a Delegation for gaining particular ends. This trust may be misapplied and abused. It may be employed to defeat the very ends for which it was instituted; and to subvert the very rights which it ought to protect. . . . Nothing, then, can be more absurd than a doctrine which some have taught, with respect to the omnipotence of parliaments. They possess no power beyond the limits of the trust for the execution of which they were formed. If they contradict this trust, they betray their constituents, and dissolve themselves. All delegated power must be subordinate and limited. If omnipotence can, with any sense, be ascribed to a legislature, it must be lodged where all legislative authority originates; that is, in the PEOPLE. For *their* sakes government is instituted; and theirs is the only real omnipotence.

IDEAS ON



LIBERTY

RICHARD PRICE

*Observations on the Nature of Civil Liberty, 1776.*



## — Mainline to Disaster

ROBERT PATTON

IN THE LONG-STANDING debate over the question of drug legislation in the United States, two major and opposite positions stand out. There are those who call for immediate legalization of marijuana. Some would go so far as to lift the ban on all drugs including heroin and other so-called "hard" narcotics as well. Others decry what they see as a breakdown in moral order and vehemently oppose any letup in the government's war against the manufacture, sale, and use of illegal drugs. They frequently point to the high incidence of drug-related crime — particularly in major population centers such as New York City — as a major argument for their case against drugs.

There can be no argument against the obvious fact that such crime is on the rise. The problem has reached such proportions that law enforcement officials frequently point with pride to a decrease in the *rate of increase* of violent crimes against persons and property in a given year. And the connection between drug addiction and crimes against persons and property is well documented. To sustain a \$50 per day narcotics habit, the addict needs resources, which may lead him to

---

Mr. Patton is a graduate student and part-time lecturer in physics at Hunter College in New York City.

steal enormous amounts of property ranging to \$2500 or more *each week!*

Few would argue with the assertion that the widespread use of drugs is detrimental in the extreme both to the unfortunates who have become dependent upon them and to others who pay a bitter price in property loss, personal injury, and the debilitating fear that oppresses those who dwell in our once great cities. The very foundations of our social order would appear to be threatened by this pernicious epidemic that rages unchecked through our midst. Most pitiful is the fact that the primary victims of narcotics addiction are the young — those in whose hands our future rests.

### **Hunting the Villains**

Human nature being what it is, it is perhaps not surprising that our first instinct is to seek the villains that are responsible for our affliction. And find them we do. We find them in the persons of popular singers who, allegorically or directly, extol the virtues of drugs in their songs, in the pushers who prowl our streets, campuses, and even playgrounds. And we find them in the specter of organized crime, the syndicate, the international narcotics czars.

The answers seem obvious. Crack down on the street pusher.

Guard the borders. Impose economic sanctions on the countries of origin. Clean up our films, our books, our records. Use the powers of the Federal Communications Commission to deprive the apostles of drugs of the podium from which they transmit their message of doom to our nation's youth.

But many of these answers have been tried to one degree or another, whereas the problem grows at an accelerated pace. Why? Again the obvious answers. Soft judges. Corrupt police. Lax customs agents. Spineless do-gooders in government. Get tough — declare all-out war on narcotics — and the problem will be solved.

Unfortunately, we are all too slow to learn from our mistakes. We have, after all, trod this path once before, in the twenties, the era of bathtub gin, the speakeasy, and the St. Valentine's Day massacre. The conclusions that can be drawn from our nation's experience with alcohol prohibition are painfully obvious. Contrary to the desires of our undoubtedly well-intentioned legislators, the net effect of the Eighteenth Amendment was to increase the use of hard liquor in the nation; the effect of repeal was to decrease it, although never to its pre-Prohibition level.

This argument, of course, has

been raised before and the usual reply is that hard narcotics such as heroin are incomparably more dangerous to the individual and to society than alcohol. It is further argued that, in attempting to eliminate the use of alcohol, prohibition was doomed to failure because alcoholic beverages are part of our Western cultural tradition.

### **Half-Truths**

These arguments are both true and dangerously misleading. Certainly, heroin is far more dangerous in its effects than alcohol. But if the parallel we have been drawing between Prohibition and present drug legislation is valid then there is all the more reason to believe that the net effect of drug prohibition will be infinitely more pernicious than alcohol prohibition proved to be. Furthermore, while narcotic use is not yet a part of our Western tradition, there is every reason to believe it is fast becoming so and that drug prohibition is largely responsible. Let us not forget that many of the folk heroes of our Revolution, such as John Hancock, were smugglers who openly defied the authority of the British crown. Can anyone deny that within an increasingly large segment of our nation's youth — men of the same age as those who defied the rule of force at Lexington and Concord — there

is much the same regard for those who defy our drug laws as there was for the Hancocks during our beginnings as a free and independent people.

It is ironic that the strongest support for the enforcement approach to the drug problem tends to come from the ranks of political conservatives. For it is from conservative economic theories that the most devastating argument against drug control through legislation can be made: the argument that the only effective control of harmful drugs is that imposed by the untrammelled operation of the free market. In such a market the will of the consumer, as expressed through the mechanism of price, reigns supreme.

### **They Prey on the Young**

The biggest villain in today's drug picture is the unscrupulous pusher whose prey are the young people on our college campuses, schoolyards, and playgrounds. Those that become his customers may eventually have narcotics habits that cost as much as \$500 per week to support. For the vast majority of addicts, to support such a habit by honest labor is impossible. And so the addict enters a twilight world in which long periods of driving need are punctuated by moments of incapacitating euphoria. He lives from fix

to fix; nothing else matters. To get that next fix he will lie, cheat, steal or even kill if necessary. No wonder then that some 60 to 80 per cent of all crimes against property are committed by narcotics addicts. Yet, these crimes are committed to supply a habit that, in the absence of restrictive drug legislation would cost no more to maintain than the habit of a heavy cigarette smoker. How many tobacco merchants do we find haunting elementary school playgrounds to entice youngsters into smoking their first cigarette? The very suggestion is ludicrous. Why? Simply because the profits on the sale of cigarettes do not supply sufficient incentive.

Thus the very actions of government that are intended to curb the use and sale of dangerous narcotics act instead to line the coffers of organized crime. Suppose the all-out war against narcotics that many call for were actually initiated. Forgetting the inevitable corruption in the ranks of those who would be called upon to fight this crusade, let us assume that the government succeeds in totally shutting off *all* of the present sources of narcotics. What would be the immediate consequences of such a program?

The addict, thus deprived of his usual source of supply would be driven to the point of desperation.

Burglaries and robberies of pharmacies and doctor's offices would likely reach record heights. What small supplies of narcotics remained on the streets would change hands at fantastically inflated prices. Those who could not pay these prices would either steal drugs or do without. But an addict cannot "do without" drugs in the same way that one can do without a new shirt or a pair of shoes. The vast armies of addicts who were left without the psychological crutch that their habit provides would represent an enormous potential market for anyone who could supply their need. The precise way in which that need would be filled cannot be predicted. That it would be filled is a certainty.

### **Market Principles**

The principles that apply here are identical with those that apply to any market situation. Economic law knows no moral code. When the demand for any commodity outruns the supply, the price of that commodity will inevitably rise. At the present time, the "market" price for heroin at the level of the street dealer is more than one hundred times the cost of manufacture. The reason is plain. The manufacture, sale, and distribution of heroin is a high-risk venture. The action of government, and nothing else, is responsible



for the high price levels that now prevail. The "all-out war" that we are discussing would further raise these prices in proportion to the intensity of the crackdown. The illegal drug market is subject to the very same principles of economics that apply when the issue is price control or minimum wage legislation.

On September 21, 1970, the Federal government initiated a crackdown on the illegal drug traffic across the Mexican border. Operation Intercept, as it was called, was an unqualified success; the *New York Times Encyclopedic Almanac* for 1970 calls it "the largest civil search and seizure operation ever conducted in peacetime." A virtual army of radar-equipped patrol boats and search planes slowed the immense flow of narcotics (chiefly marijuana) into this country from Mexico to a dribble. The result? One month later, on October 22, a joint legislative committee of Congress heard testimony that heroin use among New York City youngsters had jumped alarmingly. By drying up the supply of marijuana, Operation Intercept had raised street prices to the point that heroin became competitive with it.

The inevitable consequences of the enforcement approach to narcotics has been stated most succinctly by Peter Drucker writing

in *Saturday Review* of May 13, 1972:

Paradoxically, every "victory" in the "war against narcotics" increases the profitability of this trade and soon creates new pushers, more addicts, and bigger profits. When the narcotics agents "smash a drug ring" and confiscate 50 kilograms of heroin, the drug temporarily becomes scarce around Manhattan, in downtown San Francisco, or on Harvard Square. The price goes up — and with it the profit for the drug rings whose sources of supply are still intact. Addicts become more desperate. Crime and violence — and with them, fear — rise more sharply. More people are lured by their own need and by the high profits into becoming peddlers and pushers, producing still more addicts.

But this has been perhaps a bit one-sided. What of the government's point of view? What do the officials charged with "curbing the drug traffic" have to say? Interviewed by *U.S. News & World Report* in their September 25, 1972 issue, Nelson G. Gross, Senior Adviser, International Narcotics Matters, Department of State, was asked if progress had been made in stopping the illegal importation of heroin. Responding in the affirmative, Mr. Gross described the tangible results of an eighteen-month government crackdown on the international drug traffic: "The availability of heroin on the streets is less than it was a year ago. The

quality is not as good. The wholesale price is higher, and the retail price — which is what addicts pay — is higher." Later in the same interview, Gross indicates that he is aware of a second major consequence of the crackdown as he points out that ". . . those engaged in the drug traffic are turning to other sources of supply, and new routes are being developed to keep the flow of heroin coming to the U.S."

Gross also refers to the growing traffic in low grade, Mexican "brown" heroin. "There has not been an appreciable amount of brown heroin used within our borders," he observes, "although increasing supplies are beginning to appear *as a result of the East Coast shortage of heroin.*" [italics added]

Incredibly, there is no disagreement between Gross and Drucker as to the consequences of strict enforcement of drug prohibition.

### **Methadone Addiction**

The current methadone controversy is a second case in point. Methadone is a synthetic drug that, taken in appropriate doses, can satisfy the heroin addict's craving and prevent the appearance of withdrawal symptoms without inducing euphoria. Doses above this "appropriate" level, however, *are* intoxicating.

Since 1964 various clinical programs have been instituted in which methadone is administered regularly to heroin addicts to enable them to live near normal lives, to hold down regular jobs and so on. According to the August 11, 1972, issue of the prestigious journal, *Science*, 50,000 heroin addicts presently are enrolled in such clinical methadone "maintenance" programs in the U.S. Discussing new regulations proposed by the Food and Drug Administration, *Science* reports:

The new guidelines basically recognize methadone as a safe and effective drug, but surround its use with restrictions aimed at curbing a black market that has been spreading at an alarming rate . . . Doctors through carelessness or ignorance, have dispensed prescriptions for methadone tablets that are promptly sold for up to \$10 apiece so that the "patient" can buy more heroin.

Who could be paying \$10 for a drug that is dispensed free to heroin addicts? There are only two possibilities. Black market methadone is being sold both to heroin addicts enrolled in methadone programs who wish to increase their intake of the drug to a level that allows them the euphoric escape from reality they crave, and to primary methadone users — individuals addicted to or

becoming addicted to methadone itself. An ironic but likely possibility is that individuals may be using methadone in the mistaken belief that, since it is dispensed by the government, it must not be harmful.

In methadone we have a commodity that is in demand — either actually or potentially — and it should come as no surprise that a market has developed around it.

What we must realize is that certain men have existed in every society by pandering to the weaknesses and vices of their fellows. Their *modus operandi* is diabolically simple. Find a commodity or service for which there is a market, have government outlaw it, then move in and reap the rich financial rewards made possible by the artificially high price levels maintained by the government restrictions on the product. Not only is this technique profitable, it is relatively safe; for the greater the force with which government attempts to destroy such a market, the higher the price levels and the profits attendant on those prices. And the higher the profits, the more police officials, customs agents, and judges can be “bought” by the syndicate. Crackdowns initiated in response to public pressure will inevitably fall heaviest on the small operators, while the financiers and organizers sit tight

in their penthouses until the heat is off once again.

### **The British Experience**

Those that oppose the liberalization or repeal of our present drug laws often point to the “failure” of such an approach as in Great Britain. For many years narcotic drugs were available to British addicts by prescription. Then, in response to statistical indications that drug use was on the rise, the government clamped down. The conclusion drawn from this is that any letup in the government’s war on narcotics mandates a rise in the use of hard drugs. Several important points are overlooked by such a conclusion. First, although drug addiction undeniably increased in Britain during those years of limited restrictions, it never reached the epidemic proportions that it has in this country. Furthermore, a large part of that increase — perhaps the greater part — can be attributed to the large numbers of American addicts that emigrated to Britain so they could supply their habit without being driven to criminal acts. And that leads to a most important point: addiction in Britain has never been associated with crime to the extent that it is here. This, in fact, is the justification given for the methadone programs discussed earlier. An addict in a

methadone program is as much an addict as the heroin addict in the street; no one has ever claimed for methadone maintenance the status of a cure. The difference is simply and only that the methadone patient need not steal to support his habit. Ironically, this is the central point raised by many "liberals" in *attacking* the methadone programs. Their argument, as stated in the *Science* article quoted above, is "that it is a sinister form of social control in that its only purpose is to cut down on addict-related crime."

The principal opposition to liberalization or repeal of present drug laws comes from those who fear that this would be a significant step in what they view as a general breakdown in the moral fiber of our society. That this breakdown is all too real is undeniable, but the contention that so-called permissivity is the root cause of the problem is moot. Is it not, rather, that we have created a society in which the natural consequences of immoral or amoral behavior are not allowed to operate? It is not the intelligence or industriousness of the purveyor of hard drugs that makes it possible for him to sport \$200 suits and drive \$8000 automobiles. It is the action of government that has created his monopoly business.


If it were true that "permis-

sivity" were the root cause of breakdowns in the moral order of society, then Soviet Russia or Communist China would be the examples to emulate in today's world. In these countries, morality is rigidly enforced by state edict. The State defines morality and harshly punishes transgressions against it. Now, many of us object to the particular moral code that is imposed on the Russian and Chinese peoples. Does this mean that if a tyrant's edicts were based on the "right" morality, that they would be any the less tyrannical? It is obvious that they would not. The very concept of morality is meaningless in any context in which the individual is not free to choose to act immorally. Certainly, any viable society must protect itself against those who would use force to violate the rights of others. It does not follow, however, that it is either desirable or proper that any government impose its idea of the good on its citizens. If we wish a society in which people behave honestly and self-reliantly, we cannot achieve it by force. Rather, let us create a social order in which virtue is its own reward.

### **A Perverted Order**

What we have created in this century is the antithesis of such an order. We live in a world in

which sloth is rewarded and individuals are protected, by government, from the natural consequences of their own immoral acts. At least, such is the professed intention of those who create governmental policy today. An individual does not wish to work? It is the responsibility of others to see that he is fed. An individual is careless with his life on the highway? Let us insulate all drivers from the consequences of carelessness and ineptitude with belts, airbags, helmets, and padding. An individual chooses to destroy his mind and body with narcotic drugs? Take away the drugs and, failing that, incarcerate or commit him for "his own good."

If such policies did in fact lead to material prosperity, increased highway safety, and a decrease in the ranks of those whose minds and bodies are rotted away by narcotic drugs, they would still be abhorrent to anyone who valued freedom. The truth, however, is that they do no such thing. Instead, they foster the very problems they are designed to solve. The zombies who stalk our city streets in search of their next victim and their next fix are not a problem for government to solve but, rather, one more problem that government has created. And governments' prescribed cure is a more virulent dose of the dread disease itself. 

### *A Place to Draw the Line*

THE GOVERNMENT tried to "protect" people from the ill effects of alcoholic beverages during 1918 to 1933 with notable lack of success. Their efforts not only failed in their stated purpose but in the process spawned the growth of an organized underworld that is with us today, encouraged corruption of public officials, and taught a general disrespect for the law that still plagues us.

The government's efforts to outlaw gambling have had the same dismal results. So have the government's efforts to prevent citizens from reading pornographic literature, or to regulate sex relations between consenting adults.

If any citizen wishes to engage in activities that are dangerous, considered immoral or frowned upon — which do not hurt anybody else — he should be free to do so.

Let's draw the line for freedom and keep the government behind it. Let's not pass any more laws to reduce our freedom by "protecting" us from our own actions.

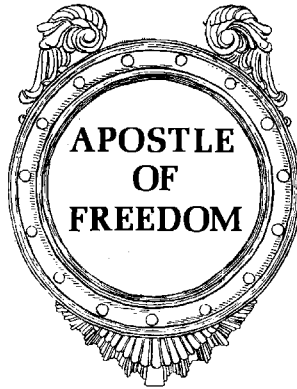
B. V. BROOKS, JR., *The Westport News*  
(Connecticut) August 25, 1972

IDEAS ON



LIBERTY

Herbert  
Spencer:



RONALD F. COONEY

LIKE ANY ERA one would care to mention, the last half of the Nineteenth Century offered a fair field for the votaries of Statism. The evil effects of the Industrial Revolution, especially in the country of its origin, England, effects of long hours and little pay, of factories dangerous and unhealthful, of woman and child labor in those factories, of squalid industrial towns, of workmen reduced to the level of automatons, combined with ever-present ignorance, disease, and poverty to complete a picture of misery for much of the British population. The situation demanded a remedy. Then, as now, the agent of deliverance, the *deus ex machina*, was thought to be the State. England's ills were perceived not as the result of a natu-

ral and inevitable friction between a waning agricultural life and an emerging industrial life, not as the symptoms of a society in the throes of a profound and difficult transition, but rather as the wages of a political sin of omission. Correct that omission, it was said in effect, pass enough laws, the implicit argument ran, and human suffering would vanish.

Men of all political stripes, from the Liberal Gladstone to the Tory Disraeli succumbed to the pleasant vision of a nation where laws would provide the solution to every problem. The motives of these men were doubtless pure. They were decent men who were shocked at the conditions they saw and tried to relieve them. They were good men, but they were misguided men. They vastly overestimated the law's properties to

Mr. Cooney is a free-lance writer recently graduated from the University of Nevada.

heal, to cure, to make right. Sadly, they could not foresee liberty, a delicate thing, being ground under the heel of an unrestricted State.

There were indeed few people willing to challenge the logic and correctness of their society's direction, and fewer still who realized its peril. The occasional cries raised in defense of individual freedom were drowned out in the clamor for more and ever more State intervention. Questions concerning the future of freedom under an accelerating State power were infrequently entertained, and more often than not completely ignored. Nonetheless, rare though the voices of liberty were, they did exist. Of those voices, the most tireless and influential was the great English philosopher, Herbert Spencer.

#### **Darwin's Influence**

Spencer, a contemporary and friend of Darwin, is best known to posterity as the thinker who based an entire philosophic system — his "Synthetic Philosophy" — upon the theory of evolution. Scarcely less significant, but far less well-known, are the contributions which he made to political thought, chiefly in the form of two books, *Social Statics* (1850), and *The Man vs. The State* (1884). For it was in those works that

Spencer registered a vigorous dissent from the prevailing dogma and expressed his deep and abiding antipathy — what he called his "profound aversion" — to the unchecked extension of State authority. And it was in those pages too that Spencer, in a lonely sixty year advocacy, championed the rights of the individual, laissez-faire, and a *classical* liberalism.

These several strains of Spencer's political faith are easily discerned throughout *Social Statics*, at once the more theoretical and more satisfying of the two books. Whereas *The Man vs. The State* elaborates on certain points raised in the earlier work, thus forming a kind of appendix to it, *Social Statics* presents the Spencerian view of government *in toto*. Its wide range encompasses speculations upon the origin and purpose of government, the nature and extent of individual rights, and the proper (and improper) functions of the State. The latter portions of the book, devoted to a discussion of such timely issues of the day as poor relief, national education, sanitation and health laws, regulation of commerce and currency, postal services, and State churches, seek to relate practical concerns to the theories and principles previously laid down.

The argument contained in *Social Statics*, and it can be said

without much fear of overstatement, Spencer's whole political philosophy, rests on the "law of equal freedom." The law reads: "Every man has freedom to all he wills provided he infringes not the equal freedom of any other man." In other words, a man has freedom to act so long as his actions remain within the boundaries set up by the corresponding equal freedom of all other men. Spencer notes what he feels will be the objections to the principle, namely either "that men have no rights," or "that they have unequal rights." The first assumption, Spencer says, leads to the doctrine that countenances absolute monarchy or a dictatorship, i.e., "might makes right." That men should have unequal claims to freedom, or rights in proportion to their "merits" Spencer also denies. No way exists for determining what is or is not a merit, and there is no authority for such a determination were it possible.

### ***In a State of Nature***

Here Spencer is speaking of man in a pre-social state where government as such has not yet been established. How and why government came into being is a question Spencer must answer before he can proceed to the all-important problem of the State's lawful and moral limits. Probably,

Spencer thinks, the State originated in a single individual, superior in some way to the individuals around him. The superior person keeps (exactly how, Spencer does not say) the group or tribe together, and for this he is revered by the other members of the community. As civilization advances men begin to assert what they feel to be their rights, until they finally reach a state "under which their rights will be entire and inviolable." But why did men originally enter a social arrangement? Spencer answers thus:

... they found it preferable to the isolated one; which means that they obtained a greater sum total of gratification under it; which means that it afforded them fuller exercise for their faculties; which means that it offered a safer guarantee for such exercise—more security for their claims to life and property; that is, for their rights.

If this is the reason for the formation of society, then the duties of the State should reflect it. If men entered the social state for the better protection of their lives, liberty, and property, then it is the function of government to act first as a police force against aggression from within and without, punishing criminal acts and defending the nation from foreign invasion, and second as an ad-



ministrator of justice, adjudicating the unavoidable conflicts that arise among imperfect human beings. The State creates no rights, but only the atmosphere wherein the citizen may exercise what rights he will without infringing the equal exercise of others.

### **The Law of Equal Freedom**

The benefits issuing from the State's correct maintenance of security and justice, are, unlike the false "rights" that the State attempts to bestow, *indivisible*. That is to say, they are not granted to one segment of the population at the expense of another. They are, or should be, available to all. The degree to which they inhibit liberty is offset by the degree to which they make possible a climate where liberty can flourish. Finally, they are the only functions the State may undertake consistent with the law of equal freedom — the law of free men. And if the State endeavors to expand this limited sphere, if it essays to provide more than is necessary for the safety of the citizenry and the rights of the citizenry, it transgresses doubly, first against the law of equal freedom, and secondly against the purpose for which the State itself was established, the protection of freedom. For this reason is the law of equal freedom particularly

valuable as a dictum of absolute justice and as a gauge for the rightness and wrongness of legislation.

Spencer vehemently denies that the State should interfere in commerce. An Adam Smith free-trader, he opposes any regulation of the market — whether in the form of "artificial stimuli or artificial restraints." The first, assuming the shape of bounties to encourage production, are wrong because they require more of the citizen's property than is needed to maintain his physical protection and his rights. "Artificial restraints" are likewise improper since they directly violate the individual's right of free exchange with other individuals.

### **Separation of Church and State**

Neither may the State legitimately tax the people in order to set up a State-church. By doing so, Spencer believes, the State presupposes its own infallibility while simultaneously restricting the freedom of the individual to use his faculties. Furthermore, any disagreement with church doctrine would compel the State to outlaw and punish religious non-conformity, a fact which Spencer, the descendant of a long line of Dissenters, could appreciate.

Obviously the State may no more institute laws for the relief

of the poor than it may intervene in matters of trade or religion. Why? Because here again it infringes on individual freedom and exceeds its proper powers as the guardian of life, liberty, and property. Spencer recognizes and meets head on the argument which says that by providing aid to the poor the State is actually *increasing* the freedom of action of the poor, however much it may be reducing the freedom of the man who pays for poor relief. Spencer answers: "Cutting away men's opportunities one side, to add to them on another, is at best accompanied by a loss." The State, he argues, can only guarantee the freedom of a person to act to the fullest extent of his rights, bounded, as always, by the equal freedom of other men. Within a confined area the State may aid in the *pursuit* of happiness, but it cannot assure that happiness will be attained. That is up to the individual and how he uses his freedom.

#### **How Much Is Enough?**

Spencer argues further that even if one grants that aid to the poor should be supplied, it would be impossible to decide its amount. He notes that even among the proponents of "poor-laws" there is considerable divergence of opinion as to what constitutes a suitable "maintenance."

One thinks that a bare subsistence is all that can be fairly demanded. Here is another who hints at something beyond mere necessities. A third maintains that a few of the enjoyments of life should be provided for. And some of the more consistent, pushing the doctrine to its legitimate result, will rest satisfied with nothing short of community of property.

This passage has a special relevance for our own day, as we hear the debate over the correct amount, but never the propriety, of a guaranteed annual income.

#### **Other Interventions Deplored**

Finally, Spencer says the State has no right to educate, to satisfy the mental needs of the population, any more than it has the right to satisfy the population's physical needs through State-run charities. The State may not colonize, since this violates the rights of native peoples, nor can it shoulder the burden for public health, except, interestingly enough, in matters of air and water pollution. Last of all, State action in currency arrangements and postal services are both forbidden as transgressions of the individual's freedom of association and action.

The views which Spencer enunciated in *Social Statics* changed little throughout the remaining fifty years of his life. The same unwavering devotion to individual

liberty, the same unflagging espousal of freedom that marked that book can be found in *The Man vs. The State*, Spencer's second important work of political philosophy.

Although the ultimate intent of *The Man vs. The State* is the same as *Social Statics*, the approach is somewhat different. Spencer always referred to himself as a liberal and to his philosophy of government as liberalism. He was speaking, of course, of classical liberalism, of the liberalism exemplified by men like John Locke. About 1860, liberalism of the type that Locke represented underwent a fundamental change. No longer content with merely overseeing a negative government which allowed a broad area for personal freedom, the Liberal party in England forsook its guiding ideals to wholly embrace State intervention. Spencer himself never wearied of pointing out to these "new" liberals how far they had strayed from true liberalism, and how greatly their notion of liberalism differed from his own. A sizable part of the lesson he read to the liberals of his time, that the so-called liberals of the present would do well to ponder, is *The Man vs. The State*.

The first essay in the book pointedly expresses Spencer's disenchantment with the transfigura-

tion of liberalism. Entitled, "The New Toryism," it not only charges the Liberal party with abandoning its own basic precepts, but also with adopting those of the opposition Tory party. While liberalism had always stood for individual rights, voluntary cooperation, and a regime of *contract*, toryism, from the beginning, had stood for privilege, compulsory cooperation, and a regime of *status*. Spencer accounts for the exchange of ideologies this way:

The gaining of a popular good, being the external conspicuous trait common to Liberal measures in earlier days (then in each case gained by a relaxation of restraints), it has happened that the popular good has come to be sought by Liberals, not as an end to be indirectly gained by relaxations of restraints, but as the end to be directly gained.

The consequences and efficacy of liberal lawmaking, from acts regulating the railroads to laws preventing the sale of beer on Sundays, are considered by Spencer in the four essays following "The New Toryism." In "The Coming Slavery" he reflects on the inability of politicians to see beyond the immediate ramifications of their actions. Pursuing the public welfare through "humanitarian" legislation (such as poor-laws), legislators, knowingly or unknow-


ingly, move a society toward State-tyranny, or as Spencer calls it in "From Freedom to Bondage," a military regime which uses force, or the threat of force to achieve its ends.


Whether or not legislators have the competence, much less the right, to execute the immense responsibilities they are constantly taking on, and whether laws are the best and only ways of solving society's problems, Spencer questions in "The Sins of Legislators" and "Over-Legislation." The needless, oppressive, or simply bad laws so often enacted by a "slow, stupid, extravagant, and unadaptive" officialdom do not simply fail, but frequently worsen the situation they were designed to relieve. And, the more they fail, the louder is the demand that they be multiplied.

#### **Divine Right of Majorities**

*The Man vs. The State* closes with "The Great Political Superstition." In the past, the superstition was the divine right of kings, and in the present it is the divine right of majorities, the divine right of parliaments. Spencer cautions against seeing the proximate good in any widening of State-

power and ignoring the ultimate evil that such a widening would bring about. Failure to do this, he says, will produce a state like that which preceded the French Revolution, when there was "so excessive a regulation of men's actions in all their details . . . that life was fast becoming impracticable." He recapitulates the theme of "The New Toryism" with the final lines: "The function of Liberalism in the past was that of putting a limit to the power of kings. The function of true Liberalism in the future will be that of putting a limit to the power of Parliaments."

The more than eighty years that have passed since Spencer wrote those words have done nothing to undermine, and everything to vindicate his warnings. What he stated in *Social Statics* and *The Man vs. The State* affronted the Statist orthodoxy of his time as it affronts the Statist orthodoxy of ours. It is not so important whether Spencer's work had any effect on slowing State-socialism, for he did not expect that it would. What is important is that he spoke for liberty when he felt liberty was threatened. For that, he will not be forgotten. 



*The Fall of the  
American University*

NOT SO LONG AGO Erik von Kuenhnelt-Leddihn entertained a luncheon gathering of The Remnant with a description of the peregrinations of a bad idea. The notion that students have a right to use university premises as a privileged sanctuary from which to carry on a revolutionary war against society and/or the State first took hold in Latin America. Then, after ruining Latin American education, it skipped to Japan. The next stop was Berkeley in California (in 1964, a year before Lyndon Johnson decided to put drafted troops into Vietnam), from which it moved erratically eastward to the grisly climax of Columbia, the deaths at Kent State, and the disruption of Harvard. The European universities were not immune, but the crises

in France and West Germany had a shorter duration.

Adam Ulam, a Polish-born Professor of Government at Harvard University, lived through the tumultuous period in Cambridge, Massachusetts, with a constantly growing wonder that the American public high school and private preparatory school could have produced such a totally lack-logic generation of students. They couldn't distinguish between a strike and a boycott. They confused academic life with politics and labor relations. They thought they had a mission to prescribe foreign, military, and economic policy before they had learned something about history and government, not after. Instead of asking for French teachers who could teach French, or mathematicians

who knew something about imparting the principles of the calculus, they wanted a faculty that could satisfy their religious, ideological, and political yearnings. In short, they were in the market for anything but learning and the acquisition of skills that might enable them to lead productive or at least unalienated lives.

### **First Things First**

Professor Ulam has put his ruminations on the college scene of the Nineteen Sixties into a wise and searching book, *The Fall of the American University* (Library Press, \$7.95, trade distribution by Nash Publishing Company), that is part history and part essay. He starts out with the commonsensical idea that universities should be institutions of learning. Traditionally the university has existed to impart knowledge and skills for a fee. The university may turn out people with ideas about solving social problems, or running governments, or fighting (or abstaining) from wars, but it is not set up to do any of these things directly. Professor Ulam is a first-things-first man, with a gift for aphoristic expression. He doesn't see why classrooms should be used as pulpits, or why professors of English literature should be psychiatrists, or why students should assault deans when they

are really mad at Congress for supporting the draft or letting the President fight an undeclared war. He wants the lines of logic to run clear. Above all, he asks for precision in the use of language.

There was the business of the student "strike" at Harvard, for example. A boycott of classes is not a strike. How do you "strike" against something you have paid for? In normal life, if you don't like what you are getting, you ask for money back and take your patronage elsewhere. Harvard's answer to the student "strike" should have been to close down the university. If your patrons don't like your service, they have the right to complain or to go to a store across the street. But the university is under no compulsion to stop teaching Spanish, or the history of the Middle Ages, merely because its President can't at the same time satisfy the students that the Black Panthers are getting justice, or that the White House really knows what it is buying when it asks for a position paper on neo-colonialism in the Third World.

### **Who Is to Blame?**

Adam Ulam does not make the mistake of blaming the young for everything. Our whole society became rather disoriented in the Sixties. The professors who went

to Washington in the days of Camelot could not have it both ways. They were great when "cost effectiveness" worked. But when, as whiz kid advisers to White House and Pentagon, they supported the strange idea that dedicated Asian Marxist guerrillas would give in to "graduated pressure" in a tropical jungle terrain, they ran the risk of exposing themselves to the students back home in Cambridge as stupid running dogs of a brainless military-industrial complex. When college authorities failed to protect the civil liberties of visiting speakers or business recruiters, radical students drew the correct conclusion that they could get away with anything short of murder.

As Professor Ulam puts it, "in the mid-Sixties it was suddenly discovered that there was one place which miraculously fitted the requisite of every man's ill humor. The university was elitist; it debased learning by letting in utterly unqualified people. It permitted, nay encouraged, promiscuity and the use of drugs; it repressed the young. It advised the Pentagon and big business how to meddle in the affairs of other nations; it bred anti-patriotic feelings and anarchism. It epitomized white supremacy; it stimulated black radicalism and separatism. It was a repository of useless pedantry;

it was full of busybodies who, under the pretense of objective study of society, sought power and were eager to submit their fellow citizens to some half-baked schemes of their fabrication." And, so Professor Ulam sums it up, "by 1969 one had to admit that there was an element of truth in *all* those charges!"

In a permissive age the university administrations and faculties let students claim rights and indulgences that were not possessed by ordinary citizens. Students were beyond the reach of ordinary police power. A growing army of university officials came into being to administer a constantly diminishing body of rules. Professors were at once permissive and patronizing. And so, of course, they lost all respect.


### ***The Age of "Relevance"***

The worst of it was that professors did not defend their own disciplines. They allowed fashionable ideas about "relevance" to undermine their belief in the usefulness of their various subjects. Instead of insisting that the cure for "alienation" is to lure the student into becoming engrossed in a language, a literature, an ancient civilization, or a science, professors allowed students to define "relevance" in terms of current events. There was a great pro-

fusion of courses that confused things that students should worry about with things they should study. As for some of the subjects that go under the name of sociology, Professor Ulam asks why should young men and women be required as part of their expensive higher education to sit through lectures on what they already know and hear incessantly from newspapers, magazines, TV, and their own rap sessions?

In the brave new world of the modern university, students hold forth on ecology and abortion but learn little biology. They can discuss Red China's role in the UN

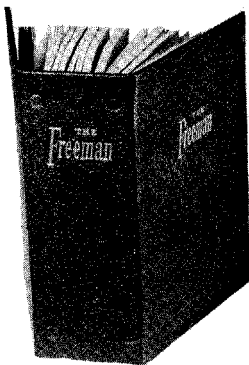
but fail to master a single foreign language. They know all about injustice but scorn history as irrelevant. Everything dissolves into fashionable platitude, and the young arrive at adulthood in "a state of mental fatigue, aimless agitation and anger, incapable of that discriminating approach to public affairs which democracy calls for in its citizens."

So far has the American university "fallen." Professor Ulam wonders whether the "counter-revolution of common sense" will ever restore it to its proper purposes of "promoting learning and advancing knowledge." 

HANDSOME BLUE LEATHERLEX

## FREEMAN BINDERS

\$2.50 each



ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 2 • FEBRUARY 1973

- Controlling Pollution** Hans F. Sennholz 67  
A search for ways to better define property rights and fix upon the owner the full advantages and the full costs of his use of his property.
- The Anatomy of Consumerism** Max E. Brunk 78  
Movements for consumer protection seem to run in cycles, most of them short-lived and relatively harmless.
- The Founding of the American Republic:  
19. Establishing the Government** Clarence B. Carson 85  
The story of the men and events in the precarious beginnings of Union under the Constitution.
- Sheltering Ideologies** Leonard E. Read 99  
"The guaranteed life turns out to be not only not free — it's not safe."
- The Myth of the Perfect Solution** Ridgway K. Foley, Jr. 105  
Neither men nor their institutions are perfect, but we need the freedom to keep trying for improvement.
- Chaff About Wheat** William F. Rickenbacker 114  
Government meddling in the market for wheat forces taxpayers to pay for the inevitable mistakes.
- Edmund Burke on Inflation and Despotism** Gary North 117  
Burke's warning of the evils of inflation is as timely for us today as for the French of 1790 who failed to heed him.
- Book Reviews:** 125  
"Trousered Apes" by Duncan Williams

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.

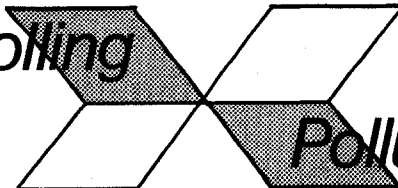
Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as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

Copyright, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "The Founding of the American Republic," and "Chaff About Wheat."





# Controlling Pollution

HANS F. SENNHOLZ

"POLLUTION is a classic example of failure of the private enterprise system." At least this is what we are told by countless critics of environmental pollution. Private property and the profit motive are held responsible for polluting man's environment with ever-increasing quantities of wastes or effluents. As the by-products of economic production and consumption, such as gasses, solid or liquid wastes, or released energy in the form of heat or noise, the effluents are said to overload the capacity of the environment to assimilate them, which is injurious to human, animal and plant life. Pollution is affecting the comfort, well-being,

and possibly even the survival of the human race.

Such serious charges must ultimately be answered by biologists, chemists, and physicians. But for the sake of argument let us assume that the pollution problem really is as serious as described by the environmentalists. Let us then search into the causes of the dilemma so that we may find the cure. For only an understanding of the causes can lead us to a possible solution.

The explanations so popular with environmentalists appear to be taken directly from the armory of political and economic radicalism that blames the private property order not only for all economic shortcomings but also nearly all human vices. These explanations invariably misinterpret the causes and consequently prescribe solutions that are either

---

Delivered November 19, 1972 before Board Members and guests, The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York. Dr. Sennholz, a Trustee of the Foundation, heads the Department of Economics at Grove City College — Pennsylvania.

ineffective or even detrimental to our environment.

Even economists schooled in the classical tradition are joining the chorus of vocal critics. The private enterprise system, they contend, does not lead to maximum welfare because many social costs are ignored in the calculation of welfare. Large blocs of "externalities," which are social costs not included in private costs, are characteristic of the enterprise system. These externalities are destroying our physical environment and precipitating disaster for the human race.

Robert U. Ayres and Allen V. Kneese make such charges in an essay on "Production, Consumption and Externalities." (*American Economic Review*, June, 1969, pp. 282-297). Private businessmen are discharging wastes into the atmosphere and water courses without cost to themselves. And consumers do not fully use up, through the act of economic consumption, the material elements that enter production. Almost 3 billion tons of residue are going back annually into our environment. This is becoming unbearable, especially in mass urban societies with growing populations and rising material output. Ad hoc taxes and government restrictions are not sufficient to cope with the growing problem. Central, or at

least regional, control is needed; and above all, a new economics must be devised that considers waste disposal an integral part of the production and consumption process, and places it within the framework of general equilibrium analysis. "Under conditions of intensive economic and population development the environmental media which can receive and assimilate residual wastes are not free goods but natural resources of great value with respect to which voluntary exchange cannot operate because of their common property characteristics."

Such observations reflect an unbounded faith in the political and bureaucratic process. No matter what the grievance may be, the blame is always laid on private property and individual enterprise, and the solution is always more government!

### **Who is Polluting?**

Even some of the facts are grossly misstated. The worst offenders are not private businessmen in their search for profits, but government itself rendering economic services in a primitive manner. Urban communities are polluted by an increasingly formidable cascade of solid waste, such as garbage and trash, rubbish and debris. According to a preliminary report made in 1968 by the Bureau

of Solid Waste Management in the U.S. Public Health Service, only 64 per cent of the nation's people lived in communities that had refuse collection systems. About half of household wastes were collected by public agencies, and one-third by private collectors; the rest were disposed by householders themselves. Most commercial and industrial wastes were handled by private collectors. And most of the dumps and incinerators were operated by public authorities or licensed contractors working for public authorities.

These facts primarily indict government rather than profit-seeking enterprise for our environmental crisis.

Or, take the pollution of our waterways. Who is discharging pollutants into streams and rivers, lakes and oceans? Lake Erie, the most polluted inland body of water, is an example. According to independent surveys, the city of Cleveland is by far the worst offender, followed by Toledo and Buffalo and other cities. Numerous public sewer authorities discharge thousands of tons of waste into the lake every day. So filthy is Cleveland's Cuyahoga River that it catches fire occasionally and traps tugs and boats in its flames. Surely, Lake Erie would suffer no serious pollution were it not for

sewer authorities established and operated by government.

Under common law, the beds of navigable bodies of water are government property. Can it be surprising then that government itself either is polluting the lakes and rivers or permits them to be polluted? To blame individual enterprise is an obvious distortion of facts.

It is true, public attitude toward government property usually differs from that toward private property. While the latter is generally respected and the owner protected in its use, government property is treated as a common good without an owner. Unless it is guarded by a host of inspectors and policemen, it is used and abused by the citizenry as if it were free. This common attitude can hardly be construed as recommendation for more government ownership or control over environmental resources.

### ***The Air We Breathe***

The third pollution that is often laid on the doorstep of profit-seeking enterprise is the contamination of the air we breathe. In a stinging criticism of the "conventional wisdom" of economics, E. J. Mishan of the London School of Economics and Political Science called the private automobile one of the great disasters of the hu-

man race. It pollutes the air, clogs city streets, and contributes to the destruction of natural beauty. The economic growth it represents conflicts with social welfare. ("Economic Priority: Growth or Welfare" in *Political Quarterly*, January, 1969).

Such a severe indictment of the automobile is tantamount to a rejection of one of the most splendid fruits of private enterprise. There are few, if any, private automobiles in collective economies, from Soviet Russia to Castro Cuba. The automobile means high standards of living, great individual mobility and productivity, and access to the countryside for recreation and enjoyment. In rural America it is the only means of transportation that assures employment and income. Without it, the countryside would surely be depopulated and our cities far more congested than now.

The air pollution in our cities, the smoke, haze, and smog, nevertheless present grave health hazards to millions of city dwellers. Is individual enterprise that manufactures those millions of automobiles not responsible for most of the city pollution?

### **Zoning and Other Intervention**

Again, the blame for the intolerable pollution of city air rests mainly with government. In par-

ticular, three well-established political practices have contributed to the environmental dilemma. First, zoning has become a popular legislative method of government control over the use of land. Primarily applied in urban areas, zoning constitutes government planning along "orderly lines," to control congestion in houses and neighborhoods, height, size and appearance of buildings and their uses, density of population, and so on. Surely, zoning has shaped the growth of American cities ever since the 1920's when it became popular.

Take Los Angeles, for instance. Radical zoning ordinances made it the largest U.S. city in area, a vast sprawling metropolis of more than 500 square miles in which transportation is an absolute necessity. The resident of Los Angeles may travel a hundred miles every day to work, shop, eat, to attend school or church, or to seek recreation or entertainment. Public transportation cannot possibly meet the millionfold needs of Los Angeles transportation; only the private automobile can.

Secondly, in nearly all American cities public transportation has deteriorated to disgraceful levels of inefficiency and discomfort. The private companies that first provided the service were regulated and taxed into losses, and finally

replaced by public authorities. Under their control, mass transportation has generally deteriorated in quality and quantity while the costs have soared, as in the New York City subways, for example.

### **Union Tactics**

Public transport authorities are easy prey for militant unions. Politicians or their appointees cannot easily resist the demands of teamsters locals and their allies, despite the resultant inefficiency and high cost. The traveling public is frequently left stranded by organized work stoppages, slowdowns, and other union tactics. When public transportation is most urgently needed, in the vacation or holiday season, it is often struck by one of the unions.

The privately-owned mass transportation media are taxed by a host of government authorities until their services deteriorate or even sputter to a halt. The examples are legion. But the recent bankruptcy of the Penn Central Railroad illustrates the point. Even in bankruptcy, public tax authorities are crowding the courts to force collection of their levies. While labor unions threaten nationwide walkouts, government tax collectors prey on railroad income and assets. And when a company finally petitions its regula-

tory authority to halt some loss-inflicting service, it may be denied the right to do so. If permission is granted, local courts may order the company to continue the service and bear the losses. Can it be surprising, then, that service reluctantly rendered is minimal and poor?

When public transportation is dismal, undependable and inefficient, neglected and uncomfortable, primitive and costly, people naturally provide their own transportation. And millions of private automobiles are clogging the city streets adding their exhaust fumes to the city air.

### ***In the "Free Goods" Class***

Finally, there is the tendency to treat road and highway investments, no matter how huge, as "free goods" that are available to anyone without charge. City governments endeavor to provide adequate approach roads for unrestricted use of the automobile, continually constructing new expressways on the city's fringes. It is true, a great number of highway taxes are levied on those who use the highways. The Federal government collects taxes on gasoline, lubricating oil, new automobiles, tires and tubes. A highway trust fund established by the Highway Revenue Act of 1956 receives and expends the excise

taxes, which are the sole source of funds for the Federal aid highway systems. But as soon as an expressway is completed it is overcrowded with countless automobiles speeding or crawling to the city. No matter how many millions of dollars were expended on its construction, it is "free" to the user who simply does not relate the tax on his gasoline or tire to a particular trip to the city. But

even if he were mindful of the tax aspect of the expressway, its convenience, speed and safety may exceed by far the tax cost. Thus, millions of suburban automobiles are rushing to or from the cities on billion-dollar highways, adding their exhaust fumes to our environmental dilemma.

In summary, the following table clearly depicts the role of government in environmental pollution.

Policy	Effects
Free or minimal cost trash and garbage collection by government agencies	Littering, hazard to health, air pollution
Free dumps and incinerators operated by governmental agencies	Hazard to health, air pollution
Free or minimal cost sewage treatment	Water pollution
Free lakes, waterways and harbors	Water pollution, traffic congestion
Free airport facilities	Air pollution, noise pollution
Free highways	Air pollution, traffic congestion
Free public parks	Waste, littering
Zoning laws and ordinances	Favoring the automobile over mass transportation, air pollution
Public transport authorities	Inefficient service, promoting the automobile, air pollution
Labor legislation	Expensive and unreliable mass transportation, promoting the automobile, air pollution



### **Removing the Causes of Pollution**

As government is the prime polluter of our environment, we must call on government to cease and desist. All levels of government must abandon their policies that invite, promote or even subsidize the pollution. This is not to be interpreted as a call for further government intervention in our economic lives. On the contrary, the previous intervention that caused the deplorable conditions in man's environment cannot be improved through more radical intervention. The prior intervention must be removed step by step so that its destructive consequences can be gradually assimilated by nature.

First of all, government itself must cease to damage the environment. As owner of some 24 per cent of the land within the limits of the continental United States, as operator of many thousands of installations that span the continent, the United States Government probably is the worst polluter (Cf. Dennis Farney, "Meet a Prime Polluter: Uncle Sam," *Wall Street Journal*, Sept. 23, 1970). If it is unable to manage its property without harming the environment it should dispose of land and installations that lack significance for national defense. The economic services it renders free or at minimal costs should be

left to the market place where economic costs and benefits are efficiently compared by the price system. For no matter who renders a service free or at minimal charges, misuse, abuse, and waste are invited. Governmental services are no exception.

This basic knowledge of human action points toward a solution to many pollution problems. If government would cease to subsidize the polluters, the condition of the environment would instantly improve. The interstate and inter-city highways, for instance, provided at little or no cost to users, could be improved overnight if they were treated as scarce resources, that is, as economic goods. Road use charges that fully cover the costs of construction, maintenance, and administrative services would greatly reduce their wasteful use and thereby the pollution.

It is true, use charges that cover the expenses of government services would probably be extraordinarily restrictive as governmental costs usually are excessive. Many government investments probably are malinvestments, made without economic considerations but for political objectives. Use charges that fully cover all expenses would reveal the dreadful waste of resources and thus hopefully discourage government

from rendering a service that can be provided much more efficiently by the market.

### **Deficient Property Rights**

Most pollution problems would soon be solved or at least alleviated if all governments would halt their own pollution and cease to subsidize other offenders. It is true, some pollution undoubtedly would remain even after this clean-up. After all, individuals as producers and consumers add smoke, soot, noise, waste, and other effluents to the environment. But no matter who the offender should be, pollution that measurably detracts from the property of other individuals or denies their rights to healthful living must be discouraged.

This pollution by producers and consumers reveals unfortunate legal deficiencies in the protection of private property. The law has always been and continues to be inadequate in its treatment of property rights, in particular, the liability and indemnification for damages caused by the owner's use of property. Ideally, the right of property as a market phenomenon entitles the owner to all the advantages of a given good and charges him with all the disadvantages which the good may entail.

Over the centuries governments have again and again restricted or

even abolished the rights of private property. At other times the law, either by design or default, shielded the owner from some disadvantages of his property and charged other people with some of the costs, the external costs. Obviously, if an owner does not reap all the benefits of his property, he will disregard such benefits in his actions; and if he is not charged with all its costs, he will ignore such costs.

During the nineteenth century, legislation and adjudication reflected enthusiasm for the rapid industrial and commercial development. Legislators and judges understood the great importance of capital investment for economic betterment. They favored investments in industry and transportation and the productive employment of property. Unfortunately, they decided to hasten the economic development through tariffs, subsidies, land grants, and relief from some external costs. Thus, as the tariffs and subsidies encouraged some production, so did the relief from externalities. Some investments were made and some consumption took place just because part of the costs was shifted from the owners to other people and their property. The pollution of air and water was overlooked as a "public price" for economic progress, that is, some costs were

shifted from one owner to another to encourage economic activity favored by government.

To remove this cause of pollution, no property owner — whether public or private — must be shielded from the costs and disadvantages of his property. Damaged parties must have their day in court and find relief from any harmful effect of someone else's property. They must be able to claim and collect damages for losses suffered, and obtain court injunctions, that is, restraining orders that protect their rights.

### **Popular Solutions**

The growing awareness of environmental problems is laudable indeed. But the explanations given by "experts" today are taken straight from the armory of political and economic radicalism. The private property order is summarily condemned, and government is hailed as the only savior from our self-destruction. More taxes and regulations, or better yet, comprehensive government planning and control, are to correct a deplorable situation.

Many environmentalists would like to "ration the use of the environment" so that the quantity and type of effluents discharged into the environment are reduced to a level where the social costs are assumed to be equal to social

benefits (Cf. Schreiber, Gatons, Clemmer, *Economics of Urban Problems*, Houghton Mifflin, 1971, p. 104 *et seq.*). Three basic methods of intervention are to achieve a short-run solution: direct controls, taxes or fines, and subsidies.

Direct controls set minimum emissions standards for various classes of effluents. No polluter is permitted to emit more than a certain quantity of effluents, such as fly ash, sulfur dioxide, carbon monoxide, and the like per time period. Federal standards of emission by automobiles, for instance, were imposed on auto manufacturers. But unfortunately, such standards cannot achieve an efficient level of pollution abatement because the environmental conditions in various parts of the country vary considerably. The car that adds its hydrocarbons and carbon monoxide to the pollution of New York City would have no visible effect on the environment of Farmers Mills in Pennsylvania. And the car that rarely leaves its garage in Big Horn, Montana, can hardly be likened in its environmental effects to the Los Angeles taxi that is cruising the streets day and night. And yet, under the Federal standards many billions of dollars must now be spent on abatement equipment by all automobile owners regardless of social costs and benefits.

### **Subsidies to Curb Production**

To abate pollution, some writers urge the government to subsidize polluters so that they may reduce production and thereby harmful emission. Such subsidies are likened to the "soil bank" that pays farmers to reduce their land under cultivation and thus production. But as the soil bank has not achieved its stated objectives, so must the pollution subsidy be expected to fail. After all, the potential demand for such payments is unlimited, while the reduction in pollution would tend to be negligible.

Effluent emission may also be attacked by fines and taxes. At first, government levies taxes in order to provide the facilities that are used free or at minimal cost by the polluters. It thus subsidizes the polluters, and then proposes to tax them for the pollution. Would our environment not be cleaner if government had not entered the scene from the outset?

It is true, a tax levied on the polluter may make him consider the external costs of his activity. But it offends one's sense of equity that government should pocket tax revenues as a compensation for losses suffered by other individuals. If I am victimized by pollution, government will reap more revenue. A government in urgent need of revenue merely

needs to promote more pollution through free services to polluters in order to derive more tax revenue from the polluted public. A strange and yet so popular method of government intervention in our economic lives!

### **Employ Space-Ship Technology**

As a long-run solution, we are urged to develop a "space ship" technology which recycles all waste and makes it reusable for future production, or to develop a technology that leaves no waste matter.

Unfortunately, we do not know what the technology of the future will be. But we do know that the inventive genius of man that may bring forth a new technology cannot assure its use and application. History records countless examples of great inventions that failed to benefit man because a static society would not permit any change, or at least lacked the capital resources needed for such changes. Inventions spring from individual freedom, and their application from competition in a private property economy. This is why one may be skeptical about a new technology that is chosen and enforced by government.

But the ultimate solution, according to more radical ecologists, must be sought in population control. After all, it is man's produc-

tion and consumption that is polluting the environment. A growing population must be expected to add to the waste that results in pollution, although the social costs per person may be reduced through technological advances. These environmentalists would provide financial incentives for refraining from having children, such as an exemption of \$3,000 on Federal income taxes to couples without children, or the payment of subsidies to every woman in child-bearing age who does not give birth during a given year. (Schreiber, Gatons, Clemmer, *ibid.*, p. 115).

#### **Man or Environment?**

Man or environment, that is the choice. As one is not compatible with the other, we are told, the radical ecologists choose the environment. They prefer grass and tree, ant and beast of the forest over man. They would preserve nature undisturbed and in a natural condition, as in a jungle.

However, the role of man on this earth is radically different from that of plant and animal. Although man is part of nature, his

intelligence permits him to wisely use environmental resources for his best interests. He is like a steward in the use of natural resources who responsibly manages his environment in order to survive. His right to life embodies his right to manage the resources of nature.

But how can he best manage his environment? What are the proper means to this end? As in all other human pursuits, freedom works best in releasing man's creative energy. In freedom, man economizes his use of scarce natural resources and strives to safeguard his life with the least possible waste. Merely to preserve nature as man found it when he first set foot on this earth may appear to be easier, indeed, than the wise use of environment for the best interests of man. And yet, mere preservation denies not only the nature of man but also the very laws of nature. (Cf. Leonard E. Read, "A Conservationist Looks at Freedom" in *Then Truth Will Out*, The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1971, pp. 74-83.)



#### **A Word of Caution**

IDEAS ON

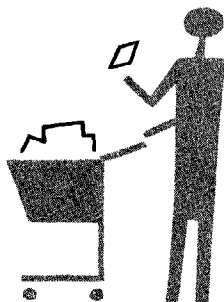


LIBERTY

WE undoubtedly need some preservation. But it cannot be the answer to the control of man's environment, for we are an ecological part of that environment, and to preserve it makes us a museum-piece as well.

# The Anatomy of CONSUMERISM

MAX E. BRUNK



THERE IS PERHAPS no better subject than Consumerism on which to polarize an audience. For example, a conference of consumer organizations in Washington recently graded the two Senators from New York State on how they voted on eleven so-called major consumer bills during the last term of Congress. One Senator received a perfect score of 100, the other, a score of zero. Both the Senators probably received a majority vote from this audience and both probably feel that they properly represented the majority view of their constituents.

This, in itself, tells us something about the nature of consumer issues. It tells us that

---

Dr. Brunk is Professor of Marketing at Cornell University. This article is from a talk before the Annual Meeting of the Cooperative Extension Association of Livingston County, New York, November 15, 1972.

there is a wide divergence in our personal economic philosophies. It tells us that the issues of consumerism are relatively unimportant in our choice of political representation. But if we are to assume a rational position of advocacy or dissent on various issues we need to know much more about the general anatomy of consumerism.

Traditionally our economy has been built around the market mechanism. In a very real sense the market provides a voting place for the wants and needs of people. The uniqueness of this voting place is that it respects and responds to the will of minorities as well as majorities. And this is fortunate because not all people have the same wants, needs and desires. When we see others do things we ourselves would not do,

we do not know whether they are being victimized, are expressing a value different from our own, or have been deprived of opportunities equal to our own. As a result, against this backdrop of a free market, we are gradually building up a set of socially determined restrictions and mandates having universal application to all people. These are restrictions imposed on people in their role as consumers. And we would not have it otherwise for we as a people, in attempting to find a way of living together, have decided to forego some of the material wealth provided by the free market in the interest of what we call the public welfare.

### **Third-Party Activists**

On previous occasions, and in no derogatory sense, I have defined consumerism as a movement of third-party activists who champion causes which *appear* to them to be beneficial to consumers in general. It is not an organized movement of 210 million Americans speaking in common cause on their own behalf. It is a movement of many fragments with issues frequently championed by small minorities. While this is no indictment, it does raise certain questions about the leadership, how well informed it is, how well it truly represents the general

consumer interest. The point I make is that consumerism is made up of a third-party involvement in a buyer-seller relationship.

It is not my function here to argue the case of the free market or how far down the road of socialism we should continue to go. But I do have some personal convictions about consumerism. In many instances the costs far exceed the social benefits. I do not like the negativism of consumerism — the constant search for scapegoats and things that are wrong. I do not like the sensationalism of consumerism which leads society to accept impulsively certain restrictions on our productive capacity. I do not like the emotional verbalism of consumerism — the “truth” issues, the consumer “protection” issues, and so on. I resent the hypocrisies of consumerism: the hypocrisy that someone is doing something on my behalf which in reality serves only to further someone else’s selfish political or social interests; the hypocrisy that consumerism is aimed at the business community when in reality it is only the consumer who is deprived or who pays the bill. We forget that the business community can operate and prosper under any given set of rules that society imposes on it. In final analysis the question is: how much production do we

want out of our business community? In fact, within the business community itself many strong advocates can be found for almost any consumer issue simply because each issue serves to enhance the competitive advantage some business may have over another.

### **Waves of Consumerism**

Consumerism is not a new phenomenon. We have always had it. But its identity becomes more apparent during certain periods of economic growth. Around 1900 we had the sensationalism of Upton Sinclair. Looking back we can see the transparency of the many fabrications and fantasies of this colorful writer. But in his day they were accepted by many unhappy people who felt they were being exploited by big business. For example, Sinclair wrote of packinghouse workers falling into vats of fat and not being fished out "until all but the bones of them had gone out to the world as Durham's Pure Leaf Lard!" Very quickly we had our first Federal Meat Inspection Act and although this legislation was largely an emotional response to journalistic sensationalism I think most of us today would agree that it has served the consumer interest in a constructive way. Anyway, the consumerism of 1900 resulted, as

you will recall, in considerable antitrust as well as labor-rights legislation. The teeth of our antitrust laws and the economic power of labor unions can be traced to the consumerism of that time. Then, consumerism declined with the build-up of international tension that culminated in World War I. Our need for productivity could no longer tolerate the false luxuries of consumerism, the false luxury of responding to every scrap of sensationalism. Toward the end of 1920 we hit another peak in industrial development. Again, displaced workers became disciples of Stuart Chase and the sensationalist writings of Kallet's and Schlink's *100,000,000 Guinea Pigs*. Many New Deal programs had relevance to the charges set forth by these writers. Then, along came World War II followed by the Korean conflict and we forgot about consumerism for a while. Once again it has been brought to life, first through the writings of Vance Packard and then through the activities of Ralph Nader and his many disciples, who seem to know more about what the consumer needs or should have than do the consumers themselves.

The food industry is a prime target for the consumerist. Not only is food a major item of expenditure but also it has a direct



bearing on health. Add to this the consideration of the changing nature of our food composition, necessitated by a dynamic market structure ever responding to consumer demands, technological developments and population demographics, and you have the makings of an industry highly vulnerable to the issues of consumerism.

### **To Gain Popular Support**

Taking a closer clinical look at those consumer issues which have gained widespread public support in recent years, we can perhaps gain some appreciation of the characteristics of such issues and their applicability to our food supply. First, the social benefits of an issue must be easily rationalized usually by some grossly oversimplified cause and effect relationship: for example, the directed rationale in truth-in-lending, truth-in-packaging, informative labeling and so on. Benefits must be directed at a major proportion of consumers and the more such benefits have the appearance of being directed at health or economic welfare the more viable the issue. Typical of popular consumer issues is that costs of protection are hidden by dispersion throughout a complex production and distribution industry; or such costs are easily, though sometimes spuriously, rationalized as falling

on large, concentrated or prosperous industries.

One of the remarkable features of the marketing system, as contrasted with the negativism involved in many consumer issues, is the way it has broadened choice in serving the specific and diverse needs of an almost endless number of consumer groups each having peculiar requirements. We must not make the mistake of assuming a universality of consumer values. Each of us, in terms of his own individual values, tends to rationalize what he considers appropriate universal values for others. We have difficulty understanding and respecting values other than our own.

### **The Food Labeling Panic: Does It Serve Consumers?**

Looking back over the many consumer protection bills that have passed the Congress in recent years and more importantly the many administrative regulations that have been imposed on the consumers' freedom of choice in the marketplace, one is at a loss to see where some of these actions have served the consumer well.

Take for example the current food labeling panic. Depending on particular interests, advocates want foods labeled as to ingredients. They want nutrient values indicated, weights, use directions,

product count and number of servings, guarantees and warnings about misuse, prices per unit of content, open code dating, inspection stamps, identity of manufacturer, and many other kinds of information.

One can set forth very formidable arguments for the nutritive labeling of food products. And certainly no one with the consumer interest at heart would argue against the need for a better informed consumer. But is the problem really that simple? Do we really have a set of nutritive values universally applicable to all people? We have many sets of minimum daily requirements, but are they true values? Do people know how to use them? Do all persons have the same needs? Then there is the whole question of the availability of nutrients depending on the way food is prepared and used. Would such labeling lead to a false confidence by consumers that certain needs were being met? In what terms should the requirements be stated? What would be the cost of conforming to such labeling requirements and how many new bureaucrats would it require to police the program? Would consumers take such labeling into consideration in their buying decisions? How much digestible information can be provided on a label? And there are

many other questions one could raise. Keep in mind, I am neither advocating nor condemning nutritive labeling. I raise these questions only to illustrate the kind of considerations which we have all too often neglected in establishing many of our regulations on the consumer.

### **Open Dating of Foods**

For a moment along this line we might take a brief look at the proposed consumer protection legislation that would require the open dating of food products. If the manufacturer puts a bunch of funny numbers on a package to tell them when a product was made, why shouldn't the consumer be entitled to know what all this means? With some products this may be appropriate; but the false inference really lies in the fact that the date code is not used by the manufacturer nearly so much as a time code as for lot identification. The suitability of a product for consumption depends far more on storage and handling conditions than on time. I'd much rather eat hot dogs kept under proper refrigeration for 30 days than those only 3 days old but not refrigerated. Require an open date on them and what would be the added cost of store stock rotation and returned merchandise which is perfectly suitable for consump-

tion? And who do you think would pay that cost?

### **Are No Risks Worth Taking?**

Permit me to comment on one other example. The Congress recently passed a law prohibiting the use of DES (Diethylstilbestrol) in animal feeds. Headlines reporting this issue could have read: "Congress votes to outlaw use of dangerous drug" or "Congress votes to increase annual beef cost \$3.50 per capita and to make it a little tougher." Both headlines would be appropriate. In brief, these simple facts led to the action: First, direct dosages of DES to maternity cases in France were found to have caused cancer. Secondly, traces of DES were recently found in the livers of several animals. Consequently, the extremely remote risk that the use of DES in livestock feed might cause cancer was traded off against lowering the quality of beef and raising its price to the consumer. In testimony, the Food and Drug Administrator took the position that prohibiting the use of this feed additive will cause more fatalities through malnutrition than would result from the controlled use of DES.

I used these two examples of consumer protection because they seem to illustrate two distinct yet general types of measures. One

prohibits a practice or service while the other creates a practice or service to which it is hoped consumers will respond. Seat belts, nutritive labeling, unit pricing are all added services prescribed under the guise of consumer protection. In this type of protection the cost is imposed on the consumer by law but the use by the consumer remains optional. On the other hand, prohibited practices are made mandatory on the consumer and the costs of the protection lie in the vague area of deprivation. As more and more regulations are imposed on the consumer, we need increasingly to recognize this distinction in making our individual judgments on each new issue.

### **Gradually Overwhelmed**

Perhaps you do not feel strongly about any of the specific issues I have discussed here. The costs and benefits of any particular consumer issue are not great; and that is the nature of consumer issues — the importance of being unimportant. It is somewhat like the gradual encroachment of taxes. We passively accept each increment until suddenly we find ourselves overburdened.

Increasingly, I think we must recognize that consumer protection does not come free — that it must be paid for by the consumer

either in terms of added costs or through suffering the consequences of deprivation. If we accept the idea that the consumer is to be fully protected in all his actions, he must by definition become nothing more than the ward, or prisoner if you will, of the State. Personally, I cherish the opportunity of making a mistake because I know with it I have economic and social freedom. With all its shortcomings, I like capitalism; and I resent all socialistic measures limiting my freedom.

It has been ten years since President Kennedy enunciated the now famous Consumer Bill of Rights: 1) the right to safety, 2) the right to be informed, 3) the right to choose, and 4) the right

to be heard. These are rights with which we would not disagree. The question is really one of what we do in the name of these rights, for these are the rights only of a truly free society. What President Kennedy did not say, and which is more to the point, is that the right to safety is appropriate only in the exercise of reasonable and prudent judgment by the consumer. The right to be informed carries with it the responsibility of becoming better educated. The right to choose carries with it the opportunity of making the kind of choice which consumer protectionism prohibits. And the right to be heard carries with it a respect for the differing desires and wants of one's fellow men. ☉

### ***How To Be Cheated***

IDEAS ON  
  
 LIBERTY

THE same guards which protect us from disaster, defect and enmity, defend us, if we will, from selfishness and fraud. Bolts and bars are not the best of our institutions, nor is shrewdness in trade a mark of wisdom. Men suffer all their life long under the foolish superstition that they can be cheated. But it is as impossible for a man to be cheated by any one but himself, as for a thing to be and not to be at the same time.

CLARENCE B. CARSON

THE  
FOUNDING  
OF  
THE  
AMERICAN  
REPUBLIC

19

Establishing the  
Government

"GREAT OAKS from tiny acorns grow," run the words of an old saying. They seem particularly appropriate to the United States government, as we look back on its small, uncertain, and precarious beginnings from the twentieth century when the lineal descendant of that government has grown to immense proportions. It is difficult for us who are used to this Leviathan with its symmetry, stability, and massiveness even to imagine the frail beginnings and the contingency of its existence. The government, which has long since proceeded on the momentum of an established institution, once had to be made to go by conscious and concentrated effort; and a little of that story needs to be told.

The first Congress was so slow in assembling that there was some reason to doubt whether the government might even get underway. It was scheduled to begin with its sessions on March 4, 1789 in the city of New York. But only a few members of either house had arrived by that date. Historian Claude Bowers describes the further difficulties of Congress this way: "A week after the date set for the opening of Congress but six Senators had appeared, and a

---

Dr. Carson, noted lecturer and author, is Chairman of the Department of History at Hillsdale College in Michigan. The articles of this series will be published as a book by Arlington House.

circular letter was sent to the others urging their immediate attendance. Two weeks more and neither House nor Senate could muster a quorum. . . . 'The people will forget the new government before it is born,' wrote [Fisher] Ames. 'The resurrection of the infant will come before its birth.'" This was unduly pessimistic, however, for the houses had the necessary quorums for organizing to do business on April 6.

A few days later, April 16, George Washington set out by carriage from Mount Vernon to make the journey to New York City to be inaugurated as the first President of the United States. The electors were unanimous in selecting him to the post, though their unanimity dissolved when it came to selecting John Adams as Vice-President. Along the way on his journey north, Washington was greeted with pomp and ceremony and by throngs of people. The Governor of Pennsylvania, Thomas Mifflin, greeted Washington at the border of his state with a troop of calvary and escorted the President-elect into Philadelphia where his arrival was celebrated by thousands of inhabitants. Trenton, New Jersey, however, provided him the most effusive welcome. "There a triumphal arch composed of thirteen flower-bedecked pillars straddled the

road. In front of it stood thirteen maidens in white, each with a flower basket on her arm. As the great man, now astride a white horse, rode into view the maidens burst into song."

Virgins fair and matrons grave,  
Those thy conquering arm did save,  
Build for thee triumphal bowers;  
Strew, ye fair, his way with flowers  
Strew your hero's way with flowers.<sup>1</sup>

Republican simplicity had not yet replaced monarchical pomposity in America, but it is doubtful that any monarch was ever so genuinely admired, loved, and respected as the hero chosen to be chief of state of this Republic.

#### *Inauguration in New York City*

Quite a spectacle was prepared in New York City for Washington's arrival. The inauguration day was set for April 30. A splendid procession formed at Washington's residence to escort him to the place of inauguration, Federal Hall. He took the oath of office in public view, and then went into the Senate chamber to deliver his inaugural address to both houses of Congress there assembled. Washington had taken great care in preparing this address and had practiced the delivery of it before he had left Mount Vernon. Even so, he appears to have had great difficulty with giving it ut-

terance. Fisher Ames noted that the President was "grave, almost to sadness; his modesty, actually shaking; his voice deep, a little tremulous, and so low as to call for close attention."<sup>2</sup> Senator William Maclay of Pennsylvania declared that "this great man was agitated and embarrassed more than ever he was by the leveled cannon or pointed musket. He trembled, and several times could scarce make out to read."<sup>3</sup>

It is certain that Washington was no orator, nor was he comfortable in attempting to fulfill that office. But there was good reason aside from that for him to approach the highest office in the land tremulously. There is evidence that he entertained doubts as to his capabilities for the task ahead. One historian says that "Washington in some respects was a humble man, despite that massive outer shield of dignity which served to freeze the overfamiliar and even to awe his closest friends. He knew his own limitations. He had a sufficient faith in his powers as a military strategist and commander in the field; he had no such confidence in his abilities as a statesman in time of peace."<sup>4</sup> But even a man lacking his modesty might well have blanched before the prospect of the difficulties he would face. Indeed, all those who undertook leading roles in the

new government had their work cut out for them.

### *Starting from Scratch*

L. D. White, who made extensive studies of the early administrations, says that when Washington became "the first President under the new Constitution, he took over almost nothing from the dying Confederation. There was, indeed, a foreign office with John Jay and a couple of clerks to deal with correspondence . . . ; there was a Treasury Board with an empty treasury; there was a 'Secretary at War' with an authorized army of 840 men; there were a dozen clerks whose pay was in arrears, and an unknown but fearful burden of debt, almost no revenue, and a prostrate credit. But one could hardly perceive in the winter of 1789 a government of the Union."

Indeed, the problems of getting an effective government underway in early 1789 were greater than even the above would suggest. The population of the country was not so great, of course. The census of 1790 showed it to be just under 4,000,000. But it was spread over a vast area. Though the bulk of the population was on or near the Atlantic seaboard, that fact hardly indicated that the population was concentrated. The seaboard itself stretched for perhaps 1500 miles

from Maine through Georgia. Along this great stretch of coast population was located mostly in clumps here and there, and these were frequently separated from one another by considerable distances. Back of the seaboard was a vast area, split by the Appalachians, much of it inhabited by Indians, by and large still in its primeval condition, and most of it as yet unsurveyed. Travel from one place to another was often an unpleasant adventure, and from some parts of the country to others a virtual impossibility overland.

#### **Differences to Contend With**

Although the preponderance of the population, save for the Blacks, was British in background and tradition, there were many differences among the people in any given area as well as many regional differences. Americans as a whole had not yet been governed by a real government located on this continent, and even British rule had not bound them together; that had held them only to the mother country as best it could. There were differences of religion: they were Baptists, Methodists, Presbyterians, Congregationalists, Episcopalians, Quakers, and members of a multitude of small sects, though, again, Americans were usually Protes-

tant. The middle states differed decidedly from the New England, and the Southern ones from all the rest. These diversities made any union by government appear unlikely, if not impossible.

The financial situation of the government of the United States was so precarious that it might well be said that the new government was receiver for the bankrupt Confederation. Even after the repudiation of the Continental currency the debts of the states and the Union which were left over from the war were large and growing, for in many instances not even the interest was being paid. In 1790, Alexander Hamilton estimated that the United States owed to foreign creditors \$11,710,378, of which \$1,640,071 was interest. The principal of the domestic debt he declared to be \$27,383,917, to which would be added interest arrears to the amount of \$13,030,168.<sup>5</sup> States had debts, too, which had been contracted during the war and which might be charged to the United States government.

#### **Complex Foreign Affairs**

To these difficulties were added those of dealing effectively with foreign powers. The United States had not yet earned the respect or fear of foreign countries. British troops still held sway in the Old



Northwest from forts on the Great Lakes. The Spanish dominated much of the Mississippi River as well as egress from it. As if this were not enough, on July 14, 1789, only two-and-a-half months after Washington's inauguration, a mob in Paris stormed the Bastille, signalling the onset of the French Revolution. There were undoubtedly many in America who thought that the early events of that revolution were a good augury for the United States. Much of the rhetoric of the revolutionaries bore a family resemblance to that just used by Americans. (This was neither entirely coincidence nor attributable to the *Zeitgeist* alone; Thomas Paine devoted himself to the French cause as he had lately done to the American one.) This was to be a revolution in defense of the rights of man, so Americans heard, and were gladdened. Moreover, the French proclaimed a republic in 1792, and Americans welcomed company in that aspiration.

But out of the French Revolution grew such activities, contests, and, eventually, wars that all of Europe was caught up in them and repercussions reached to many other parts of the world. If George Washington, in preparing his inaugural address, had foreseen the trial that the wars and disturbances surrounding the

French Revolution would be to the United States, he might have given up in despair, though it was hardly in his character to do so. War broke out in Europe in 1793, receded and expanded, but continued until 1815 with only one intermission of peace for about a year. It involved not only all the European powers at one time or another, and most of them several times, but also their empires in the rest of the world and any neutral nations trading with Europe. The American Republic needed peace very much for the development of unity; instead it was pressed toward war and torn between the warring parties of Europe.

#### **Putting Ideas to Practice**

To contend with these difficulties in 1789, the United States government had a Constitution — a piece of paper — consisting of a few articles setting forth a plan of government. The United States was a vision in 1789, its government was a dream, and a mere hope was its dominion over the vast continental territory vouchsafed to its keeping. Americans had proved themselves masters of rhetoric: they could pen declarations, draw up constitutions, add to them bills of rights; they had even fought a war successfully; but it was still very much in doubt

that they could effect a permanent union, would submit to the necessary taxation to retire their debts, could govern the domain, and could take their place as a nation among nations.

Words are wonderful things; ideas move men; and plans contain the necessary patterns for human endeavor. But there is a missing link between words on paper — though they compose a constitution or some other noble document — and the realities of unity, government, stability, and liberty. That missing link, if it is supplied, is supplied by men. Man is a frail reed, but his proposals are evanescent without his energies. It was men who breathed the breath of life into the government, who provided the flesh to the bones of the Constitution, who in their contests with one another held the government in check, and who gave impetus and direction to it. But it was neither the generality of men who did this nor even all of those who held office in the government. Madison's comment after looking over the roll of those elected to the first Congress may have been somewhat harsh, but it was much to the point: he said that there were few members who would take an active hand "in the drudgery of the business."<sup>6</sup> That part would be played, as it usually is, by a few men with the tenacity,

the ambition, the drive, and the determination to make the government work. Critics abound; leaders who get things done are few.

#### ***The Greatest of These . . .***

The number of the men who played the leading roles in making the new government work were few and can be named on the fingers of a single hand — almost. Of course, there were others who played important parts, and no government could succeed without widespread support from the populace (and the social base which their activities provide); but given all these things, it still required and had the leadership of a remarkable set of men. The ones that stand out above all the others in the early years of the Republic are: George Washington, James Madison, Alexander Hamilton, Thomas Jefferson, John Adams, and John Marshall.

Americans were jealous of their rights and loath to grant that power over their lives and fortunes which is necessary even for limited government. Nor was it easy to reconcile them to the potential concentration of power that was vested in the office of President. If such power had to be vested in men, even many of those at the Constitutional Convention thought, it would be better imparted to three men than

one. What made it finally acceptable to Americans to have but one man as President was that the man would be George Washington at first. Washington's reaction to all this is summed up by a biographer:

Even before the Constitution was adopted, public opinion had fixed on Washington as the first president. He repelled the suggestion when it was made to him and opposed it wherever he decently could. Fame he had never coveted and the purely military ambition of his youth had long since been burned out, as he had gained close acquaintance with the scourge of war. At the age of fifty-six he had no "wish beyond that of living and dying an honest man on my own farm."<sup>7</sup>

It was this modesty, this lack of personal ambition, this humility, and his sense of stewardship and honor that made him so right for the post. Washington could be trusted, that was the key: trusted to stick to his post until he had accomplished the goal, trusted to do the honorable thing, trusted with the affairs of the people, and trusted to think in terms of the Union. He would not be expected to achieve daring coups, to make risky innovations, or to use his office for purely personal ambitions. He would and did bring dignity to the office and make of it a symbol of unity for a people.

### *James Madison*

Wispy James Madison is a strange choice for one of the essential leaders in establishing the government. Historians and biographers did not make the choice, though it should be said that they have affirmed it. Nor could it be said that for most of his career he was the choice of the people. With his quiet voice, his unassuming manner, and his small stature, he was not one to be picked for leadership. The Virginia legislature passed over him for one of their Senators, and he had to make do with being a member of the House of Representatives. In a sense, Madison must have chosen himself for the role. He had it, at any rate, because of his cultivated intellect, his determination to have a national government, and because he spoke with such cogency and authority on the Constitution. Where others doubted or vacillated, he was certain and determined. He was the man who had so much to do with drawing the Constitution, getting it adopted, making a Bill of Rights, and guiding through the House the early legislation by which the government was established.

### *Alexander Hamilton*

Alexander Hamilton was, and has remained, a controversial figure in the history of the early

years of the Republic. Given his brilliance, his audacity, his drive, and his ambition, it probably could not have been otherwise. He was the man with a plan, a plan he intended to see adopted, and a plan over whose merits men were sharply divided. Perhaps what he achieved could have been accomplished without the acrimony he aroused, but we may doubt it. He wanted an energetic government which men would look upon as *the* government, and any program to achieve it was bound to stir up deep animosities. Hamilton was a nationalist; much less than any other leading figure of these times was he associated by allegiance with any state. He was born and partially educated in the West Indies. He came to Boston in 1772 or 1773, at the age of 15-18, depending on which birth date is accepted and which year he arrived. Shortly, he moved to New York for such local base as he ever had for his political ambitions. He had hardly arrived when he entered the lists of pamphleteers against British measures. He served in the army during the war, was appointed an aid to General George Washington and at that post learned much about the country. He was instrumental both in getting the Constitutional Convention called and less so in helping with its work. He was, how-

ever, a leading figure in securing its ratification in New York.

Washington appointed Hamilton to what many considered the most important post in the new government, that of Secretary of the Treasury. If it was not the most important, he acted as if it were, and from it he proceeded to the establishment of a financial system for the United States. His over-all achievement has been aptly described this way:

He created as from a void a firm public credit; he strengthened the government by not merely placing it on a sure financial foundation, but also uniting great propertied interests behind it . . . He saw the importance of what he called "energy in the administration" . . ., and if only because he went further than any other member of the government in exercising the powers of the Constitution, he must rank as one of the boldest and most farsighted of the founders of the nation.<sup>8</sup>

#### **Thomas Jefferson**

Thomas Jefferson has had the loftiest of reputations among the Founders. There was something somewhat Olympian about him; he had more skills and abilities than any man ought: he was architect, inventor, lawyer, statesman, writer, and linguist, among other accomplishments. But his Olympian position may owe more to his

absence from the center of most continental and national efforts during the crucial years of the late 1770's and the 1780's. When other prominent men were engaged in the War for Independence he was serving ineptly as Governor of Virginia. While the new Constitution was being drawn and ratified he was serving as Minister to France. While others were engaged in the heat of the contest for ratification or alteration, he could and did write calm and judicious letters about the document. Even after he was brought to the center of affairs in Washington's Administration as Secretary of State, he remained in the shade of the more energetic and imaginative Hamilton; and it would have been a sensible judgment that he was unsuited to the rough and tumble of politics. It is ironic, then, that he is included among the list of men who established the government for his role in partisan politics. Jefferson did grasp the nettle of involvement in the exercise of power, forge a political party which attracted a large national following, establish what became a succession of Presidents, and bring republican simplicity to government as well as make political parties another instrument in the balance and containment of power in America. He hardly wished to be remembered

as a partisan politician, or even a politician for that matter; yet he adorns history books largely in that role, and in the largest view this is as it should be. It is in the rough and tumble of politics that ideas are tested along with the mettle of those who advanced them. To be founder of a political party appears to be a lesser thing than to be "Father of the Constitution," but Jefferson's reputation has been more secure than that of James Madison. (Lest someone remind me that Jefferson wrote the Declaration of Independence, I note again that indeed he did, and maintain also that this authorship would have given him a secure place in American history but it would probably have no more made him a Founder than did Paine's authorship of *Common Sense* and *The Crisis*.)

### **John Adams**

Why include John Adams in the list of eminent establishers of the government? There is no doubt, of course, that he should have a secure niche among the Founders for his service over the years in working for independence and for his dogged diplomacy in Europe. Moreover, he was the first Vice President of the United States and the second President. These latter activities are the ones that give trouble, however, for he has

frequently been adjudged a weak and ineffective President, one who inherited from Washington and kept a cabinet which he could not dominate, and who lacked the authority to keep the Federalists in line. The consensus of historians has sometimes been more generous with him, however. About twenty years ago historian Arthur M. Schlesinger queried over half a hundred prominent historians and political scientists asking them to evaluate the Presidents on a scale ranging from Great to Failures. John Adams finished in the top ten, and was rated as near Great.<sup>9</sup> Perhaps, if the reason for rating him so high must be simplified it is that as President he steered the United States on a course of neutrality and independence in the world, averted both serious internal troubles and a major foreign conflict, and achieved out of it an accord with France.

### **John Marshall**

John Marshall came late to the role of establishing the government. He did take part in the war and in politics during the 1770's and 1780's but in positions that did not bring him to the forefront of the attention of Americans. He was prominent in the Virginia convention which took up the question of ratification of the Constitution and debated in favor of

adoption. But he only emerged as a major national figure in 1800 when John Adams appointed him Secretary of State. And, in 1801 he was made Chief Justice of the Supreme Court, a position which he occupied until his death in 1835. It was, of course, as Chief Justice that he distinguished himself and played a prominent part in giving stability to the United States government.

Marshall does not exactly fit our image of an eminent jurist. He was not particularly well-stocked with formal education; his academic training in the law was restricted to a few lectures by George Wythe which he attended. A contemporary said he was "tall, meagre, emaciated,' loose-jointed, inelegant in 'dress, attitudes, gesture,' of swarthy complexion, and looking beyond his years, with a countenance 'small in proportion to his height' but pervaded with 'great good humour and hilarity . . .'"<sup>10</sup> Even so, he came to dominate the court in fairly short order, a fact which is the more remarkable because he was a Federalist, and the men appointed to be his brothers on the court over the years were Republicans. He had a mind which could go the nub of the matter; he was unencumbered by any great knowledge of the law; and he would carry the field with the

force of an argument. His great strength lay in his devotion to the Constitution and his determination to have it hold sway regardless of what there might be in ordinary law to the contrary. The impact of his opinions on the Constitution raised that document far above the realm of ordinary law and did much to make the Constitution into a Higher Law. As Justice Story said in the dedication of his *Commentaries* to Marshall:

Your expositions of constitutional law enjoy a rare and extraordinary authority. They constitute a monument of fame far beyond the ordinary memorials of political and military glory. They are destined to enlighten, instruct, and convince future generations; and can scarcely perish but with the memory of the constitution itself.<sup>11</sup>

### **Building from the Blueprint**

The great task which confronted the men who would establish the government of the United States at the outset, aside from getting respect for it, was to flesh out the very general outline for a government contained in the Constitution. Their work can be likened to that of a master carpenter who has the task of constructing a house from a blueprint. The blueprint indicates what the house should be like, but it rarely tells

in any detail how the effects are to be achieved. That is the task of the builder. So it was with the men who took the reins of the government. Moreover, they had the momentous job of deciding which way, among numerous ways, things should be done in the knowledge that once a way was chosen it would be a precedent for the future. The writers of a constitutional history text comment on this point in the following way:

The decisions made by the statesmen who launched the new government were of especial importance, for the institutions they erected and the policies they inaugurated established precedents that were certain to affect profoundly the entire subsequent development of the constitutional system.<sup>12</sup>

### **The Setting of Precedents**

There were many such precedential decisions in the early years, some trivial, or apparently so, others momentous. For example, the Senate spent some little time over what the proper form of addressing the President should be. A Senate committee actually recommended that Washington be addressed as "His Highness, the President of the United States of America, and Protector of their Liberties." Many in the Senate were outraged, and under Madison's leadership in the House, that

body insisted that he be addressed as the Constitution implies he should, namely, as "the President of the United States," and so he has been ever since.<sup>13</sup>

There was considerable discussion over whether or not heads of departments should be permitted to appear before the houses of Congress to present and discuss legislation. The decision was against it. President Washington appears to have been uncertain himself as to how he was to get the "advice and consent" of the Senate to treaties. He came in person to the Senate to present his first treaty. He was so disgruntled at the proceedings there, however, that he vowed after a second visit over this same treaty that he would never return on a similar errand, and he did not. Since that time, Presidents have caused treaties to be drawn, have sent them along to the Senate for approval, amendment, or rejection, and have considered themselves to be thus complying with the Constitution.

#### **How Many Terms as President?**

Perhaps the best example of a precedent being set which men adhered to for a very long time was in the matter of the number of terms a President would serve. There had been considerable concern when the office was set up that election to the office once

would amount to election for life, for a President might be expected to be re-elected time after time. No doubt some even hoped that this would be the case. George Washington, however, decided to retire after his second term. His example carried such weight that every other man who had the opportunity stepped down voluntarily after two terms for the next 144 years. Franklin D. Roosevelt was the first President to attempt to succeed himself for a third term. The precedent was still so highly valued, however, that the two-term limit has since been made part of the fundamental law.

#### **Duties of Congress**

The Congress had the most immediate task of getting the government underway. It had to pass legislation that would call into being powers and functions that had been authorized by the Constitution. The first order of business was to provide revenue for the government. The first act, then, was the Tariff Act passed July 4, 1789. Though there were some protectionist features to it, the average duties laid were only 8 per cent, making it an act for revenue primarily. On July 20, a Tonnage Act was passed, levying a tax on goods unloaded in American ports. The rate was to be 50 cents a ton on foreign shipping



and 6 cents a ton on domestic. These duties, while not prohibitive, did obviously discriminate in favor of American ships. These things done, the Congress busied itself much in the next couple of months with creating departments of the government. The first departments called into being were State, War, and Treasury, in that order, and these were followed shortly by authorizations for a Postmaster General and an Attorney General, though these dignitaries did not yet oversee departments. A Federal Judiciary Act was passed on September 24, which provided for a Supreme Court with a chief justice and five associates. Three circuit courts were authorized, each of which was to have the attention of two Supreme Court justices. And Congress established 12 district courts. Though that body had been empowered by the Constitution to establish such courts, it was a discretionary power. The bringing of the lower courts into being was a decisive measure by the Congress and set the United States in the direction of having two distinct court systems, those of the United States and those of the states.

The leadership in originating and pressing through much of this legislation was taken by James Madison. With respect to

part of the legislation, one historian says; "In the formulation of the fiscal policies of the new government, James Madison asserted over Congress the same high order of leadership that he had exercised over the Constitutional Convention."<sup>14</sup>

### **Presidential Coordination**

It was now President Washington's turn to take the necessary actions to get all this functioning. Men had to be appointed to high offices with the consent of the Senate, and others had to be appointed to the more mundane jobs. Washington was finally able to persuade Thomas Jefferson to serve as the first Secretary of State. He got his old comrade at arms, Henry Knox, to become Secretary of War, which involved for him, mainly, continuing the post he occupied under the Confederation. Hamilton was the first Secretary of the Treasury, Edmund Randolph the first Attorney General, and John Jay the first Chief Justice of the Supreme Court. Department heads were not at first thought of as composing the President's Cabinet. They began to be convened as a cabinet, however, when Washington found it more convenient to have their opinions in concert rather than individually on certain matters. However, the Cabinet, as such, has

only such power and influence as the President accords it. With Washington this was considerable. "He surveyed his Cabinet with justifiable complacency. All were men of ability, and two were men of genius. With such as these, he wrote, 'I feel myself supported by able Co-adjutors, who harmonize well together.'"<sup>15</sup> This estimate, however, turned out to be much too optimistic.

With these things done, the

government began slowly to function. Some of the most basic laws had been passed, men appointed to posts, and the tasks of performing functions assigned. The three branches of government were acting or ready to act, their separate functions becoming more clearly delineated, the relationships among them being sorted out. What had been a dream and a hope only a few months before was by 1790 becoming a reality. ☉

• FOOTNOTES •

1 Nathan Schachner, *The Founding Fathers* (New York: Capricorn Books, 1954), p. 6.

2 *Ibid.*, p. 11.

3 *Ibid.*, p. 12.

4 *Ibid.*, pp. 3-4.

5 Curtis P. Nettels, *The Emergence of a National Economy* (New York: Holt, Rinehart and Winston, 1962), p. 115.

6 Schachner, *op. cit.*, p. 33.

7 John C. Fitzpatrick, "George Washington," *The American Plutarch*, Edward T. James, ed. (New York: Scribner's, 1964), p. 51.

8 Allan Nevins, "Alexander Hamilton," *ibid.*, p. 113.

9 Morton Borden, ed., *America's Ten Greatest Presidents* (Chicago: Rand McNally, 1961), p. 4.

10 Edward S. Corwin, "John Marshall," James, *op. cit.*, p. 164.

11 *Ibid.*, pp. 171-72.

12 Alfred H. Kelly and Winfred A. Harbison, *The American Constitution* (New York: Norton, 1955, rev. ed.), p. 167.

13 Schachner, *op. cit.*, pp. 46-47.

14 John C. Miller, *The Federalist Era* (New York: Harper and Row, 1960), p. 15.

15 Schachner, *op. cit.*, p. 63.

*Next: Steering a Course for the Nation.*

# SHELTERING

## IDEOLOGIES

Damn the magistrates who play, "protect me, I'll protect you."  
—Petronius

SOME THINGS never change, apparently: the nature of politicians, as distinguished from statesmen, for example. There is camaraderie in the trade; they take care of each other. "You play ball with me, and I'll play ball with you." No wonder the Roman magistrates winked at one another when they met! However, I do not damn the politicians who play the game that Petronius so rightly decried. My attitude is rather one of pity: they do not know any better!

Let us define our terms. What is meant by ideology? It is "the study of ideas, their nature and source . . . the doctrines, opinions, or way of thinking of an individual, class, etc."

And sheltering? As used here, it means protection from life's problems — seeking refuge from difficulties — not by building and

strengthening one's own intellectual and physical assets but by using force or coercion to live off the resources of others. In politico-economic parlance these sheltering ideologies range from protectionism and state interventionism to socialism, welfarism, the planned economy, nazism, fascism, Fabianism, communism.

Though sorry for politicians who play the barbaric game of logrolling, my sorrow extends even more to those citizens who elevate politicians to their domineering positions. Why are these low-caliber men in office? Simply because too many voters themselves are of this caliber — they do as well as they know how to do. The dominators in office merely echo those in the population who believe their interests are best served by living at the expense of

others. Barbarism in both cases; like begetting like!

Why this harsh term, barbarism? The animal world, except for man, is guided by instincts. Man has lost most, not all, of his instincts. And few human beings have acquired man's distinctive features: *the ability to think for self, personally to will conduct, to make moral decisions*. Those who are neither animal nor man—trapped between the two—exhibit barbaric behavior: less than animals in instinctual guidance and short of man in rationality.

#### **A Simple Test**

How may we decide whether a person is trapped at the barbaric level or has ascended to the human level? There are many ways, but this simple test in economics should suffice: does an individual believe that one man's gain is another's loss?

Why is it that the Golden Rule is not universally accepted and applied as the only solution to the social problem? The answer is simple. Mr. Lippman put his finger on the heart of the matter in saying that *the fear* that "one man's or one country's gain is another man's or another country's loss is undoubtedly the greatest obstacle to human progress. It is the most primitive of all our social feelings and the most persistent and obstinate prejudice which

we retain from our barbarian ancestors. It is upon this prejudice that civilization has foundered again and again. It is upon this prejudice that all schemes of conquest and exploitation are engendered. It is this prejudice which causes almost all men to think that the Golden Rule is a counsel of perfection which cannot be followed in the world of affairs."<sup>1</sup>

#### **At the Human Level**

Each person's position on the ladder of civilization is determined by the sheltering ideologies he condones or sponsors. If he subscribes to exploitation in one or more of countless forms, he has not thought his way out of primitive prejudices. If, on the other hand, he has freed his thinking of these superstitions, he is at the human level.

Except in the case of gambling and thievery (illegal), or state exploitation (legal, but identical in an economic sense), every gain of mine is someone else's gain as well. I value your product or service more than the cash paid or I would not have made the exchange. You value the cash more than the product or service or you would have retained your wares. Whenever and wherever there are voluntary exchanges, each party

---

<sup>1</sup> See *Consent* by Newton Dillaway (Unity Village, Mo., Unity Books, 1967), p. 74.

gains in his own judgment — the sole basis of assessing value.<sup>2</sup> No sheltering ideology here! No hint of exploitation! Each doing for others that which he would have them do for him — the free market way.

Conceded, many people have ascended above the primitive level in other than the politico-economic realm which we are discussing here. But in this area, if we are to judge a man by his urge to plunder others, the number of "saved souls" is distressingly small. Further, this sad trait is not confined to any one occupational category. This propensity to live at the expense of others is as much in evidence among businessmen as labor union members, among professors of economics and clergymen as politicians.

#### **Examples of Protectionism**

Let us further identify those who subscribe to — support, condone, promote — the sheltering ideologies.

First, there are businessmen who seek varying forms of government protection against com-

petition, domestic or foreign. Such people are not to be distinguished from labor union members who seek above-market wage rates for themselves by excluding other workers from certain jobs. Each practice is backed by government and thus exploits taxpayers and consumers. In this same category are those educators who demand tenure and go on strike to enforce their demands — all in the name of academic freedom!

Next are the promoters of such public works as The Gateway Arch, Urban Renewal, or moon shots. They may be likened to the monarchs of ancient Egypt. The pyramids were built with slave labor; today's public works are built by the coercively extorted income representing a portion of your labor and mine. What's the difference!

Those who support rent control and all other forms of wage and price controls are afflicted with a sheltering ideology. Controls seem to be a plausible way of dealing with rising costs, which in turn result from an increase in the money supply: inflation. Inflation is a device for syphoning private property into the coffers of government, and will be activated whenever the costs of government rise to the point where they cannot be met by direct tax levies — inflation to make up the difference.

<sup>2</sup> For an explanation of this point see *The Exploitation Theory* by Bohm-Bawerk (South Holland, Ill.: Libertarian Press, 1960). See also the chapter, "Readiness Is All" in my *Then Truth Will Out* (Irvington-on-Hudson, N. Y., The Foundation for Economic Education, Inc., 1971), pp. 144-152.

### **Expanding the Money Supply**

These excessive costs result because other sheltering ideologies are practiced; prices rise as they would were everyone to practice counterfeiting. Wage and price controls hide the truth; they deprive buyers and sellers of the facts as to the demand for and the supply of goods and services. Thus, exploitation, which most people favor, can go on its merry way — people blinding themselves to reality!

Those who favor paying farmers not to farm — farm supports — are at precisely the same sheltering level as the American bureaucrats of the thirties who killed baby pigs to raise the price of pork, or the Brazilians who burned part of their coffee to raise the price of the balance. Exploitation of both consumers and taxpayers!

Physicians and dentists who support medicare and a system of licensing in order to suppress free entry and competition will, by and large, claim opposition to cartels and monopolies in the business world; they simply want their own cartel. "Dares thus the devil rebuke our sin! Dare thus the kettle say the pot is black!"<sup>3</sup>

Take account of the millions who favor unemployment insurance — a device so sheltering that

many employables prefer their handouts coercively taken from taxpayers to earning their own way.

### **The Pension Idea**

Who, we must ask, is free from sheltering ideologies in one or more of their numerous forms? If the above examples fail to embrace most of the population, then note the multitudes who favor Social Security. Nearly all educational, religious, and charitable institutions — not compelled by law to join in this economic monstrosity — have rushed to the trough. Favored, indeed!

Monstrosity? Reflect on the facts. "... the Social Security tax is not only rising faster than any other Federal tax but is also increasingly unfair to lower income workers. . . . The maximum Social Security tax rose from \$60 in 1949 to \$811 in 1971 and will jump to \$1,324 in 1974."<sup>4</sup>

Here, however, is the shocker: not a cent of the billions collected in Social Security taxes is put in a reserve fund to pay beneficiaries — only IOU's in the form of government bonds. These billions are spent, as any other tax money, to defray the current costs of government. From what, then, are

<sup>3</sup> Henry Fielding.

<sup>4</sup> See *New York Times*, November 19, 1972, First Section, p. 18.

beneficiaries paid? From more taxes imposed at time of payment, a tax on the beneficiaries as well as on other taxpayers. The enormous cost of this sheltering program is one of the major causes of inflation. If the money in circulation continues to escalate as in the past 33 years, it will total \$1.5 trillion by the year 2000. What will the Social Security beneficiary then be able to buy with his dollar? Substantially nothing!<sup>5</sup>

The proper function of government—organized force—is to codify the taboos against destructive actions and to enforce them. All creative activities, including the practice of charity, are appropriately left to men acting freely, voluntarily, cooperatively, competitively, privately. This is the freedom philosophy. As I see it, anyone who advocates, supports, or condones governmental intervention into any of the creative areas is a victim of one or more of the sheltering ideologies. And that covers all but a very few indeed!

I know the rebuttal; we hear it everywhere, by TV, radio, the press, nearly all associations—business, religious, educational, or whatever. Its substance? How else

are we to care for the poor, the unfortunate, the unemployed, the aged? As a result, faith in free men to create a good society has all but disappeared.

### **A Record of Failure**

The fact is that not a one of these alleged remedies is working. Nothing better illustrates the truth of this observation than one other of the sheltering ideologies: the minimum wage law. This popular panacea harms the very people it is supposed to assist, those on the lower rungs of the economic ladder. Workers whose skills are not valued by others at \$2.25 per hour, for instance, are relegated to permanent unemployment. Economists, the world over, regardless of their other persuasions, are nearly unanimous on this point, and a moment's thought should tell us why.<sup>6</sup>

I insist that every sheltering ideology, be it Social Security, unemployment insurance, medicare, farm supports, wage and price controls, modern pyramids, teacher tenure, cartels, or whatever, has precisely the same debilitating, destructive effect as the minimum wage law. All of these,

<sup>5</sup> For more explanation, see "Social Security Re-examined" by Paul L. Poirot, *The Freeman*, November, 1965.

<sup>6</sup> See the chapter, "A Laborer Looks at Freedom," in *Then Truth Will Out* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, Inc., 1971), pp. 61-66.

without exception, harm the very people they are foolishly designed to help. At the root of these panaceas is nothing but an unwillingness to think, a failure to rise out of the primitive and up to the human level.

As to the sheltering ideologies, rare, indeed, is the person who favors none; rare, also, is he who favors but one.


What shall we infer from this? Sheltering has a near-unanimous approval. The individual who stands for even one special privilege endorses the principle of coercive exploitation; by his actions he declares that living off others is morally admissible.

The way to test the validity of this coercive exploitation is to assume its unanimous practice. It becomes obvious then that everyone would perish! Parasites die in the absence of a host.

One further observation: to the extent that the responsibility for

self is removed, whether voluntarily surrendered or coercively taken over by governmental action, to that extent is denied the very essence of one's being, and the individual perishes by unseen degrees.

Man's laudable purpose is not to vegetate, to retire, to seek an escape from life — to be secure as in a coma; it is, instead, to get ever deeper into life, to grow. And this can be accomplished only by an increasing use of one's faculties, solving problems, surmounting obstacles. For it is an observed fact that the art of becoming is composed of acts of overcoming.

Why not be done with sheltering ideologies? As Maxwell Anderson wrote in his preface to *Knickerbocker Holiday* in 1938: "The guaranteed life turns out to be not only not free — it's not safe." 

### ***Something for Nothing***

WHENEVER one man gets something without earning it, some other man has to earn something without getting it. That is morally wrong and any nation built on that kind of philosophy is headed for trouble because the real irony of this is that the man who pays nothing actually pays the highest price of all through the destruction of his character and self-respect.

From an address, "Don't Blame Caesar," by ED W. HILES

IDEAS ON



LIBERTY



# THE MYTH of the Perfect Solution

RIDGWAY K. FOLEY, JR.

MAN PERSISTS in pursuit of utopian dreams. It seems second nature to search for the ideal solution to existing problems. Both self-improvement and societal change represent viable objectives and merit more than a sneer.

Nevertheless, enthusiasm for perfection or a final, conclusive solution must be tempered with an appreciation of the real nature of man. Man, a finite creature, lacks the quality of perfectibility; he is capable of improvement; he is not perfectible. Since human institutions merely reflect the nature of the men who form and operate them, one cannot reasonably expect perfection from so-

ciety any more than one can anticipate it from individual man.

The statist errs in his consummate misapprehension of man's inherent nature. Indeed, his view appears ambivalent. The social engineering of the statist necessarily must be premised upon the assumption that man is inherently good and capable of creating Heaven on earth, yet the identical theorist often disdains the masses as mere sheep to be led, as mass voters incapable of knowing their own minds. Thus, he asserts that man may be perfected by the social engineer, the one who possesses the key to the door of ultimate understanding, notwithstanding the contrary contention that the mass man is incapable of self-perfection!

---

Ridgway K. Foley, Jr., is a partner in the firm of Souther, Spaulding, Kinsey, Williamson & Schwabe and practices law in Portland, Oregon.

On the other hand, the voluntarist who believes in the freedom philosophy<sup>1</sup> may likewise be snared by a related delusion. At the foundation, the exponent of freedom may comprehend man's finiteness. At the same time, he may continue a relentless quest for a positive, conclusive form of government which will necessarily secure the fruits of freedom to the governed.<sup>2</sup> I conclude against the existence of a perfect form of the state which will positively protect the individual from excesses of power. This essay explores this myth which may delude both the freedom exponent and the statist.

---

1 I use the terms "voluntarist," "libertarian," and "exponent of the freedom philosophy" interchangeably. By these words, I mean a person who adheres to the concepts of private property, limited government, free market economics, and individual self-determination, one who believes that the state is properly limited to promotion of common justice and protection of the individual from force and fraud by internal predators or external aggressors.

<sup>2</sup> The Declaration of Independence, in salient part, forms the basis of the libertarian philosophy and suggests the obligation of government should be limited to *securing* personal freedom:

"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 Search for Sovereignty to Best Assure Individual Freedom**

Sovereignty represents the threshold inquiry. Where does, or should, sovereignty reside to best assure individual freedom? Sovereignty may be defined as the supreme power in a body politic.<sup>3</sup> cursory reflection reveals that ultimate power of organized force must have a residence. In a milieu of anarchy or civil chaos, sovereignty constantly shifts, resting with the most currently powerful individual or clique. In a society controlled by organized government, sovereignty (the ultimate government power) must dwell in some individual or group ultimately controlling the coercive force of the state. That ruling force may be called a political party, a politburo, a king, a legislature, a privy council, or by any number of other names. Whatever its denomination, it is the ultimate repository of organized force in society.

The libertarian fears organized coercion; he recognizes that, despite good intentions, the monopoly of force provides fertile ground for misuse of power to the detriment of individual freedom. Chief Justice Roger Taney summed up

---

<sup>3</sup> *Webster's New International Dictionary*, third edition, unabridged (G. & C. Merriam Company, Springfield, Massachusetts) 2179.

the problem succinctly over a century ago:

It is said that this power in the President is dangerous to liberty and may be abused. All power may be abused if placed in unworthy hands.<sup>4</sup>

Thus, the essential libertarian concern considers limitations on the use of state power wherever sovereignty resides, since exertion of the law beyond its proper boundaries necessarily curtails liberty.<sup>5</sup>

#### ***Institutional Barriers to the Misuse of Power***

To solve this concern, the libertarian searches for the location of sovereignty in the society in which he lives. Having determined where sovereignty abides, he often devotes his efforts to the erection of barriers designed to limit the sovereign and, hopefully, to inhibit the misuse of power.

Consider the American scene. The Founding Fathers greatly agonized over limitations on government, having lately removed the young states from the grip of royal and parliamentary despotism. They constructed intricate

governmental institutions, separating and dividing power, checking and balancing the use of coercive force. Thus, for example, the House of Representatives wields the power of the purse; the Senate advises upon, and consents to, various executive appointments; the two houses of Congress must concur in the passage of legislation; the President proposes legislative acts, and executes them after passage; the Supreme Court may declare an act of Congress unconstitutional (beyond its power); lifetime appointments are made to the Supreme Court, with good behavior, without reduction in salary, by the Chief Executive, upon the advice and consent of the Senate; election to legislative and executive office occurs in staggered terms of 2, 4, or 6 years. In addition, power is further fragmented between the national government and the several states (division of power) and most state governments contain, on their own level, additional checks and balances.<sup>6</sup>

#### ***Fragmented Power***

The American system posits the premise that diffused power poses

<sup>4</sup> *Luther v. Borden*, 17 U.S. (7 How) 1, 12 (1849).

<sup>5</sup> See Foley, Ridgway K., Jr., "Individual Liberty and the Rule of Law" 21 *Freeman* No. 6, 357-378 (June 1971), and 7 *Will. L. J.* 396-418 (Dec. 1971), wherein I have attempted to analyze proper and improper uses of law.

<sup>6</sup> Of course, this cursory summary is not intended to be an exhaustive analysis of the system of checks and balances, division of power, and separation of power. Entire treatises have considered these conditions and provisions. The statements in this paragraph are intended as illustrative only.

less danger to individual freedom than concentrated coercive force. Liberty could survive handsomely under an enlightened monarch or unitary council, if the possessor of power limited the role of the state to its appropriate functions. History teaches the unlikelihood of this condition. It offers the collateral lesson that fragmented power, diffused among several individuals, entities, and institutions, may more likely retard abuse and salvage freedom.

### **Have They Worked?**

Review American history. Has this system of checks and balances wrought preservation of freedom and limitation of the state? Sadly, the objective observer must respond negatively. The Supreme Court early usurped the power to declare congressional acts unconstitutional under a rule of "necessity";<sup>7</sup> this self-serving doctrine of judicial supremacy could be checked by congressional removal of jurisdiction, or by more explicit legislation, or by constitutional amendment, but none of these devices have yet achieved the needed limitation. Thus, the Federal courts proceed to judicially legislate, oblivious to constitutional restraints and unanswerable to the electorate. Using shibboleths like

"state action,"<sup>8</sup> "affected with the public interest,"<sup>9</sup> and the like, the judiciary has imposed upon the body politic concepts of economics, morals, and sociology which satisfy the particular jurists but few others. One can measure whether we are in a nation of laws, not men, by comparing the change in judicial policy evoked in four years by four additions to the United States Supreme Court!<sup>10</sup>

### **Assaults Upon Liberty**

Again, legislative action in a bifurcated Congress has proved no savior of liberty. Political deals, use of odious riders upon needed legislation, the artifice of pork-

<sup>8</sup> But see *Moose Lodge No. 17 v. Irvis*, Supreme Court Bulletin B2734 (June 12, 1972), and *Lloyd Corp., Ltd. v. Tanner*, Supreme Court Bulletin B3140 (June 22, 1972), where the Court has taken a much-desired backward step from the governmental expansive concept of "state action." The philosophical defects and libertarian antidotes to this freedom emasculating tenet deserve a separate essay.

<sup>9</sup> *Munn v. Illinois*, 94 U.S. 113, 24 L. Ed. 77 (1876).

<sup>10</sup> The author holds no brief for Chief Justice Burger and Associate Justices Blackman, Powell and Rehnquist as libertarians in the sense used here. Indeed, their decisions reveal a singular ambivalence and inconsistencies so typical of those not endowed with any consistent philosophy of freedom. (Mr. Justice Rehnquist may prove the exception to this broad statement.) Nevertheless, no one can deny that these men, "conservatives" at least in the traditional sense, have worked a major change in the jural fabric of our nation.

<sup>7</sup> *Marbury v. Madison*, 1 Cranch 137, 2 L. Ed. 60 (1803).

barrel politics, and bottling up bills in committee for mean and venal ends have persisted since the nation began. Members of Congress display an increasing tendency to voice freedom and economy at the same time that they vote repressive and uneconomic bills into law. The checks and balances designed to encourage mature reflection have not fared well.

Finally, the executive branch of government has contributed to the decline of freedom. Not the least of its sins has been the appointment of persons to public office lacking in any appreciation of ingenuity and the desirability of maximum individual freedom. Again, the constant inordinate demands upon the legislative branch to legislate in all nooks and crannies of human existence can only induce and achieve the lessening of human creativity.

Nor has the division of power between the states and national government protected the citizenry from the assault upon their liberty. The original premises of the nation included (1) control of government by those closest to it; (2) strictly delegated or limited functions of the government; and (3) the individual states as incubators of political theory. Nevertheless, two hundred years reveal the constant usurpation of power by the general government, a correspond-

ing increase in activities by both state and nation, a loss of direct control by the electorate, and a continuing assault upon political variation and a growth of the orthodoxy of mediocrity.

### ***The Trap of the Constitutionalism Response***

If the present system fails to preserve freedom, rationally one should inquire whether any other system might provide that sought-after perfect solution. At this point the libertarian may be ensnared by the trap laid by the myth. For lack of a better phrase, we may term this delusion the *constitutionalism response*.

The advocates of the constitutionalism response recognize that carefully formulated institutions devised by the Founding Fathers have failed to achieve the sole viable end of government: human freedom. They comprehend that the most carefully conceived institutions may decline, even in a democracy or republic, where 51 per cent of the voters can ravage the remainder by ballot fiat. Yet their rejoinder is to propose more carefully constructed constitutional provisions. How often have you heard a strong libertarian utter the cliché, "There ought to be a law against (or compelling) —"? I have perceived even kindred souls suggesting that reading

Bastiat's *The Law* should be mandatory! A contradiction in terms.

The constitutionalism response suffers from twin deficiencies. It rests upon the fallacious premises that (1) it is desirable to legislate (read: coerce) others to conform to this chosen mode of behavior and (2) it is possible to legislate proper conduct, and even to define the content of such conduct. These premises, in turn, rely for support upon the arrogant assumption that some man (or group of men) is better able and equipped to determine the destiny of other men, so that it is proper and desirable that the former compel the latter. A subsidiary false assumption presumes that any man is even privileged to make this decision about another.

#### **Just Ends and Coercive Means**

Reduce the problem to simple terms. Am I better qualified, by intrinsic worth, brains, or talent, to judge how my neighbor should conduct his life, even in the smallest particular? Stated in these terms, a negative rejoinder seems prudent. Yet, I violate that conclusion every time I coerce my neighbor into paying Social Security against his will. Recognize that I may have his best interests at heart: he does not spend his money wisely and I fear he will wind up a destitute and unhappy

old man. Besides, Social Security really costs him very little and this represents, indeed, a small particular since I leave my neighbor his freedom in other arenas. Notwithstanding these rationalizations, no circumstance justifies my ordering my neighbor's destiny, even in minute instances, save one: to prevent the use of force and fraud against free men and for the promotion and administration of common justice. In fact, it is the height of arrogance for me to even claim the privilege of making this decision for my neighbor. Of course, logic patently demonstrates that if I am not individually privileged to restrain my neighbor, neither am I entitled to coerce him by banding together with my fellows, either to form a majority or a ruling clique. Action under the imprimatur of majority rule may soothe the superficial conscience, but it renders the evil deed no less evil.

Observe where the constitutionalism response first failed — at the point where the libertarian advocates the use of nonlibertarian methods to produce a “desirable” result. You may agree that the world would be a better place if all men memorized Bastiat's *The Law*. I suggest that such a desirable end should not be produced by threat of death to all those who fail in this endeavor. Such an edict

would violate the very principle sought to be achieved. On a less violent scale, the constitutionalism response proposes to correct injustice and restraint by the use of organized force — “There ought to be a law.” If ends preexist in means, such propositions are doomed to failure.

### ***The Art of the Possible***

Most libertarians successfully hurdle the first deficiency. More of us stumble upon the second: the *possibility* of achieving desired ends by legislative or constitutional reform.

I propose two axioms: first, the Founding Fathers more nearly approached the ideal of human freedom than any other group of men, and that they constructed an intricate fabric (the Constitution) upon which to maximize individual liberty. Second, the condition of freedom has rapidly deteriorated despite this philosophy and protection. Given these premises, what can be done to better our condition? Is it *possible* to write a better constitutional answer?

I suggest that while improvement might be made in our Constitution, no man-made vehicle can possess perfection. Just as finite man is fallible, so also are his words, works, and institutions.

The problem is complicated by the nature of language. Words pro-

vide poor vehicles for transportation of concepts. Concepts contain the amount of precision and perfection injected by the perceiver; the perceiver is finite. But the perceiver may arrive at something close to perfection in his mind, yet be deterred or obstructed in conveying his thoughts to a listener or reader by the sheer clumsiness of language.

Words possess shades and variations of meanings. Meaning and content differ from man to man. The classic intra-libertarian intellectual struggles bear ample witness to the fact that even persons in basic agreement in principle may contest in context.

### ***Differences in Interpretation***

For example, I may say that the state should limit its activities to the prevention of force and fraud, to the protection of its citizens from internal violence and external aggression, and to the promotion of common justice. You may agree. You know these words and you understand their common signification; to you, the content is sound and we affirm our harmony. Yet this accord may dissipate rapidly when we apply my broad statement to concrete situations, or when we test it by definition or analysis. We may agree in principle and thus form a consensus, but disagree in application. Con-

sider fraud. To a lawyer, fraud possesses a stylized jural meaning: it is a material representation, false in fact, made by a party when he knows that it is false or made recklessly by that party without knowledge of its falsity and as a positive assertion, made with the intention that it should be acted upon by that other person in reliance and to his detriment.<sup>11</sup> I may mean the government shall only penalize active legal fraud as defined by the court; you may conceive of fraud as something quite different, incorporating common (and just) senses of indignation against a more wide-ranging and invidious type of deception. Any general definitional term may divide us when we seek to apply the rule to specific situations.

A constitution resembles the instance set forth in the last paragraph. By nature, constitutions are fundamental, basic documents. They are full of open-textured concepts which possess many interpretational interstices. As our "fraud" analysis demonstrated, words are susceptible to many meanings. General agreement can be achieved at the core; less agreement will hold sway at the penumbra. For example, most of us would agree that it is fraudulent for a used car dealer to affirmatively tell

a buyer that the subject vehicle has only been driven 10,000 miles when in fact the dealer set back the speedometer from 50,000 miles himself that very morning, at least if the buyer believed the dealer, bought the car in reliance upon his affirmation, and was harmed by the misstatement. We might have a much more difficult time in reaching a consensus of fraud in a case where a seller conveyed a new vacuum cleaner to a buyer upon the affirmation that the machine was manufactured in Yuma, when in fact it was made up of parts made in Yuma but assembled in Flagstaff.

Two examples of open-textured phrases from the present Constitution sufficiently manifest this intrinsic deficiency appearing in that essential document. The states granted Congress the power "to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes."<sup>12</sup> Scholarly analysis demonstrates that the draftsmen intended to grant to Congress the power to inhibit trade barriers between states such as plagued the nation under the Articles of Confederation. Yet the Federal government has used this little clause as the basis for usurpation of a vast range of human action by im-

<sup>11</sup> See, e.g., *Amort v. Tupper*, 204 Or. 279, 282 P. 2d 660 (1955).

<sup>12</sup> United States Constitution, Art. I, § 8, Cl. 3.



plementation of restrictive legislative and judicial decisions. A similar flagrant linguistic misuse concerns the "general welfare"<sup>13</sup> clause of the preamble which has been tortured beyond belief.

History thus proffers a clear lesson to be learned: no matter how clear and precise a constitution may be, there exists no guarantee that succeeding generations of politicians and judges will not distort the phraseology, history, and meaning to their own ends, which usually involve the assumption of greater power to the state. I challenge whether it is possible to draft a constitution which will withstand the ravages of "unworthy" men.<sup>14</sup>

### The Solution

I tender no perfect solution. None exists. I do offer a solution which may not be wholly palatable to today's activists who are ag-

grieved by the miasma wrought by governmental intervention. That solution is persuasion and reliance upon enlightened men. The concept of limited government requires, in final analysis, an agreement upon basic principles of limitation and the good faith of all citizens who participate in the body politic. Legislators and executives can be elected with a majority mandate to overturn or ignore basic principles;<sup>15</sup> judicial officers can misread a constitution or a statute. The sole viable solution is to educate and persuade an increasingly greater number of men to act in harmony with the principles of the freedom philosophy both in their private lives and as public servants.<sup>16</sup>

The nature of the solution should not deter us from seeking after perfection. It does not mean we should desist from ruffling lib-

<sup>13</sup> United States Constitution, Preamble:


"We the People of the United States in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

<sup>14</sup> See Footnote 4. The Soviet Constitution, in many respects, appears to be a most liberal instrument, yet witness the depredations wrought in that family of nations.

<sup>15</sup> I am reminded of Dr. Poirot's recent article "Who Should Vote?" 21 *Freeman* No. 2, 120-124 (February 1971) wherein he discusses, *inter alia*, potential limitations upon the franchise to the end that freedom might better survive. I do not disagree necessarily with some of his excellent ideas, I merely point out that franchise limitations pose no insurmountable barrier to the statist who convince the electorate that plunder is proper. Enlightened freemen provide our sole effective recourse in final analysis.

<sup>16</sup> Insofar as the method of education and persuasion consistent with the freedom philosophy is concerned, I defer to the writings of Mr. Leonard Read who has given this subject much consideration.

eral tail feathers wherever we can. It does not mean that we should desert the polling place. I merely suggest that we should not place ultimate reliance upon the ballot box or a written document for the perfect solution. We come nearer

to perfection if we concentrate on self-improvement and self-enlightenment, so that each of us brings his own candlepower into conjunction with others. Who knows — the Remnant might become a horde. 

## Chaff About Wheat

WILLIAM F. RICKENBACKER



WHEAT, of all things, has been making the headlines in recent weeks as if it were married to a Greek shipping lord. There has been the announcement of general crop failures in the Communist world, an enormous sale by American exporters, accusations of “windfall” profits by those exporters, guarantees of higher-than-market prices for wheat and even for the shipowners who transport it to the Soviet Paradise, the decision of the longshoremen’s union to abandon its long-established policy of refusing to work

vessels under Soviet flag — and so on and so forth. Wheat, quite clearly, is a “problem.”

Now the interesting thing is that there is no reason why wheat intrinsically should be a problem, as, for example, carbon monoxide is a problem. Men of average ability can cooperate with the Lord’s creation in such a way as to produce wheat in abundance; mechanisms can match up supply and demand as they do for hundreds, nay thousands, of other commodities; transportation can be arranged at less than the presidential level for wheat as it is routinely for, say, cornflakes or narcotics. What’s so special, and what’s so especially problematical, about wheat?

I submit that the special char-

© National Review, Inc. 1972.  
Reprinted by permission from the November 24, 1972 issue of *National Review*, of which Mr. Rickenbacker is a contributing editor. He also is editor of the *Rickenbacker Report*, an investment advisory service, and publisher of the *Financial Book Digest*.

acteristic is governmental intervention. Across the sea, in the Soviet Paradise, where the farmers in czarist days never failed to export their agricultural production to Europe and Asia, the intrusion of a crazy political ideology has converted abundance into penury, an agricultural exporter into an importer. On this side of the water, the intrusion of an equally crazy political ideology has distorted just about every aspect of wheat economics. You can't plant wheat without a license. Trafficking in licenses is a crime. General tax revenues are used to prop up the domestic price of wheat, raising the cost of living. If a wheat exporter sells wheat at less than the domestic price, the Department of Agriculture will make up the difference. So, general tax revenues are used to depress the world price. Exporters can gamble on varying differentials in the daily quotes, and apply for subsidies calling for larger payments than needed to offset their actual losses. In the recent sale of wheat to the Soviet Paradise, this system alone cost the taxpayers \$120 million. Some "sale"! The artificially swollen price for domestic wheat encourages perennial over-production and embarrassing "surpluses" that, in merely economic terms, are as surely a sign of coercive distortion as the

"shortages" created by Soviet ideology in the historic breadbasket of Europe.


As for transportation, the two meddling governments, Washington and Moscow, have agreed to pay more than the market rate for shipping. General tax revenues will be used to line the pockets of the shipowners. By political agreement, one-third of the wheat transported from the U.S. to the USSR must go in American bottoms, one-third in Soviet bottoms and one-third in "other" vessels. No matter what price the "other" vessels charge, the Soviets will pay 10 per cent more to the American shipowners. Presumably this will help American ships to stay in business despite the ruinous results of governmental interventionism and subsidies in the shipping industry — another, but sickeningly similar, story. All of this finagling, boondoggling, price-setting and reciprocal pocket-lining would be strictly illegal if done by private citizens.

It seems clear that the effect of governmental meddling in wheat has been to unbalance the supply-demand function in the U.S. and the USSR, to raise prices in *both* places, to create "problems" where none had existed before (transportation of Ukrainian wheat to Europe was no "problem" when it was handled, year after year, by

freely functioning agents), and to misallocate scarce resources such as human labor, farm machinery, real estate, storage bins, fertilizer and on and on. It is, in fact, impossible to show that the wheat maneuvers of Washington and Moscow have done any economic good at all; and it is easy to show that the over-all net result has been entirely negative, raising everyone's cost of food and creating hostility where once there had been only cooperation.

Here, as always when the government intervenes in a market, the "problem" does not reside in

some inanimate object named "wheat" or "natural gas," but in false ideologies. More precisely, the problem does not lie in false ideologies but in a political system that permits some people to impose their false ideologies on others. I would gladly let the Department of Agriculture go on forever with its delusions and magical operations. But why must it have the power to force all of us to pay for its mistakes?

Wonder what would happen if the Department of Agriculture had to offer its "services" in a free market? 

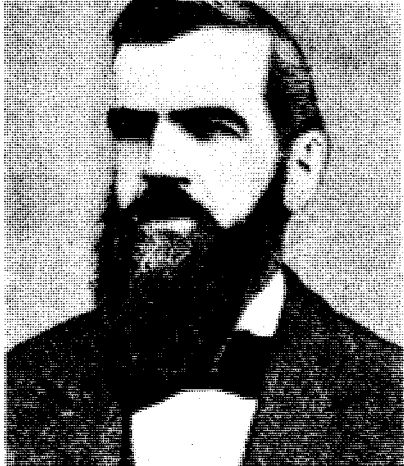
### *Inventions vs. Interventions*

THE INTRODUCTION of great inventions appears to be one of the most distinguished of human actions, and the ancients so considered it, for they assigned divine honors to the authors of inventions, but only heroic honors to those who displayed civil merit such as the founders of cities and empires, legislators, the deliverers of their country from lasting misfortunes, the quellers of tyrants, and the like. And if anyone rightly compares them he will find the judgment of antiquity to be correct; for the benefits derived from inventions may extend to mankind in general, but civil benefits to particular lands alone; the latter, moreover, last but for a time, the former forever. Civil reformation seldom is carried on without violence and confusion, while inventions are a blessing and a benefit without injuring or afflicting any.

IDEAS ON



LIBERTY



# Edmund Burke on Inflation and Despotism

GARY NORTH

EDMUND BURKE is generally regarded as one of the founders of modern conservative thought. As a defender of tradition, private property, slow social change, and "muddling through," he was an opponent of aprioristic thinking, rationalistic blueprints for social reconstruction, and "metaphysical arithmeticians." He is therefore not heralded as a master of the subtle skills of economic reasoning. Nevertheless, Burke's teachings on the relationship between policies of monetary debasement and social change indicate that he was far more alert to the dangers of monetary inflation than are recent defenders of Federal deficits and a system of price-wage controls. When *Nation's Business*

can survey 450 leading business executives concerning their opinions on price and wage controls, and find that over 70 per cent of them favor the controls, with 47 per cent of them favoring an indefinite extension of such controls, it is not difficult to conclude that Edmund Burke had a more sophisticated sense of economics than our modern professionals.<sup>1</sup>

In 1790, Burke distinguished himself by writing what was to become the classic statement of conservative social theory, *Reflections on the Revolution in France*. Though its focus is social and political, the book contains several penetrating sections dealing with two crucial economic issues: wealth redistribution and monetary debasement. His presuppositions are not those of classical liberalism, given his commitment to landed property as distin-

---

Dr. North, economist of the Pacific Coast Coin Exchange, also lectures at seminars of The Foundation for Economic Education.

guished from commercial ("monied") property, but his conclusions are quite close to nineteenth-century liberal monetary theories.

Burke's defense of private property in land as a form of ownership superior to stocks, bonds, and other "paper" investments harkens back to the famous Putney Debates of Cromwell's Army in 1647. Burke, like Ireton (Cromwell's son-in-law) before him, viewed the owners of landed property as men with a greater stake in the preservation of society than either the propertyless or those owning nonlanded property.<sup>2</sup> Understandably, given this perspective, Burke was appalled by the advent of money speculators in France, coupled with the simultaneous confiscation of church and Crown lands. "The monied interest is in its nature more ready for any adventure," he wrote, "and its possessors more disposed to new enterprises of any kind. Being of a recent acquisition, it falls in more naturally with any novelties. It is therefore the kind of wealth which will be resorted to by all who wish for change."<sup>3</sup> Burke was not opposed to change as such; he wrote that any state "without the means of some change is without the means of its conservation."<sup>4</sup> But he wanted slow, steady, familiar, "organic"

changes, and not the more rapid changes associated with modern industrial society. In this sense, he was certainly a "conservative" rather than a "liberal."

This preference for landed property—which in eighteenth-century England meant property hedged about by statist restrictions on ownership, transfer of such ownership, inheritance, and politically imposed land enclosures<sup>5</sup>—over monied property undoubtedly colored Burke's economic analysis. He resented what he regarded as land confiscation in France and the sale of this land to middle-class French businessmen, thereby "carrying on a process of continual transmutation of paper into land, and land into paper. . . . By this means the spirit of money-jobbing and speculation goes into the mass of land itself and incorporates with it."<sup>6</sup> Yet he accepted Parliamentary enclosure bills, and he was personally interested in agricultural rationalization and improvement for England's increasingly market-oriented system of farming. Indeed, as Prof. Herbert Heaton has written, "Burke discussed cabbages and pigs almost as earnestly as he did the grievances of the American colonies."<sup>7</sup> Thus, he was not fully consistent in his support of private ownership nor in his attacks on political confiscation.

### *Immorality and Instability*

His real concern was with morality and with semifeudal concepts like honor and loyalty. These concepts were being undermined in France by revolutionary politics and monetary debasement on the part of the French government. Instability – Burke's greatest fear – was becoming the order of the day in France. Most serious, this instability was undermining the French family, that most fundamental of all institutions in conservative social analysis.

Nothing stable in the modes of holding property or exercising function could form a solid ground on which any parent could speculate in the education of his offspring or in a choice for their future establishment in the world. No principles would be early worked into the habits. . . . Who would insure a tender and delicate sense of honor to beat almost with the first pulses of the heart when no man could know what would be the test of honor in a nation continually varying the standard of its coin?<sup>8</sup>

The result of such an unsettled commonwealth, Burke predicted, would be barbarism. What was to take place in France over the decade following the publication of the *Reflections* convinced many of his contemporaries of the accuracy of his prediction.

France, it should not be forgot-

ten, was probably the wealthiest nation on earth in the final quarter of the eighteenth century, although the English were rapidly overtaking their French neighbors, and by 1800 had probably succeeded in becoming the world's richest citizens. Burke understood the position of the French better than the French revolutionaries did; he praised France's cities, the transportation system, French agriculture, manufacturing, charitable foundations, and scholars.<sup>9</sup> But the French state was also in debt – so heavily in debt that half of all the King's revenues went in interest payments on the debt. (England was in a similar situation, and Burke may have been hinting at this fact in the *Reflections*.<sup>10</sup>)

Nations are wading deeper and deeper into an ocean of boundless debt. Public debts, which at first were a security to governments by interesting many in the public tranquility [a variation of an argument used by Alexander Hamilton in 1790 in his Report on Public Credit<sup>11</sup>] are likely in their excess to become the means of their subversion. If governments provide for these debts by heavy impositions, they perish by becoming odious to the people.<sup>12</sup>

Burke, like Hamilton, failed to see that a "little" governmental indebtedness is comparable to a lit-

tle unwanted pregnancy, but he did grasp the politically unsettling reality of heavy state debt. Such conditions lead to revolution. (The French Estates General were summoned in order to approve tax increases necessary to finance the French debt; this was the first great event in the French Revolution.) Burke feared this repercussion of state debt because, he said, revolutions "are favorable to confiscation; and it is impossible to know under what obnoxious names the next confiscations will be authorized."<sup>13</sup>

#### **Monetization of Debt**

Like so many politicians before and since, the French revolutionaries decided that the best possible way of getting out of debt was to go deeper into debt. The Anglo-American version of this system is through the monetization of debt, through the mechanism of a central bank and fractional reserve commercial banks.<sup>14</sup> The French leaders adopted a somewhat different system. They first confiscated the lands of the church and Crown. Then they issued paper debt certificates, called *assignats*, that could be used in the purchase of these lands. These certificates bore 5 per cent interest at first, lowered to 3 per cent a few months after the initial offering in 1789. The decree of April

17, 1790, made these legal tender. These were "given" to — forced upon — those holding other forms of state debt certificates.<sup>15</sup> In the words of Prof. Boshier, who is not hostile to these administrative reforms, "Any of the alternative methods put forward would have perpetuated the old private enterprise system."<sup>16</sup>

The value of these fiat notes fell almost immediately. The "temporary" expedient of inflation and legal tender laws became a permanent phenomenon. The 400 million of them issued in 1789 became a roaring flood of 40 billion within four years. Again, quoting Boshier: "A decree of 8 April 1793 ordered all government purchases and payments to soldiers to be in *assignats*. Three days later, the Convention prohibited circulation, sale or purchase of gold and silver coin. All transactions were henceforth to be in *assignats*, now the principal legal currency."<sup>17</sup> The penalty (not mentioned by Boshier): imprisonment for six years.<sup>18</sup> Andrew Dickson White's *Fiat Money Inflation in France* continues the analysis:

Later, on September 8, 1793, the penalty for such offenses was made death, with confiscation of the criminal's property, and a reward was offered to any person informing the authorities regarding any such criminal transaction. To reach the climax



of ferocity, the Convention decreed, in May 1794, that the death penalty should be inflicted on any person convicted of "having asked, before a bargain was concluded, in what money payment was to be made."<sup>19</sup>

It is not surprising that an increase of circulation from 400 million to 40 billion in a span of four years would have produced price inflation. What is surprising is that a book seriously advertising itself as "conservative economics" could argue, as one widely read study does, that "The fact that they were destroyed as money by the gigantic counterfeiting operations of the money creators later, does not detract from their validity."<sup>20</sup> Burke, almost two centuries ago, knew better than that!

### *Price and Wage Controls*

On September 29, 1793, the "Law of the Maximum" was declared, setting forth a system of price and wage controls. But, as White says, it "could not be made to work well—even by the shrewdest devices. In the greater part of France it could not be enforced."<sup>21</sup> It was abolished in the latter months of 1794, a total disaster. It was as unworkable as the early attempts to control prices and wages had been in New England, and it was as disastrous as the controls had been in the American Revolution.<sup>22</sup>

Burke had foreseen these events in 1790. The politics of mass inflation, he warned, would create a gambler mentality in the minds of French citizens, a mad rush to stay ahead of rising prices. He warned the citizens of France—or at least those who might be reading his book—of this fact:

Your legislators, in everything new, are the very first who have founded a commonwealth on gaming, and infused this spirit into it as its vital breath: The great object of these politics is to metamorphose France from a great kingdom into one great playable; to turn its inhabitants into a nation of gamblers; . . . With you a man can neither earn nor buy his dinner without a speculation. What he receives in the morning will not have the same value at night. . . . Industry must wither away. Economy must be driven from your country. Careful provision will have no existence.<sup>23</sup>

It is not simply that industry will decline or that people will have to become speculators. The real curse of mass inflation is that it harms the ignorant, the unprotected, the citizen who is not aware of the nature of the new, inflationary game. In the name of democracy, the French revolutionaries had constructed a system that favors the elite—an elite made up of the least honorable, least productive men in the community.

The truly melancholy part of the policy of systematically making a nation of gamblers is this, that though all are forced to play, few can understand the game; and fewer still are in a condition to avail themselves of the knowledge. The many must be the dupes of the few who conduct the machine of these speculations. What effect it must have on the country people is visible. The townsmen can calculate from day to day, not so the inhabitant of the country. When the peasant first brings his corn to market, the magistrate in the towns obliges him to take the assignat at par; when he goes to the shop with the money, he finds it seven per cent worse for crossing the way. This market he will not readily resort to again. The townspeople will be inflamed; they will force the country people to bring their corn.<sup>24</sup>

The nation will be torn with social conflict. This, in turn, will create disruptions, further instability, and the destruction of law and order. His warnings were in vain, and his prophecies came true.

#### **Convertibility Makes a Difference**

There is a difference, he said, between the paper money of England and that of France, contrary to certain French writers. "They forget that, in England, not one shilling of paper money of any description is received but of choice; and that it is convertible

at pleasure, in an instant and without the smallest loss, into cash [specie] again."<sup>25</sup> The Napoleonic Wars were to bring an end to convertibility in England for temporary periods, but Burke's polemical point was grounded in fact: the presence of the threat of specie demands by the public acted as a restraint on the process of fractional reserve banking, thus reducing the extent of monetary inflation. But French leaders have gone mad, he said:

The only difference among their financial factions is on the greater or the lesser quantity of *assignats* to be imposed on the public sufferance. They are all professors of *assignats*. Even those whose natural good sense and knowledge of commerce, not obliterated by philosophy [by which Burke meant the *a priori* theories of Enlightenment theorists], furnish decisive arguments against this delusion conclude their arguments by proposing the emission of *assignats*. I suppose they must talk of *assignats*, as no other language would be understood. All experience of their inefficiency does not in the least discourage them. Are the old *assignats* depreciated at market?—What is the remedy? Issue new *assignats*.<sup>26</sup>

Burke's jibes at the self-deceived and self-assured manipulators could (and perhaps someday will) be lodged against our contemporary "metaphysical arithmeti-

cians," the inflation-minded econometricians:

In all this procedure I can see neither the solid sense of plain dealing nor the subtle dexterity of ingenious fraud. The objections within the Assembly to pulling up the flood-gates for this inundation of fraud are unanswered, but they are thoroughly refuted by a hundred thousand financiers in the street. These are the numbers by which the metaphysic arithmeticians compute. These are the grand calculations on which a philosophical public credit is founded in France. They cannot raise supplies, but they can raise mobs.<sup>27</sup>

The people of France ought to see where a philosophy of state theft is leading them:

I see the confiscators begin with bishops and chapters, and monasteries, but I do not see them end there. . . . Flushed with the insolence of their first inglorious victories, and pressed by the distresses caused by their lust of unhallowed lucre, disappointed but not discouraged, they have at length ventured completely to subvert all property of all descriptions throughout the extent of a great kingdom. They have compelled all men, in all transactions of commerce, in the disposal of lands, in civil dealing, and through the whole communion of life, to accept as perfect payment and good and lawful tender the symbols of their speculations on a projected sale of

their plunder. What vestiges of liberty or property have they left?<sup>28</sup>

Once begun, this madness will be compounded. "If possible, the next Assembly must be worse than the present. The present, by destroying and altering everything, will leave to their successors apparently nothing popular to do. They will be roused by emulation and example to enterprises the boldest and the most absurd."<sup>29</sup> This, of course, is precisely what was to take place in France. "So violent an outrage upon credit, property, and liberty as this compulsory paper currency has seldom been exhibited by the alliance of bankruptcy and tyranny, at any time or in any nation."<sup>30</sup> Yet it got much worse in the next five years.

Theft is an insidious philosophy, whether public or private in scope. Short-run benefits of the confiscation of another's property tempt men to expand their activities and bring on personal and national disaster. Burke's warnings went unheeded by the French government in 1790. Today's metaphysical arithmeticians consider such opinions as Burke's utterly narrow, dogmatic, and unenlightened by the principles of modern thought. The results of today's confiscators will be comparable to the results of the French Revolution, since the

principles are similar. If not mass inflation, then it will be some Napoleon of the mass media. Perhaps it may be both. ☉

• FOOTNOTES •

1 *Nation's Business* (July, 1972), pp. 28 ff.

2 See Ireton's remarks in A. S. P. Woodhouse (ed.), *Puritanism and Liberty* (London: Dent, 1938), pp. 52 ff., 64 ff. On the setting of the Putney Debates, see Robert S. Paul, *The Lord Protector: Religion and Politics in the Life of Oliver Cromwell* (Grand Rapids: Eerdmans, 1955), Chap. 7.

3 Burke, *Reflections on the Revolution in France*, edited by Thomas H. D. Mahoney (Indianapolis: Bobbs-Merrill, Liberal Arts Press, 1955), p. 126.

4 *Ibid.*, p. 24.

5 Cf. Christopher Hill, *Reformation to Industrial Revolution* (Baltimore: Penguin, 1969), p. 270; Herbert Heaton, *Economic History of Europe* (rev. ed.; New York: Harper & Row, 1948), pp. 413-14, 419; Shepard B. Clough, *The Economic Development of Western Civilization* (New York: McGraw-Hill, 1959), pp. 296-97.

6 *Reflections*, p. 224.

7 Heaton, p. 410.

8 *Reflections*, p. 108.

9 *Ibid.*, p. 151.

10 J. F. Boshier, *French Finances, 1770-1795* (New York: Cambridge University Press, 1970), p. 24.

11 Hamilton wrote in his First Report on Public Credit (1790): "If all the public creditors receive their dues from one source, distributed with an equal hand, their interest will be the same. And, having the same interests, they will unite in the support of the fiscal arrangements of the Government. . . ." Robert Birley (ed.), *Speeches and Documents in American History* (New York: Oxford University Press, 1951), Vol. I, p. 159. Yet, as Prof. John C. Miller notes, "The national debt, instead of cementing the nation politic-

ally, acted as a divisive force. . . ." *Alexander Hamilton and the Growth of the New Nation* (New York: Harper Torchbook, 1964), p. 255.

12 *Reflections*, pp. 178-79.

13 *Ibid.*

14 Charles Holt Carroll, writing for *Hunt's Merchants' Magazine* in the 1850's and 1860's, produced some excellent analyses of the process of the monetization of debt: *Organization of Debt Into Currency and Other Papers* (New York: Arno Press, 1971). This was the essence of Hamilton's "sinking fund": Miller, p. 257. It is also the essence of the Open Market Committee of the Federal Reserve System: Herbert V. Prochnow (ed.), *The Federal Reserve System* (New York: Harper & Bros., 1961), Chap. 7.

15 Boshier, pp. 273-74.

16 *Ibid.*, p. 273.

17 *Ibid.*, p. 274.

18 Andrew Dickson White, *Fiat Money Inflation in France* (Foundation for Economic Education, [1912] 1959), pp. 78-79.

19 *Ibid.*, p. 79.

20 Gertrude Coogan, *Money Creators* (Hawthorne, Calif.: Omni Books, [1935] 1963), p. 320. For a critical analysis of the writings of Miss Coogan, see my essay, "Gertrude Coogan and the Myth of Social Credit," *An Introduction to Christian Economics* (Nutley, N. J.: Craig Press, 1973).

21 White, p. 77.

22 On Puritan economic controls, see Richard B. Morris, *Government and Labor in Early America* (New York: Columbia University Press, 1946), pp. 56 ff. These tended to die out after 1675. On the controls during the American Revolution, see Percy Greaves, "From Price Control to Valley Forge," *THE FREEMAN* (Feb., 1972).

23 *Reflections*, pp. 226-27.

24 *Ibid.*, p. 227.

25 *Ibid.*, p. 273. When Burke speaks of "cash" he means "specie": p. 283.

26 *Ibid.*, p. 276.

27 *Ibid.*, p. 281.

28 *Ibid.*, pp. 174-75.

29 *Ibid.*, p. 232.

30 *Ibid.*, p. 141.

# Trousered Apes



AS WILLI SCHLAMM once put it, the whole darned army is in the *avant garde*. Insofar as writers are concerned, this means that we have an almost totally unrelieved preoccupation with savagery in our plays, poems, novels and even philosophical speculation. The excuse is that you "gotta see it like it is." In the *avant garde* writer's view, "seeing it like it is" means that the human being is just another animal, and not one of the cleaner animals, at that — *Trousered Apes*, as Duncan Williams calls our literary "anti-heroes" in his scari-fying attack on "sick literature in a sick society" (Arlington House, \$6.95).

Professor Williams, a British critic, thinks rather better of human possibilities than the angry young playwrights of London or such American novelists as Norman Mailer. Not everyone is dedicated to "violence and animalism,"

and there are still whole sections of society — the recalcitrant "bourgeois" element — that would reject Norman Mailer's "decision to encourage the psychopath in oneself." Nevertheless, Mr. Williams does admit the provocation that pushes young writers to pessimistic extremes.

For one thing, there has been "an almost total loss of religious faith." We have "no ultimate reference." Mr. Williams thinks the population explosion, which he takes seriously, must offer a dizzyingly dangerous temptation to totalitarian rulers who possess the nuclear ability "to destroy the species." With no belief in a rationally structured universe or in a beneficent Creator or First Cause, it is easy for people to slip into the attitude of "anything goes." Our novelists and poets and dramatists, with no faith of their own to sus-

tain them or guide their artistic efforts, become easy victims in their turn of a temptation to mistake an ugly part for a less lurid whole. It is all quite understandable.

### **The Double Duty of Artists**

In Mr. Williams's opinion, however, artists have what amounts to a double duty. They should "mirror" the civilization they see around them. But they should also be capable of rising above the "chronic upheaval which is engulfing our culture." This has not been a popular notion of the artist's duty, as Malcolm Muggeridge makes clear in his foreword to the American edition of *Trousered Apes*. Not since the Eighteenth Century have writers considered themselves to be teachers or moralists. There was a time in the "half-way house" of the Nineteenth Century when they aspired to be "objective" observers, as the very word "naturalism" indicated. More recently, out of despair, they have become conscious immoralists, mocking the idea that you can have a believable moral code in a world without purpose, or teleology, or God, or any other concept that gives meaning and dignity to existence.

The trouble is, as Mr. Williams demonstrates with a wealth of references to scores of writers from the times of Samuel Johnson and

Alexander Pope and Jane Austen down to the present, that one little thing leads to another. The creations of the poets and the fiction writers have a definite influence on the texture of a culture. When a Shakespeare or a Richardson can discover heroes and gentlemen, life will ennoble itself by imitating what it sees on the stage or reads in books. But when the very idea of a hero is called into question, leading ultimately to the cult of the Dostoevsky anti-hero, life will imitate that, too. So the modern *avant garde* writer who has a clinical obsession with man as something that is "violent, animalistic, alienated, mannerless and uncivilized," becomes more than a mere neutral observer. Our Sartres, our Mailers, our Truman Capotes (*In Cold Blood*) and the film makers of *Bonnie and Clyde* take on Satanic pastorates in spite of themselves.

### **A Re-Run from the Thirties**

The Williams thesis, however heartening and welcome it may be, is not quite as novel as either Malcolm Muggeridge or Christopher Booker (the delighted sponsors of *Trousered Apes*) might suppose. We had the whole argument out in the early Nineteen Thirties, when Gorham Munson and the "new" Humanists took issue with the prevailing negativistic cults of the moment. The fact that Munson and

his friends got nowhere in the "proletarianized" Rooseveltian decade is an indication that the malaise goes much deeper than anything that might be corrected if only Truman Capote, say, would start writing about something other than moral monsters. But if novelists, dramatists and poets cannot be satisfactory substitutes for great religious leaders or philosophers, they should be quick to catch any stray hints of regeneration in society. After all, they pride themselves on their acute sensibilities. Gorham Munson was right to the extent that he held it a novelist's duty to "body forth" the best that might be found in the world around him, even though few fiction writers can ever have the stature of a Confucius, a Thomas Aquinas, a Luther, a Calvin or a John Wesley.

#### **America Follows the Trend**

Since he is an Englishman, Mr. Williams chooses most of his more extended references from his own side of the Atlantic. If he had taken a closer look at American literature, he might have discovered that the American writer held on to a basic moral health until well into the Twentieth Century. It was not until the Nineteen Thirties that the anti-hero really invaded our fiction. The characters of Sinclair Lewis, Willa Cather, Elizabeth

Roberts (*The Time of Man*), Ellen Glasgow, Booth Tarkington and even Scott Fitzgerald had a healthy forward-living quality that disappeared from our fiction only after Hitler and the depression had made their simultaneous appearance on the world scene. For all his naivete, Lewis's George F. Babbitt had something to commend him; he wanted to live in a true community. Lewis even found himself a hero in the businessman protagonist of *Dodsworth*. Willa Cather's operatic singer in *The Song of the Lark* and her glowing pioneer women in *My Antonia* and *O! Pioneers* were certainly not anti-heroines. We have had only one full generation of writers whose stupid devotion has been to the literature of the absurd. If memories weren't so short, we Americans might still find it in us to recover from the malaise that Mr. Williams anatomizes with such powerful accuracy.

#### **Prospects for Recovery**

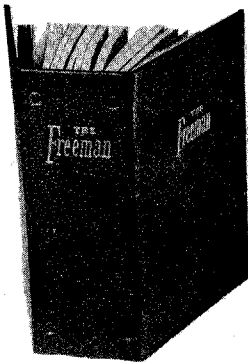
The conditions of recovery, however, will not prevail as long as our contemporary critics remain sunk in what Mr. Williams, who has a genius for the happy phrase, calls our "temporal provincialism." This provincialism is currently enhanced by the current academic rage for the "relevant" — i.e., what is being thought and said in 1972 and 1973 at the expense of ideas

that were prevalent twenty, forty or a hundred and fifty years ago. How to break the vicious circle? Maybe a maverick group of young college presidents such as George Roche at Hillsdale College in Michigan and John Howard at Rockford in Illinois can do something about it. They might even prevail on Malcolm Muggeridge, or even Duncan Williams himself, to spend a year or two in American surroundings as visiting lecturers. Even our rebellious young might be willing to listen to common sense when it comes with a foreign accent.

Aside from his perspicacity as a critic, Mr. Williams is a competent theologian. He does not try to prove the existence of a Supreme Being. He notes that, just as a cat can't do calculus, the human species can't fathom the ultimate purpose of the universe. But he argues with great good sense that if the calculus exists beyond the ken of a cat, so there may be an ultimate purpose in the universe despite man's inability to go beyond the intuition that where there is evidence of structure there must also be a structuring intelligence.

---

HANDSOME BLUE LEATHERLEX



## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 3 • MARCH 1973

- Freedom . . . What Is That?** **Ralph Bradford** 131  
"Freedom is a timeless torch, blazing in the dark."
- The Natural Controls** **C. R. Batten** 140  
If men would refrain from lawmaking to repeal the laws of nature, prospects for peace and progress might improve.
- Is Red China an Economic Paper Tiger?** **Eric Brodin** 143  
Prospects for expanding trade with Red China are slim as long as communistic practices prevail.
- "I'm for the Achiever!"** **Miller Upton** 147  
Let's encourage individual excellence.
- The Pros and Cons of Socialism** **Henry Hazlitt** 148  
The dream of socialism is doomed to fail because it cannot solve the problem of economic calculation.
- Loving One's Country** **Haven Bradford Gow** 155  
A call for revival of the spirit of religion and the spirit of the gentleman.
- The Northwood Idea** **V. Orval Watts** 157  
Concerning the importance of the Judeo-Christian ethic, an emphasis on work and thrift, and an appreciation of the need for business.
- The Founding of the American Republic:**  
**20. Steering a Course for the Nation** **Clarence B. Carson** 165  
Laying the foundations of financial stability, foreign policy, party checks and balances, and Constitutional supremacy.
- Book Reviews:** **183**  
"The Domsday Syndrome" by John Maddox  
"The New Totalitarians" by Roland Huntford  
"The Political Culture of the United States" by Donald J. Devine  
"The Bonhoeffers: Portrait of a Family" by Sabine Leibholz-Bonhoeffer

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "The Founding of the American Republic," "The Natural Controls," and "The Pros and Cons of Socialism."



# FREEDOM...

## *what is that?*

RALPH BRADFORD

MY ELDERLY and somewhat crusty friend had read that I was to address a local service club, and he asked me what my theme would be.

Rather absently, for my thoughts were elsewhere, I replied that I had not yet prepared the address, but that I would try to talk about the importance of freedom.

He squinted an eye at me for a moment, then tossed off the question which I've been trying since to answer — not for him, but for myself: "*Freedom, eh . . . and what is that?*"

We do use the word rather loosely, don't we? It sounds good to the ear; it tastes good on the tongue; it evokes pleasant feelings; it tingles the spine; it has patriotic overtones — we live in "the land of the free." It is a good word, freedom . . . but what, exactly, does it mean?

I once thought freedom meant independence — national independence, that is, as when our American colonies separated themselves from England. As a boy I gloried (and still do) in the achievements of Washington and the other colonial leaders and soldiers who wrested the political direction of their lives from the British crown.

And yes, that *was* freedom . . . in a limited contexture of the term. It was an aggregate freedom, a wholesale change of status. The people of the former colonies were thereafter "free" in the sense that they would henceforth make their own rules and regulations, write their own laws, determine their own policies, elect their own governing bodies, impose their own taxes. They were "a free nation."

They were also individually "free" to the extent that the original concept of the Founders was adhered to — namely, the idea

---

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

of a government of and for and by the people, with limited powers and defined responsibilities. They were also "free," and became increasingly so, in the matter of the suffrage.

### **Denials of Freedom**

But even within such a framework there were denials of freedom from the start. Slavery, for instance, had become a part of the colonial economy; and while some early leaders clearly understood and explicitly denounced its evil nature, to many people there was nothing incongruous in having slaves in a nation which, in fine rhetoric, had based its very reason for being upon the principle of individual freedom.

Also, forces were soon at work which have always signalized the diminution, if not the outright denial, of freedom. Such forces are many, but they can be expressed generally as the effort of people, acting singly or in organized groups, to obtain from government advantages which are not accorded, and may indeed be disadvantageous, to others. Under the incessant onslaughts of such privilege-seekers, government becomes a battleground of special interests. The fine abstractions of liberty are replaced by the demands of and for privilege. Freedom becomes secondary to the

question, What-can-I-get-out-of-it?

In our country as in all others these demands have multiplied, and their gratification has become, in the minds of many, synonymous with freedom itself. As a result it is now rather general practice to refer to freedom always in the plural. We are no longer blessed with the great boon of freedom; we are the beneficiaries of numerous "freedoms." The result of this has been to cheapen the concept of freedom by counterfeiting its significance. Instead of holding freedom up, not only as a noble abstraction, but as a condition indispensable to the development of a whole man, this practice splits it up into an aggregation of social and economic benefits, advantages and privileges.

### **Liberty or License?**

Thus we hear talk about freedom from fear, freedom from want — and so on through a number of highly desirable objectives — objectives which can be obtained in full measure only under the essential condition of freedom, but which, if provided through the compulsions of statism, may in the long run help destroy the very freedom they are supposed to supplement.

The tendency to confuse liberty with license is strong, pervasive — and ancient. Today it evinces

certain new manifestations, certain demands that are based on supposedly modern social and economic needs; but counterpart demands can be identified back to earliest times. The history of government has been the story of shifts from the minimum authority necessary to protect citizens in their rights, to the maximum of bureaucracy that results when government has been expanded to gratify the universal desire to secure what is mistakenly believed to be "something for nothing." Whether in Rome or Athens or Memphis or Lagash, the pendulum of government has swung from an early Jeffersonian simplicity to an apotheosis of statism . . . and then to stagnation, decay and ruin.

*Freedom is a timeless torch,  
Blazing in the dark.*

So wrote a minor American poet some years ago.<sup>1</sup> He meant, I'm sure, that freedom is one of the great realities by which men live — like faith, like virtue, like honor. He meant that freedom is not just a desirable political condition *under* which to live, but a principle of life and growth *for* which to live.

Even in stilted dictionary terms there is an inspirational content

in the definition of freedom. The condition of being free, says Webster's, is to be "not subject to an arbitrary external power or authority; not under despotic government; subject only to fixed laws which defend from encroachment upon natural or acquired rights."

### **Responsible Citizenship**

It is clear that the highest concern and duty of good citizenship is not to be fretting about a number of so-called "freedoms," but to be alert that men shall progress toward the fulfillment of their highest potential; to be zealous that men shall be truly free — not with four freedoms, or six, or a dozen, as though human liberty could be cut up into segments like a pie, but free in the essential meaning of human liberty, which is to be one's self, to express one's self, to possess one's self. That is the measure of responsible citizenship.

A man named Saul of Tarsus once long ago was arrested by the Romans and put in irons. When he demanded to know if that was any way to treat a Roman citizen, the centurion in charge ran to call the chief captain. The latter was amazed that this prisoner should be a Roman, and he said, "With a great price did I purchase this freedom" — meaning his Roman

<sup>1</sup> The author refers to himself. The quote is from his book *Heritage*, published in 1950 by Judd & Detweiler.

citizenship, which at that time could be bought if one had the money. And Saul replied proudly, "*But I was born free!*"

Born free! So are most men these days, in the political sense, especially those of the Western World. But like the centurion, those who would remain free must pay the price — a fact that many, alas, have not learned. That price is the eternal vigilance that was enjoined upon free men by John Curran long ago. But vigilance against what? Against whom? External enemies, those who would subject us to "an arbitrary external power or authority?" Yes, to be sure. Against internal plotters and subverters who would bring us "under despotic government?" Of course. But especially against *ourselves!* Against businessmen who want Washington to insure their prosperity; against labor leaders who demand the legal status of special privilege; against farmers (including large corporate agriculturists) who want to be subsidized for producing nothing; against educators who lobby for Federal funds and are willing to submit to Federal control; against community organizations that work to wangle wealth from Washington. To the extent that any or all of those special interests are gratified, they will have helped fasten upon the

whole people more debt, more inflation, more assertive bureaucracy, less real and general prosperity — and less freedom.

The mere recital of such practices emphasizes how far we have departed from the dream of those who founded our nation. That dream was based upon the faith that they could build in the new world a society where men were free. Why else did they leave the relative comforts of Europe and come out to what was then the American wilderness? Were they fleeing from wicked kings, who might whimsically chop off their heads? Not at all. The power of sovereigns in matters of life and death had long since been curbed. There were courts, there was trial by jury and the right of habeas corpus; and to a far greater extent than most people now realize there was representative, parliamentary government.

#### ***They Came to Be Free***

Why then did men flee to America? As time passed various motives were at work — to avoid debt, to escape going to prison, to evade military service, to seek fortune and adventure. But for the greater part men left the older countries simply because in most of them the powers of government had been extended — by parliamentary process, be it remembered — to the

point that men of spirit and initiative could no longer endure dictation by the state as to the minutiae of their daily lives. They did not flee to America because the king might chop off their heads, but because the king's ministers were taxing them beyond endurance. They fled because they did not want their employments, their wages, their profits, and the terms and conditions under which they might work, to be controlled and directed by the state. They fled, in simplest terms, from too much government. They wanted freedom.

### **Contradictions**

Did they find it here? Never wholly, for man is seldom completely free from one inexorable tyrant — himself. His ultimate battle for liberation is with his own selfishness, which has so often destroyed him; and on this continent he suffered from that oppressor, as elsewhere. And by a strange paradox of human behavior, even some who were willing to brave the wilderness seeking freedom for *themselves* did not scruple to deny it to others, as Roger Williams, Anne Hutchinson and eventually several million slaves could woefully testify!

But here, to a greater extent than anywhere else on earth, men were politically free. They had

economic opportunity. They had religious freedom. They could worship God as they pleased, or not at all. And especially they were liberated, for a time at least, from the nagging and repressive supervision of the state. There was a newness, a largeness. And there were abundant natural resources.

### **Urbanization**

But in time the prairies were spanned, the mountains scaled, the hidden resources opened up and exploited. Eventually this country reached a new stage: urbanization. Now the farm shrinks; the village decays; the cities fester; megalopolis looms — and beyond the moon Mars beckons. War has eaten up our wealth, increased our debt, divided our people, weakened our pride and lessened our faith. The academy, too often, has become the seedbed of revolution. And despite a general prosperity never exceeded, the doctrine is being preached by many in position to influence our youth that the American economy is spent, and that it can survive only if it is allowed to be directed by a coterie of leftist economists in the nation's capital. All this represents a radical shift in spirit and emphasis from individualism to collectivism . . . and away from freedom.

### **An Ancient Fallacy**

A fallacy of our times is the bland assumption that the idea of a governmentally "managed" economy is novel and "modern." On the contrary, such ideas are very old, and have been put into practice many times as the centuries have gone wheeling by.

The Romans, in the 3rd Century B. C. had farm loans, crop management and wage and price controls. Under the Emperor Domitian grape vines were uprooted to prevent overproduction of wine. Under Diocletian, in order to combat a rise in the cost of living, both wage and price controls were decreed. Under Vespasian, to help maintain employment a ban was laid on mechanization. Under Alexander Severus the government made loans to enable people to purchase land. Also, all commercial concerns that operated on accumulated capital were put under state control. In time, as a result of external military upkeep and other overseas expenditures, Rome experienced an unfavorable trade balance vis-a-vis the rest of the world. Needless to say, as a consequence of all this, Rome had a vast bureaucracy, unbalanced budgets, enormous debt, inflation . . . and of course, a devalued currency. At one time the denarius had its content progressively reduced, and the weight of the gold

coin was cut by 50 per cent. Does all this sound faintly familiar? But it happened over 2000 years ago. The Romans were enlightened — and modern. They had a managed economy!<sup>2</sup>

Up and down the ages men, who know they must be governed for their own protection, have set up their forms of social and political management. Being essentially creatures of nature, they have always begun simply. Loving their freedom and personal liberty, they have instituted first those minima of restraint and control necessary for their safety from aggression by their fellows, or by enemies outside their tribe or nation. But being also covetous and acquisitive, sooner or later in the mad search for an imaginary free hand-out, they have expanded their governments into bureaucratic monstrosities . . . and sacrificed their freedom in the process.

The disastrous experiments that were tried out in the bureaucracies beside the Tiber had been long before enacted in the lower Tigris valley, and in the gloomy palaces along the Nile. And they were to be echoed with variations many centuries later in the repressive guild systems of Europe.

It was this ultimate heritage of self-imposed tyranny, this stifling

<sup>2</sup> See *A History of the World in 300 Pages* by Rene Sedillot, pages 99-101.



of initiative and smothering of freedom's spirit, that caused men of vision and courage to leave the tired economies of Europe and seek new opportunity and enlargement in what they fondly called the New World.

In that New World they worked out what came to be known as the American Dream; they created what is referred to poetically as the American Heritage. In part that heritage consisted of a vast new continent, enormously rich in natural resources. But other continents had the same riches — Africa, South America. What made the difference? Freedom! Not just political and religious freedom, not just freedom eventually from colonialism (actually, in a physical sense they prospered under colonialism); but economic and personal freedom — freedom for growth through freedom from too much government.

### *Special Interests*

That was the American dream as expressed finally in the Constitution. But almost from the beginning, as we have seen, the new government was beset, as governments always are, by the demands of those who were not content to be protected in their persons, but who wanted something — something special, that is, for themselves, their business, their in-

dustry, their union, their farm organization, their state, their city, their community.

For a long time this was resisted. Even as late as 1890 Grover Cleveland was asserting that it was the duty of the people to support the government, not of the government to support the people. And 22 years later Woodrow Wilson was writing: "The history of liberty is a history of limitations of governmental power, not the increase of it."

### *A Sacred Ideal*

If beauty is in the eye of the beholder, perhaps freedom is in the mind of those who discuss and try to define it. Certainly freedom seems to vary with the bias, knowledge or prejudice of the speaker or writer who has it under discussion. There was a time, within the ready memory of most Americans, when freedom didn't need definition or defense. It was a slogan, a shibboleth; like beauty, it was its own excuse for being. To invoke the name of freedom was a clincher in most any argument about the condition under which men should live. It was an idea that transcended analysis or question.

But today it is weighed, debated, analyzed, compared — and denied. It is alleged by some to be a relative thing. Ask of them

whether the Russians are free and you get an equivocal hedge to the effect that it depends on what we mean by freedom. Ask, are the Chinese free under Mao? For reply you get something like "well . . . things are relative. In our society we place major emphasis on individual achievement and progress, and by our values the Chinese might be said not to be free. However, their system does not center about the individual, but exalts the State. In such a society it is no denial of freedom to make the individual completely subordinate to the State."

Those who support such ideas of freedom are usually the same people who profess to be disenchanted with traditional American values. To them, it is wrong to be competitive, evil to be ambitious, foolish to be patriotic, wasteful to be industrious, stupid to be frugal. All material values, to such people, are worthless. America has gone off after false gods. Our civilization is grossly materialistic; success is a delusion; our system of production and exchange is without heart or vision; and the whole fabric of American life—its legends, its traditions, its achievements—all this, in terms of real human welfare, is a gigantic swindle. The history we have been taught, the patriotism we have imbibed, the

pride of citizenship we have inherited—it is all a fantastic and deceptive fable so they allege.

#### **A Matter of Contrast**

No one who has observed the American scene fails to recognize the deficiencies of the American economic system, or indeed of representative government itself. But judgments upon the faults of our country are valid only when measured against its corresponding merits, and when all this is weighed in turn against the performance of other systems, such as communism in Russia and its satellites, or in China, and socialism in Sweden and Chile. But this is seldom done. Instead, we are fed a torrential catalogue of leftist peevishness against the American society—criticism of a sort that would bring immediate literary excommunication, if not sudden death, in many other lands.

But here, in the country they defame, they can get away with it. And the reason is simple: We are free! The crass, soulless, heartless, materialistic American society rises above its detractors, and guarantees their right . . . to destroy it! Such is at once the Quixotic and sublime nature of freedom. And perhaps it needs no better definition.

So . . . what is freedom? It is a thing of law and constitutional

right, to be sure. It must be guaranteed and preserved in the basic structure of government if it is to have meaning. But it is more than a legalism, more than a Bill of Rights. It is a condition of the human spirit.

**"You Can't Eat Freedom"**

But "you can't eat freedom." So runs a leftist cliché of a few years ago. It was meant to imply that there is a conflict between freedom and physical welfare. This, of course, is nonsense. You can't eat sunlight, either; but you soon die without it. You can't eat beauty or truth or honor, but they are the leaven of life, nonetheless. Actually, we can and do "eat" freedom, in the sense that it is the essential condition for human welfare, achievement and progress. Even on the level of food, clothing, shelter and the conveniences of life, experience has shown that these material comforts are found in greatest abundance where men are most free from the inhibiting compulsions of statism.

Deeply and inherently men know this. They understand, of course, that no man can be completely free. His freedom, in an organized society, is necessarily limited by the like freedom of others; and so he relinquishes a small part of his freedom of action in exchange for protection and the greater good.

But he has always hedged this about with basic limitations upon the power he will concede to his government. And always, alas, sooner or later he will diminish his freedom by multiplying the bureaucracies of his government. And finally — he destroys it! That is because as his demands increase his vigilance weakens, and his sense of responsibility, or accountability, dies.

Human society is built, and can only be built, upon a foundation of citizenship accountability. The strength of a nation is not its legal machinery, but the moral stamina and courage of its people. The law is but the codification of their conscience. There are not enough laws, and never will be, to keep a society stable if its members no longer will it. There are not enough policemen, courts, judges or prisons, nor ever can be, to prevent the death of a civilization whose people no longer care. Law enforcement is for the criminal few; it collapses if it must be enforced against the many. When the sense of personal accountability is no longer present in robust majority strength, then no legal device known to man can hold the society together.

*Freedom is a timeless torch,  
Blazing in the dark.*





# The Natural Controls

C. R. BATTEN

"WE REJECT all forms of racial oppression or political enslavement. Above all, we see in war the ultimate misuse of science, the baleful destroyer of all economic and social benefit and the final betrayal of our common humanity."

This statement was buried at the end of a list of General Principles adopted by the Non-Governmental Organizations meeting in an Environment Forum in conjunction with the United Nations Conference on the Human Environment in Stockholm last June.

Another principle from the Forum: "We must accept new economic perspectives. . . . Both in production and physical consumption, the world economy must come to be in balance with environmental carrying capacity." Another noble goal—but do the delegates to the Forum mean the same thing as I when we agree that "We must accept new economic perspectives?"

---

Mr. Batten, experienced forester and student of human and natural resources, presently is a free-lance writer in Boulder, Colorado.

A person's conception of that statement depends on how he views today's economy. In order to understand each other, we must first define what we see.

In the world economy of today, I see a world of division; a world struggle for power; a world torn apart by trade barriers; increasing reliance on the force of government to fulfill human goals; increasing demands that those who are better off "share" their good fortune with the less fortunate; a world of bickering, violence, and conflict as many nations and individuals seek to gain advantage and power over others through force—the force of majority rule, the force of alliances, or the force of brute strength.

On the other hand, the majority of the delegates to the Environment Forum probably see in our present system that the undeveloped peoples, races and nations have been held back by force by wealthier nations, or by colonialism. They feel a sense of despair

at being unable to rise above poverty because of trade barriers or legal restrictions imposed on them by the more powerful; they envy the more wealthy, and see wealth to be gained with power. They attribute all the good things of the developed nations to the power those nations have wielded in international politics, and their own lack of wealth to their own lack of power.

### ***International Planning***

Their solutions, then, are more government planning on an international scale; a world system of taxation, the spoils to be used to help the developing nations control environmental problems; and a redistribution of the world's resources.

These are not measures that will lead toward more freedom, less slavery, the elimination of poverty, or an end to war. Those who support them simply seek to wrest power from those who have it, and give power to those who do not — the same old method that has been used throughout the history of man. As long as this attitude prevails in this nation and on this earth, mankind will be doomed to conflict and violence, and some part of it will be doomed to poverty and slavery.

It is the very exercise of power that creates slavery, keeps one na-

tion or race bonded to others more powerful, leads to violence such as that tragic incident in Munich last August, and causes wars.

A truly new perspective would be one that would drop trade barriers, drop laws and agreements that give to some advantage over others through the force of some legal structure, and give the individual the freedom to do with his resources what will best meet his own goals.

It is logical to ask: Without some kind of controls, how can we be expected to conserve resources, and live within earth's human carrying capacity? Won't we just keep on using up materials at our present alarming rate?

The answer is that we have controls through natural law that are much more efficient than any controls man can devise. Without man-made interventions, the natural controls would operate freely, and would serve to bring the economy into balance with environmental carrying capacity.

Man does not make the laws that compose the system of nature. He only discovers them. He cannot repeal them, no matter how hard he may try.

Though man has learned to fly, he has not repealed the law of gravity. He has only learned to apply other laws of nature in such a way that he can create lifting

forces stronger than the pull of gravity. When the systems that man has devised fail, he crashes back to earth.

### **Supply and Demand**

There are economic laws such as the law of supply and demand: If the supply of an economic good remains constant and demand rises, then prices will also rise. If the supply increases and the demand remains constant, then prices will fall.

It is this law, working in combination with others, that provides the means for the world economy to come into balance with its supply of natural resources.

Since natural laws govern the forces of life that created this universe in which we live, all of those laws are in harmony with each other. If man can learn more about them, and use them in his human and economic relations, he will learn to live in peace with his fellow men, and in harmony with his environment.


Under natural law, it is the function of prices to bring supply and demand toward balance. Thus, when the reserves of natural gas appear to be running short, and demands are increasing, we find the prices going up — in spite of the attempts of regulatory agencies to hold them down.

If the prices are successfully

held down, we can be sure that there will be shortages of natural gas in the near future. If prices are allowed to find their own level, they will rise to the point where gas producers will be willing to invest risk capital in a search for more reserves.

Yet, it is to the best interest of those same producers that the prices not go too high — because at some point, it will become more profitable to produce gas from coal, or to develop some other source of energy. If the producers are not successful in locating more reserves, then the price of gas will continue to rise until alternative sources of energy are developed and substituted.

In short, as defined by one economist, economics is the science of making scarce materials go around. If we let it work, the natural system of economic law will provide that the scarce resources of earth continue to meet human needs.

It is when man intervenes to upset the workings of economic nature that he begins to have troubles. It is when he tries (always without success) to repeal natural laws — by artificial trade barriers, price controls, production quotas, inflationary policies, and other means — that we find ourselves destroying our natural resources and our environment. 



## Is Red China an Economic Paper Tiger?

ERIC BRODIN

IN THE WAKE of President Nixon's well-publicized trip to China in the spring of 1972, many of the world's businessmen began to get visions of a brand new market with 800 million customers. Representatives of a great many of the world's industries and export firms made their way to various trade fairs in China. At the Canton fair in the spring of 1972, for example, 16,000 foreign businessmen were present, 1,500 from Japan alone representing almost 1,000 firms. No doubt these business interests were partly responsible for the ouster of Japan's Premier Sato, and for the recent diplomatic recognition of Communist China by Japan. An early advocate of Red China's international recognition is Sweden, who at the same fair had representatives from 147 firms. The Swedish Trade Minister also was there and expressed the hope for a 100 to

200 per cent rise in Swedish-Chinese trade.

Did Nixon's visit with Chairman Mao thus open vast new trade possibilities between Communist China and the world of business beyond the "Bamboo Curtain"? We can only make guesses from some of the statistics published in China, from reports from recent visitors, and of course from the "gnomes of Hong Kong" who often have amazingly accurate reports from "contacts" who can freely pass from the British Crown Colony to Mainland China.

First of all, we are not even sure of the population of Mainland China, which has been variously estimated as 750 or 800 million. But numbers alone do not make China a consumer of international goods. Mainland China's foreign trade has risen from \$1 billion in 1950 to \$4.2 billion in 1971. This is comparable to the foreign trade of Italy, or of Yugoslavia, and some 20 per cent less than that of tiny Hong Kong with

Mr. Brodin, economic journalist and foreign correspondent, is working on his doctoral dissertation in Sweden.

its four million population. Even with one-fourth of the world's population, Red China's share of world trade is but two-thirds of one per cent.

Peking's income from external trade amounted in 1970 to \$2.8 billion, with imports of \$2.1 billion. Such imports amount to about \$2.50 per person per year. Only four per cent of China's Gross National Product is ascribed to foreign trade. It is evident, therefore, that China may either (for economic reasons) be incapable of being a viable international trading partner, or it chooses (for ideological reasons) to be a self-sufficing economy. That the latter might be the objective is evident from many official statements which insist on self-reliance and reflect the traditional Chinese hatred of foreigners. Expressed in Maoist terminology, reliance on foreign trade is "bourgeois" thinking full of "veneration of foreign technology."

Trade patterns of Mainland China since the revolution show several changes. Foreign trade in 1966 was higher than that of 1971. It declined to \$3.7 billion in 1967, then started slowly to rise again. Communist China's main trading partner in the past had been the Soviet Union — \$2 billion in 1959 — but by 1970 it had declined to a mere \$55 million, indicating a

complete reversal of Chinese foreign trade patterns. Formerly, 60 per cent of Mainland China's trade was with Communist countries; now the main trading partners are Japan (\$822 million in 1970), Hong Kong (\$477 million), the Federal Republic of Germany (\$253 million), and Great Britain (\$187 million).

And where does the United States fit into this trade picture? It is too early to know what future trade relationships may be, except that they are not likely to be very significant. United States' trade with Communist China, since restrictions began to be gradually removed in 1970, had risen by February 1972 to a mere \$5 million of imports by the United States. (United States imports from Nationalist China (Taiwan) during the first nine and a half months of 1972 amounted to \$2.3 billion. U.S. imports from Japan amounted to \$4.9 billion in 1969, \$5.9 billion in 1970.)

The problem in international trade for Mainland China is that they have so few products which are attractive to or needed by industrialized nations; or, if they have these products, a poor or inadequately developed infrastructure makes transport and shipping difficult. If tempted to think of 800 million potential consumers, one ought to take a closer look at



the internal economy of China.

China is an underdeveloped country with a per capita income among the lowest in the world. In an authoritative series of articles in November 1971, the Italian journal *Successo* estimated the annual per capita income in Red China to be between \$93 and \$97. Richman in *Industrial Society in Communist China* puts the figure (in 1966) at between \$70 and \$100, whereas the more optimistic report on China by *Business International* estimates it to be \$111 in 1969, with a possible rise to \$122 by 1980. (By that time, for comparison, estimated annual per capita income would be \$3,600 for Australia, \$4,517 for Japan, and \$6,655 for the United States.)

It is evident that such income severely limits what the Chinese peasant can afford to buy from abroad. By the best estimates possible, a Chinese peasant today may have a monthly income of about \$20, an industrial worker about \$25. One of Red China's leading authors, Hao Jan, reports a monthly income from the Peking government amounting to \$44. But, it can be argued, if foodstuff and other necessities are cheap, these statistics might not be meaningful. This does not seem to be the case, however. From visitors, and chiefly from some of the refugees who are still fleeing Communist

China at about 30,000 a year, we learn that the Chinese worker (with an average wage of \$24 a month) will have to work from 7 to 15 days for a sweater, 70 to 80 days for a raincoat, and three months for a bicycle or a sewing machine.

Mainland China is in desperate need of industrialization in order to become self-sufficient in the goods necessary for its citizens, let alone any surplus for export. Its "Great Leap Forward" and other economic innovations turned out to be costly mistakes for the Chinese economy. It is evident that Red China needs first of all to make technical advances in its agricultural sector, and then to expand and modernize its industrial sector. Visitors to China are invariably shown a mechanized commune and a chemical fertilizer factory — showing the priority of their interests. As in any developing society, the agricultural sector is very important; China must first feed its large and expanding population. (The rate of growth has been variously estimated at 1.4 per cent to 2.5 per cent per annum, and the higher figure is more probable.) But it is the individualistic Chinese peasant who has been one of the chief headaches to the Communist regime, what with his opposition to communes and collectivist thinking. It

is also in the agricultural sector where most charges of "sabotage" have been leveled.

"Class enemies and capitalists are always finding opportunities to try to wreck the collective economy" reports the Red Chinese theoretical journal, *Red Flag*, and this was due to the "failure of low-echelon party-cadres of following Mao Tse-tung's line." Peking's *Kwangning Daily* of November 9, 1972, reported that "capitalism has reared its ugly head in productive teams in Sinkiang Province." And according to *People's Daily* (Peking) an "evil anarchism wind" has also swept across Mongolia which has "encouraged many to lean toward capitalism." It appears that some of the "sabotage" is due to dissatisfaction among the thousands of students who are being shipped into the interior for compulsive (corrective) farm labor. *China Mail* for September 2, 1972, reports that a veritable black market in rationing cards has begun by such students "after they had been banished to the countryside."

As long as agricultural and technical improvement and changes can be determined only by the *Thoughts of Chairman Mao* (poetical though they may be) there are slim chances for any real expansion in the economy of Mainland China. The *Hopei Daily* of Novem-

ber 13, 1972, in a typical reaction to a farm problem: "Under the criticism and rectification campaign, sustained anti-drought efforts have led to comparatively satisfactory harvests . . . Chairman Mao's policy must be strictly observed . . . [and] vehement attacks must be launched against Liu Shao-chi. . . ."

Such ideological, rather than technical, ideas are also at work in the embryonic Chinese industry. Jonathan Unger, writing a perceptive article in *Far East Economic Review*, attributes the slow growth of Red Chinese industry to chauvinism and ideological preoccupation which prevents the Chinese from learning new methods and importing technical innovations from abroad. The chairman of Alfa-Romeo of Italy commented, during a visit to China in 1971, that the technical efficiency of a Chinese automobile plant in Shanghai was comparable to that of his own plant in 1910.

It will be a long time until the visions of massive trade with Mainland China by the world's businessmen and industrialists can be realized. First, the Chinese will have to abandon the unworkable ideas of Communism and the equally unworkable ideas of Chairman Mao. Until then, it is likely that Communist China will remain an "economic paper tiger." ⊕

## *"I'm for the Achiever"*

I HAVE just about reached the end of my tolerance for the way our society now seems to have sympathetic concern only for the misfit, the pervert, the drug addict, the drifter, the chronic criminal, the under-achiever. It seems to me we have lost touch with reality and become warped in our attachments.

I feel it is time for someone like me to stand up and say, in short, "I'm for the upperdog!"

I'm for the achiever — the one who sets out to do something and does it; the one who recognizes the problems and opportunities at hand, and endeavors to deal with them; the one who is successful at his immediate task because he is not worrying about someone else's failings; the one who doesn't consider it "square" to be constantly looking for more to do, who isn't always rationalizing why he shouldn't be doing what he is doing; the one, in short, who carries the work of his part of the world squarely on his shoulders.

It is important to recognize that the quality of any society is directly related to the quality of the individuals who make it up. Therefore, let us stop referring naively to creating a "great" society. It is enough at this stage of our development to aspire to create a decent society. And to do so, our first task is to help each individual be decent unto himself and in his relationship with other individuals.

We will never create a good society, much less a great one, until individual excellence and achievement are not only respected but encouraged. That is why I am for the upperdog — the achiever, the successor.

*— Miller Upton, President of Beloit College.*

# The Pros and Cons of

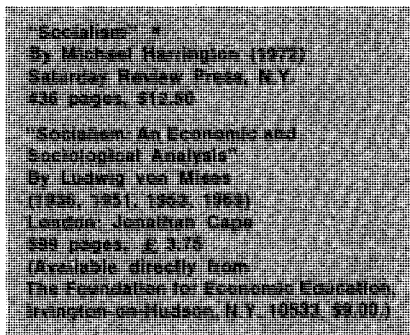
# SOCIALISM

HENRY HAZLITT

MICHAEL HARRINGTON's massive book on socialism is a strange and baffling performance. What is baffling first of all is how such a book—so piously reflecting the century-old and long-discredited Marxian ideology, vocabulary and prophecies—can come to be written in this day and country. Even more baffling is how its author manages to combine such a formidable range of book-learning and current factual knowledge with such profound ignorance of basic economics and of the devastating refutations of Marx that have appeared over the last century.

---

Henry Hazlitt is well known to *Freeman* readers as author, columnist, editor, lecturer, and practitioner of freedom. This review article is reprinted by permission from the January 6, 1973 issue of *Human Events*.



The book is well-written, at moments even eloquent. Mr. Harrington has a gift for phrase-making. Perhaps this accounts for his success in becoming head of the American Socialist party. His erudition is impressive. He seems to have read, in the original German, practically everything that Marx and Engels ever wrote. He

has flashes of an ingratiating candor. Yet his book as a whole is a long, repetitious and tedious condemnation of capitalism and an extravagant eulogy of socialism.

Capitalism is represented as the sum of all evil. Socialism, on the other hand, may not bring an earthly paradise—it is only “finite,” as Harrington stops himself to concede at one point—but whatever evil remains after it has been achieved will hardly be worth talking about.

Socialism may be finite, but Harrington’s errors are not. I hardly know where to begin in pointing them out, and must confine myself to a few random samples, of first some theoretical and then some factual errors.

### **Labor Theory of Value**

Harrington is a devout Marxist, and swallows practically everything, including the labor theory of value. He sets out to prove that labor is productive, but that capital is not. He does this mainly by rhetoric: “It is not capital or the market or abstention from consumption that produces wealth; it is man (p. 77).” This is an absurdly false antithesis. He may as well have written: “It is not work that creates wealth, but man.” He even calls it a brilliant “animating insight,” first seen by Marx, “that men create wealth.”

Well, let’s take an elementary case. A man, using an ax, chops down a tree. Did the man chop down the tree, or did the ax do it? Obviously it was the combination, the man-using-an-ax, that was needed to chop down the tree. It could not have been done without both. To argue, as Marx-cum-Harrington do, that the services of the man should be paid for but the services of the ax should not be paid for, is to argue that the man who made the ax should not be paid.

Suppose, now, that the woodsman is supplied with a power-saw instead of an ax, so that he can now cut down six times as many trees a day as before. Is he to be paid six times as much per day on the argument that *his* productivity has increased sixfold, with no compensation for the use of the power-saw? Yet the *increase* in productivity has been made possible solely by the substitution of the power-saw.

If power-saws are not paid for they will not be produced. If the principle of noncompensation for capital is universalized there will be no economic progress, but decay and impoverishment.

Harrington does not seem to have even a glimmering of this elementary truth. He appears to assume that capitalist production goes on automatically, and even

goes on increasing automatically, regardless of compensation or noncompensation, incentives or deterrents. I do not remember that the word "incentive" ever appears in his book; certainly it does not get into the index.

Production, Harrington assumes, goes on increasing — even frighteningly fast — because of improvements in "technology." But that improvements in technology would never have been possible without capital accumulation, and that capital accumulation — produced only by saving and investment — would never have taken place without compensation and rewards, seems never to have occurred to him.

All the immense and accelerative progress in productivity in the modern world has been the result of increasing capital accumulation, of more and better tools and machines. Yet Harrington is blind to this. Not only does he not believe in profit, but he is constantly advocating confiscatory taxation and outright seizures that would eventually destroy the whole basis of production.

### **The Exploitation Theory**

It is probably needless to add that Harrington plumps without reservation for the Marxian theory that "labor" is everywhere "exploited" by the "capitalist." He does this by the naive argu-

ment (pp. 94-96) that there *is* such a thing as profit — i.e., that the gross sales value of the product that the entrepreneur creates is greater than its cost of production. Ergo, somebody must be being robbed of this "surplus," and it must be the workers!

There is a bundle of fallacies here. First, Harrington assumes that profit is something automatic and certain. Millions of businessmen, including the managers and stockholders of recent outstanding loss-makers, like Penn-Central, Litton Industries, Ampex, Boise Cascade, Pan-Am, and so on, wish that were true. Over the years, some 40 per cent of corporations, by number, report losses.

Harrington, again following Marx and others, confidently speaks of "the rate of profit." No such "rate" exists. Profit is different in every industry, in every firm, and in every year. Statisticians can figure a mathematical average, of course (though that doesn't help the losers).

In 1970 all manufacturing corporations in the U.S. reported an average profit after federal income tax of four cents per dollar of sales. Even if this were what economists call pure profits, it doesn't prove that any workers were robbed.

Moreover, in an inflationary period like the present, orthodox

bookkeeping practices greatly overstate real profits. Even in normal times such bookkeeping "profits" include, especially in small firms, what should more properly be imputed to interest, rent, or the wages of management.

In fact, pure profits go only to those entrepreneurs who succeed in creating economic values in excess of their costs. This they can normally do only if they are above average efficiency. Many economists now hold that in a non-expanding economy the profits of one entrepreneur tend to be offset by the losses of another, and that in such an economy no *net* "pure" profits exist. However that may be, neither profits nor production are ever automatic.

### **A Bundle of Errors**

But we must move on from elementary economics to Harrington's numerous factual errors.

He is concerned to show that "labor" is constantly producing more but not getting paid for it. Our productive system, he holds, expands "geometrically" but pays wages only in "arithmetic increments." If this were so, there would obviously be a progressive decline in the proportion of the "social dividend" going to labor.

Then how explain that in 1971, according to official statistics, 70 per cent of total personal income

came from wages, salaries, and other labor disbursements, but less than 3 per cent from dividends? Or how it has happened that, in the five years, say, from 1965 to 1970, of the money available for distribution between the employes and the shareowners of the country's corporations, the employes received more than seven-eighths, and the share owners less than one-eighth? Or that, if we count only the money that was actually paid out in dividends, the corporation employes in that period got 14 times as much as the stockholders?

Harrington keeps contending that wages haven't held their own against the rising cost of living. The evidence against him is overwhelming. A sample figure: In the 30-year period from 1939 to 1969 average actual weekly wages paid in manufacturing rose from \$23.64 to \$129.51 — an increase of 448 per cent. Even when we adjust for the rise in living costs, real wages rose 108 per cent in that period.

### **Misinterpretation of Marx**

Harrington seems no more reliable concerning the writer Marx himself than concerning economic theory or fact. He has a tough time following Marx's obfuscations, flounderings, tergiversations, and tactical zigs and zags.

Though Marx repeatedly demanded the "dictatorship" of the proletariat, Harrington explains he really didn't mean it, but "used the word 'dictatorship' to describe democracy" (p. 54)! In an equal gem, on the next page, he assures us that Marx was "certainly revolutionary, but also a moderate"! As a revolutionary, when the word is used seriously, means one who demands forcible overthrow of the government by armed rebellion or civil war, with whatever shooting, bombing, or slaughter may be necessary, I personally find visualizing a "moderate" revolutionist somewhat difficult.

But for Harrington words seem to have lost their dictionary meanings. We find this when he comes to the key concept of "socialism" itself. He abhors any existing Socialist or Communist regime. From the horrifying facts that he cites about the history of socialism or communism in Russia, China, or Cuba, the "militarization of work," (229), the resemblance to a "barracks," (242), the slave camps, the crop failures, plummeting industrial production, the deaths of millions of peasants by starvation, the espionage, suppression and assassinations, this book could stand as a damning indictment of socialism or communism everywhere.

But Harrington does not come

to that conclusion. None of these are the failures of socialism but of an "anti-Socialist 'socialism'." For *real* socialism, don't you see, must be "democratic," peaceful, harmonious, voluntary; and everybody so far has taken the wrong route.

### **Coercion Inevitable**

Harrington simply refuses to recognize that socialism by its very nature must depend on coercion and dictatorship to make it work. For where there is no private property, no comparative profits or losses, no competitive prices or competitive wages, there is no guide as to who should turn out what, or how much of it. Everybody must be arbitrarily assigned to his job, as in an army, by orders originating from the High Command at the top.

One looks in vain for a clear definition of socialism in these pages. It does not mean, apparently, government ownership of the means of production, as we had all previously supposed, because that can lead to "anti-Socialist 'socialism'" and dictatorship. We are told that the "essence" of socialism is "democracy," but even if one believes the two to be compatible, this is embarrassingly vague.

Harrington reveals his real pipe-dream on page 344. Here we come to "the vision of socialism



itself"—a world in which "man's social productivity will reach such heights that compulsory work will no longer be necessary. And as more and more things are provided free, money, that universal equivalent by means of which necessities are rationed, will disappear." It would be brutal to analyze this utopian dream realistically, and I refrain.

What is amazing is how, with all his knowing allusions to scores of authors, Harrington has managed to insulate himself so completely from any knowledge of real economics or of even the most famous refutations of Marxist socialism.

**Harrington's Most Glaring Omission:  
Mises and Others**

In all these pages you will not find a single reference to Boehm-Bawerk, to Pareto, to John Bates Clark, to Frank Knight to Wilhelm Roepke, to Murray Rothbard. You will, indeed (p. 296), find seven lines quoted out of context from F. A. Hayek, which represents the author of *The Road to Serfdom* as drawing "Socialist conclusions" when he was in fact doing precisely the opposite. The treatment of the quotation alone shakes one's confidence in the dependability of every other citation or its interpretation in the entire Harrington book.

But the most glaring omission is the name of Ludwig von Mises, whose *Socialism: An Economic and Sociological Analysis*, first published in Germany in 1922, and available in an English translation in four editions from 1936 to 1969, is the most thorough and devastating analysis of socialism ever penned.

The Mises book, as its title implies, examines socialism from almost every possible aspect—its doctrine of violence as well as that of the collective ownership of the means of production; its ideal of equality; its relation to problems of sex and the family; its proposed solution of the problem of production as well as of distribution; its probable operation under both static and dynamic conditions; its national and international consequences.

It considers particular forms of socialism and pseudo-socialism; the doctrine of the class war and the materialist conception of history; various Socialist criticisms of capitalistic tendencies or alleged tendencies; Socialistic ethics; and finally various forms of "gradual socialism" and "destructionism."

It is amazing how many of his criticisms of 40 or 50 years ago anticipated the essentially destructionist proposals now made by Harrington. But this is because these "new proposals are merely

repetitions or rehashes of what Socialists and other anti-capitalists have been advocating over the decades.

No open-minded reader can fail to be impressed by the closeness of Dr. Mises' reasoning, the rigor of his logic, the power and penetration of his thought. The contention most closely associated with his name is that full socialism is certain to fail because it is incapable by its very nature of solving the problem of economic calculation.

A completely Socialist society would not know how to distribute its labor, capital, land and other factors of production to the best advantage. It would not know which commodities or services it was producing at a social profit and which at a social loss. It would not know what any worker, or what any factor, was actually contributing to the production of economic values.


Unable to determine any worker's productive contribution, the Socialist society would be unable to fix his reward proportionately or know how to maximize his incentives.

The greatest difficulty to the realization of socialism in Mises' view, in short, is intellectual. It is not a mere matter of goodwill, or of willingness to cooperate energetically without personal reward.

"Even angels, if they were endowed only with human reason, could not form a Socialist community." Capitalism solves this problem of economic calculation through private ownership, and by money prices of both consumers' and producers' goods which are fixed in the competition of the open market.



Ludwing von Mises

Mises' *Socialism* is an economic classic written in our time. It is one of the author's three masterpieces, of which the other two are *The Theory of Money and Credit* and *Human Action*. 

# LOVING ONE'S COUNTRY

HAVEN BRADFORD GOW

FOR US to love our country, said Edmund Burke, our country must be lovely. If Burke meant that only a country which is lovely is loved by its people, then he was mistaken, for it is true that many Germans loved Nazi Germany. But if we understand Burke's remark to mean that for a country to be worthy of admiration, it must be lovely, then Burke certainly made a valid observation.

But what causes a country to be lovely? The British statesman had a ready reply. The country that is lovely, wrote Burke, is permeated with the spirit of religion and the spirit of the gentleman — both being essential to the survival of any tolerable civil social order.

The "spirit of religion" is a complicated term. But what I think Burke meant is a reverence for God and a corresponding acknowledgement of an authority higher

than the state. For Burke, it also meant a commitment to a cluster of values and the religious foundation for those values such as tradition, liberty under law, courage, love, integrity, honor, civility, the dignity of the individual because he is made in the image of God, individual freedom and responsibility, the recognition of rights and corresponding duties.

By the "spirit of the gentleman," Burke was referring to something more than mere social poise and the ability to win friends and influence people. Cardinal John Henry Newman once described the gentleman as one who is "tender towards the bashful, gentle towards the distant, and merciful towards the absurd. . . He never speaks of himself unless compelled, never defends himself by mere retort, he has no ears for slander or gossip. . . ." The gentleman, continued Newman, is "patient and forbearing"; he resigns himself to suffer because "it is inevitable, to bereavement because it is

---

Mr. Gow of Fall River, Massachusetts, is a student majoring in philosophy and intellectual history.


irreparable, and to death because it is his destiny." And if the gentleman engages in controversy of any kind, "his disciplined intellect preserves him from the blundering discourtesy of better, perhaps, but less educated minds, who, like blunt weapons, tear and hack instead of cutting clean, who mistake the point in argument, waste their strength on trifles, misconceive their adversary, and leave the question more involved than they find it."

Burke would have agreed with Newman's sentiments; but he, like Newman, meant something more than the observance of the traditions of civility. Burke also was talking about the refinement of mind and character which elevates one above the social and intellectual fads and foibles of his group and of his times. As Russell Kirk observes, Burke believed that the spirit of the gentleman meant "that elevation of mind and temper, that generosity and courage of mind, [and that] habit of acting upon principles which rise superior to immediate advantage and private interest."

Were Burke alive today, he would find little of the spirit of religion and the spirit of the gentleman in our country. He would discover little respect for the canons of civilized discourse;

and he would find little observance of the norms and traditions of civility.

Instead, Burke would find the spirit of the gentleman considered "effeminate" by those most doubtful of their own masculinity; he would encounter widespread indifference, if not hostility, toward religion in both private and public life. He would find increasing numbers who think in slogans, who shout down speakers, who refuse to listen to views contrary to their own; he would see a denigration of the concepts of individual freedom and responsibility; he would witness in our society an attack by those without roots upon the delicate balance between freedom and order, tradition and change. And Burke, to his dismay, would discover a violent and tragic disruption of what Garry Wills terms "the bond of social affections," the ties that promote unity rather than division; the ties, that is to say, which bind a person to his neighbor, to his family, to his community, to his country.

To fight today for the resuscitation of the spirit of religion and the spirit of the gentleman would seem to be in a lost cause. Yet, for so worthy a cause we must continue to struggle until these qualities prevail — qualities which cause a country, as well as an individual, to be lovely. 

# The Northwood Idea

V. ORVAL WATTS

WHAT I have to say about the "Northwood Idea" is not original with me. I have tried to do little but put together what I have gleaned from discussions with many persons at Northwood — trustees, administrators, faculty and students; but perhaps this summary may be useful and it may be that my concluding point deserves a little more emphasis than we usually give it.

At the outset, we should note that the Northwood philosophy is based on what, for want of a better phrase, we may call the Judeo-Christian Ethic.

Next, I shall refer to our em-

phasis on work and thrift, not merely as economic virtues to produce so-called "material welfare," but as spiritual therapy; that is, as necessary means for "spiritual development" — welfare in its non-material aspects.

Finally, I shall remind you of the necessity for *business*, that is, for commerce and finance, including advertising and selling, book-keeping, accumulation of cash reserves, banking, and the dickering of free markets. Business in this sense of the term is an essential aspect of every great civilization, and I believe it is necessary for the development of truly human and humane character and personality. That concluding idea, I expect, is the most distinguishing feature of what I have to say.

---

Dr. Watts is Director of Economic Education, Northwood Institute, Midland, Michigan, a private college dedicated to the philosophy and practice of free enterprise. This article is from remarks at a recent faculty meeting there.

## I. THE JUDEO-CHRISTIAN ETHIC

As to the Judeo-Christian Ethic, I've been tempted to use instead the "Bourgeois Ethic," the ethic of the tradesman; but Karl Marx and others have given that phrase so nasty a connotation that I know I would have two strikes against me at the outset if I called our moral code the "Bourgeois Ethic." Yet, whatever we call it, the moral basis for our Northwood philosophy is the ethic which is necessary for a good life as a trader or financier.

### **The Idea of Individual Responsibility**

It begins with the idea of *individual responsibility*. This is the psychological basis for the Judeo-Christian Ethic.

The Ten Commandments and the moral injunctions of both the Old and the New Testaments were always directed to the individual: "Thou shalt have no other gods before me"; "Thou shalt not make unto thee any graven image"; "Honor thy father and thy mother: that thy days may be long upon the land which the Lord thy God giveth thee."

These commandments were directed to one person, the individual, who is thereby charged with responsibility for his choices.

In other words, humans must choose — that's what I mean by in-

dividual responsibility and self-determination. Ideas and acquired values determine our specific actions, and they may prompt us to ignore various influences in the outside environment. We can direct our own actions to prolong and enrich our lives, or we can choose suicidal paths as people choose to smoke when they have abundant evidence that it shortens life. We can choose to jump off cliffs, we can choose to play Russian roulette; or we can choose ways of life, ways of health and welfare.

### **The Idea of Moral Law**

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

Without other human beings, we cannot be born, cannot be reared, cannot prosper; and to have the cooperation of other humans—to avoid the conflicts which would be suicidal for humans—we must follow the "Golden Rule." When we apply it in practice, we find it is the unifying principle of those commandments that refer to the relations between the individual and his fellows: "Thou shalt not steal," "Thou shalt not kill,"

and "Thou shalt not bear false witness."

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

Therefore, we have a state of individual freedom if we live by the "Ten Commandments." We have private property and numberless associations for voluntary cooperation. And humans develop as humans and make progress only in this condition of individual freedom and voluntary association established by adherence to these moral principles. Therefore, these moral principles are antecedent to and take precedence over all man-made laws and customs.

### ***Respect for Property***

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

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

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

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

to cooperate in mutually beneficial ways.

As Paul wrote in his "Second Letter to the Corinthians" 2000 years ago, "Be ye not unequally yoked with unbelievers; for what fellowship hath righteousness with unrighteousness and what communion hath light with darkness? . . . Wherefore come out from among them and be separate saith the Lord . . . and I will receive you." (II Cor. 6: 14-17)

### **Conditions of Sale**

I mention this because it is sometimes said that, by our rules at Northwood prohibiting the use of liquor and marijuana and requiring the women students to return to the dormitories at a certain time, we are coercing the students. This is not true. We are thereby merely exercising our moral rights and duties in selecting those student associates who are to use the facilities provided by the college founders and supporters. We use no coercion to enforce these rules. To say that choosing our associates is coercion is a misuse of the term coercion. We choose only to disassociate ourselves from those who are not willing to abide by our rules.

Our rules are conditions for continued use of Northwood's facilities. We must have such rules, or standards, and we must sepa-

rate ourselves from anyone not willing to accept them, if the Northwood Idea is to have meaning and effect.

## II. EMPHASIS ON WORK AND THRIFT

Next, I wish to call attention to Northwood's emphasis on work and thrift as marks and means of human progress. It is fashionable in some circles nowadays to disparage both of these. But, work is merely persistent, purposeful effort, and investment of human time and energy for long-range, indirect benefits.

Long-range benefits are those that occur in the future. Indirect benefits are those that may first benefit another person, but bring a return benefit of some sort later.

Such planned, purposeful effort for a long-range or indirect benefit is surely necessary for human survival and progress; and the traits of character and personality developed by such effort we regard as virtues.

Thrift is the postponement of present consumption in order to obtain greater satisfactions in the future. Like work, it requires the highest human qualities of understanding and imagination to foresee the future and to hold it in mind in order to gain the necessary self-restraint. In short, work and thrift require understanding,



self-control. They are means, not only of self-development but of service to others.

***Without Savings and Tools,  
We'd Still Live in Caves***

Where would we be today had it not been for the thrift and work involved in the creation of our buildings, and the production of the myriad of tools, or capital goods, that we use? The answer is we would still be living in caves, eking out a short-lived, hand-to-mouth existence derived from the roots and grubs we could dig up, the small animals we could catch in our hands, and the berries we could get in season.

Everything that we call the material aspects of civilization, and the moral and spiritual ones as well, our understanding that enables us to live longer, to live better and to cooperate — all of this comes from the thrift and work, the accumulations of thousands of years of human effort, inventiveness, planning, thrift and self-discipline.

This Puritan Ethic — this system of values, this way of life — is essential to human living, not only economically but for developing the qualities that are most distinctively human, the qualities that make us humane. It is mental, moral, and spiritual "therapy," to use a modern cliché.

### III. THE IMPORTANCE OF BUSINESS

Finally, if we are to have cooperation, we must exchange services; and as the cooperation gets more and more complicated we need specialists to work out the terms and procedures of the multitudinous exchanges. Therefore, we must use money and credit; and we must have traders and financiers, advertisers, brokers and salesmen, accountants and collection agencies to complete the exchanges, including those exchanges which are made over a period of time and which therefore require credit and finance.

Finance is the monetary aspect of credit. Credit is merely a delayed exchange, an incomplete exchange. In every civilized society, most exchanges take time to complete because they are indirect, three-cornered or four-cornered exchanges, taking place over a distance and involving roundabout (capitalistic) methods of production. In all such time-consuming transactions, we must have credit (trust and waiting). Therefore, money, credit and financial experts are as necessary for civilized life and progress as tools and machines, mechanics and engineers.

Business, then, means those aspects of voluntary cooperation which we call commerce and finance, and the function of the

businessman is to promote, inspire, and guide cooperation. He organizes and teaches competitive cooperation — cooperation to provide better opportunities for life and for a more abundant life. These business activities — organizing, inspiring, leading and teaching cooperation — promote development of the highest qualities of mind, character, and personality.

Now, from time immemorial — from the first introduction of money and the specialists who traded and promoted trades — business has been widely regarded with suspicion and looked down upon as a degrading occupation. In primitive societies, the view prevails that a merchant or money lender profits only at the expense of producers. This belief helps explain why such societies remain backward, or “under-developed.”

Of course, this belief is an entire misjudgment as to what most of a businessman’s wealth consists of and what he contributes to the value of other producers’ services and incomes. Most of his wealth consists of the means for serving his customers, and he contributes some of the most essential ingredients of human progress.

Wherever this disparaging attitude toward business becomes general, you’ll find that business is harassed, regulated, plundered, and repressed; and under such

persecution, the character and wisdom of businessmen tends to be low. Where opinion-makers teach that business is a dishonest racket, then those that are willing to be racketeers or cheats will monopolize business, while achievers who value the good opinion of their fellows will choose other occupations, such as politics and the military. Then we find the kind of government the Pharaohs had in ancient Egypt, or that prevailed as the Roman Republic gave way to the Empire. Under such oppressive governments, a businessman must be something of a trickster to survive.

### ***Spreading Hostility***

As hostility to businessmen grows, politicians tax them more heavily, while debasing and inflating the currency to maintain an illusion of prosperity. Then, when these policies cause rising price levels, a deluded populace demands price controls, which ambitious politicians are all too ready to impose.

The resulting shortages and “black markets” provide further excuses for more government action to combat these supposed evidences of private “greed.”

This cancerous growth of government produces political “leaders” who promise peace and plenty even while they squander the

fruits of industry in pauperizing the poor and waging "perpetual war for perpetual peace."

The result must be, sooner or later, a spreading decline in the quality of life despite (or because of) the increasing largess to "the poor" and the privileged, the rise of great new public works, and the display of awe-inspiring armaments.

Civilization progresses when business is widely regarded as Horatio Alger represented it in his stories 75 or more years ago. In those once-popular tales, work and thrift in honest business service were the high road to personal success in the broadest sense of that word. That view of business helped attract able, enterprising youths into business careers. It prevailed in this country long before Alger wrote and helps explain the astounding economic and cultural progress of the United States during the past two centuries.

On the other hand, insofar as we lose the Horatio Alger understanding and spirit, we succumb to increasing paternalism and despotism, collectivism and war, which demoralize and belittle the individual and produce a widespread cultural decline. This has happened time and time again in history, and if we don't learn the lesson from this history, we shall be doomed to repeat it.

Every nation has developed and flowered — with art, music and the other ornaments and means of civilization — only on the basis of flourishing business, trade and commerce. This was true of the Phoenicians, Ancient Greece, and Ancient Egypt, the Chinese civilization, the Byzantine Empire, Venice, Florence, Spain, England, France, Germany and the United States. Go through the history of each and you'll find in its origins this period in which commerce and finance were highly regarded and relatively free in a developing civilization.

Again and again, however, these eras of progress have ended as the intelligentsia became worshippers of the Almighty State. Then these intellectuals — scribes and priests — became more and more scornful of businessmen; and business lost its vision because it lost its men of vision. Men of talent and imagination, instead, accepted the faith of the state-employed intellectuals that a well-schooled elite must make more and more choices for the general run of the population and compel the inferior masses to accept this planning and direction of their lives.

### ***Submerging the Individual***

With this elitist excuse for tyranny, governments organize militaristic and imperialistic gangs to


substitute forms of slavery for the voluntary cooperation of free individuals. Then, as in Communist China and Russia today, even the ablest of the ruling bureaucracies find that any individual is expendable — trapped and exploited or liquidated — as millions of humans are sacrificed on the altars of Planned Perfection. The Moral Law of the Golden Rule and of the Ten Commandments may be violated, but not with impunity. He who harms others, harms himself; he who deceives another, cheats himself.

This faith in Moral Law, I find, permeates the thinking of our Northwood administration and faculty. Along with it goes insistence on the fact of individual responsibility and a broad, long-range view of personal success. A businessman's moral responsibility is no less than that of a teacher, physician, minister, artist or writer.

Essential to the Northwood Idea, then, is appreciation of the

unlimited opportunities for character development in voluntary business enterprise.

Temptations correspond to the opportunities, and each occupation has its own peculiar temptations as it has its own peculiar opportunities. As few find the "strait gate" and "narrow way" of righteousness in other walks of life, likewise few businessmen will claim that they have always followed the right path in their own work. Only those who look for business profits in life-supporting efforts that are mutually beneficial can achieve success in the true meaning of that word.

This, I believe, may be the most distinctive feature of the Northwood Idea — the view that our graduates should look on business not merely as an easier way to attain ease and affluence, but as an opportunity for utilizing their highest human qualities and attaining lasting satisfaction in a life well spent. 

### *Courtesy: A Saving Grace*

IDEAS ON



LIBERTY

TO BE DISAGREEABLE is high treason against your role in civilization. Examples of this crime are: to say some sickening thing offhandedly and make the victim writhe, or to provoke others into breach of good manners, or to indulge in crude behaviour or language. There is no possible excuse for vulgarity.

CLARENCE B. CARSON

THE  
FOUNDING  
OF  
THE  
AMERICAN  
REPUBLIC

20

Steering a Course  
for the Nation

REPUBLICS had been notoriously unstable, fiscally irresponsible, subject to being pulled hither and yon by foreign influences, divided and laid open to civil commotions by partisan conflicts, and rent by contests over succession to leadership. No fact troubled the more thoughtful of the Founders of the United States more than this one. The United States had already witnessed before 1789 many of the results of the fatal tendencies of republics. Monarchy had ever and again been revived to solve the more tenacious problems of republics. Could the United States be steered around the shoals on which other republics had foundered? There were those who doubted it. After all, what would be the rock to anchor a government against the storms without a monarch? The answer seemed to be that there must be no storms, but it was unrealistic. How could a country be induced to yield to precedent, tradition, and those founts of governmental stability — awe and obedience — without the bulwarks of established church, hereditary aristocracy, and monarchy? Perhaps it could not be done at all. But if it could be done, it would be because the best and

---

Dr. Carson, noted lecturer and author, is living at present in Alabama. The articles of this series will be published as a book by Arlington House.

most able men should be engaged in political leadership and that they should set examples which lesser men would follow in the course of time. The outstanding men had come to the fore and taken their places, as we have seen; it now remained to be seen if they could set a safe course.

### ***Erecting a Financial Structure***

It is all too easy to find fault with Hamilton and his programs. Much of what his political foes said against him and his programs was true. He did entertain great doubts about the political wisdom of the general populace. He was a nationalist who cared little enough about the integrity of the states, if he thought they had any. He was a mercantilist, or at least he was under the sway of the fag ends of mercantilist ideas. He was ambitious, aggressive, a broad constructionist, and did intrude in foreign affairs. Those of us who differ with him in the main thrust of his economic policies may criticize him for his protectionist and promanufacturing posture.

Yet, when all has been said against him and his programs, it should be granted that what he accomplished offsets much of it. He emerges from an examination of his policies as one who, if he did not always do right, generally did well. There are few enough

men with large vision, probably fewer who can conceive the programs necessary to realize it, and the number is quite small who will labor tenaciously to get them in operation. It is easy enough, as I say, to criticize his financial program; but which of the critics could establish the financial foundations of a nation?

Hamilton conceived a financial program which he hoped would provide the sinews of a nation. His task would have been hopeless enough if he had aimed only to get revenue to run the government. Americans were loath to pay taxes of any kind, and politicians had shown themselves all too willing to adopt expedients which would enable them to operate for a time without the onerous necessity of taxes. But Hamilton wanted much more than a revenue. He wanted to establish the credit of the United States, when bankruptcy was the obvious outlet. And, he wanted to do so in such a way that would tie men of wealth and position to the government, get the people to look toward the United States government as *the* government, and make it clear that the general government would take care of national concerns.

Hamilton's program was presented in a series of reports to Congress in 1790-91, and much of it as was enacted, which was most

of it, was enacted during the same years. The main acts dealt with the acceptance and funding of the national debt, the assumption of state debts, the establishment of a Bank of the United States, and the establishment of an excise tax on whisky.

### ***Establishing the Credit of the United States***

Hamilton's first report, which was on the public credit, was presented January 14, 1790. In it, he argued vigorously that the domestic debt as well as the foreign debt should be assumed at the full value originally contracted. There were many of the opinion that the domestic debt should be discounted. Most of the obligations were held by speculators now, it was argued, men who had bought them at a fraction of their face value and who stood to be greatly enriched if they were paid off at full value. Hamilton approached the subject from the angle of establishing the credit of the government. "By what means is it to be effected?" he asked. "The ready answer to which question is, by good faith; by a punctual performance of contracts. States, like individuals, who observe their engagements are respected and trusted, while the reverse is the fate of those who pursue an opposite conduct."

While the observance of that good faith, which is the basis of public credit, is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority. There are arguments for it which rest on the immutable principles of moral obligation. And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connection between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities that give peculiar force to the obligation . . .<sup>1</sup>

Hamilton's proposal to establish a fund for paying the national debt at face value was linked in the same bill with a plan for the assumption of state debts contracted during the War for Independence. Assumption of state debts was much more controversial than the other matter. In fact, the idea bordered on the preposterous, in view of past history. At least some of the states had made headway in paying their debts; whereas, as yet, no United States government had demonstrated either the willingness or ability to service any debt. Moreover, there were differences in

size of debt from state to state. However, adjustments were made for this, Hamilton did some horse-trading with the Virginia delegation, and both funding and assumption passed. The United States issued new securities to replace the old, paid interest on them, and set aside funds to take care of them. No immediate progress was made, however, in actually paying off the debt. Even so, the credit of the United States began to show improvement.

#### **A United States Bank**

Hamilton's next major proposal was for a United States bank. He proposed that it should be chartered as a corporation by the Federal government, that the government should subscribe to 20 per cent of the stock, and that the remainder should come from private investors. Federal funds were to be deposited in it, and the bank was to issue paper money which would become the main currency of the United States. Jefferson argued that there was no authority in the Constitution for chartering such a corporation, but Hamilton carried the field, and Washington signed the bank bill into law February 25, 1791. Stock in the bank sold within hours after it went on the market.

Congress passed an excise tax on whisky in March 1791. This

was the first tax levied by the United States government to be borne directly by American producers. It was much resented, particularly by western Pennsylvania farmers, who were accustomed to shipping their corn east in a liquid state. A rebellion broke out there in 1794, and it was put down by troops. Some Americans, at least, had felt the power of the new government directly.

#### **Protectionism**

Hamilton's most ambitious and extensive program was contained in his Report on Manufactures which he presented in December of 1791. In it, he clothed the argument for government intervention in its most attractive apparel. He held forth a vision of America drawn together in fraternal bonds through the interdependence of manufacturers, shippers, and farmers. North and South, East and West, would be drawn together in a great economic cornucopia. Few could gainsay him that there were advantages to the division of labor, to an American independence of foreign countries, or even that there was good reason to draw immigrants to American shores along with foreign capital. All of this was attractive background to an argument for government aid to manufacturing. "Such aid must consist of pro-



tective duties against competitive foreign manufactures, bounties for the establishment of new industries, premiums for excellence and quality of manufactured articles, exemptions of essential raw materials from abroad from import duties . . . , the encouragement of inventions, improvement in machinery and processes by substantial grants . . . , and, finally, the construction of roads and canals for a . . . flow of physical goods and materials."<sup>2</sup>

#### ***Too Much for Congress***

With such a program, however, Hamilton had bit off more than Congress could swallow. Even supposing the program to be desirable, which many doubted, where was the authority in the Constitution to spend the tax moneys taken from the generality of the people for such purposes? Hamilton argued that the power was there in the general welfare clause. If this were so, Madison declared, then "every thing from the highest object of state legislation, down to the most minute object of police would be thrown under the power of Congress."<sup>3</sup> Thus, the main elements of Hamilton's grandest scheme were turned back.

Even so, the broad lines of Hamilton's achievements have been enthusiastically summarized in this way by a present-day historian:

By 1792, largely as a result of the leadership assumed by Alexander Hamilton, the heavy war debt dating from the struggle for independence had been put in the course of extinguishment, the price of government securities had been stabilized close to their face value . . . , a Federal revenue system had been brought into being, a system of debt management had been created, the power of the Federal government had been decisively asserted . . . , and the credit of the Federal government had been solidly established.<sup>4</sup>

#### ***Independence in a Hostile World***

The United States were dependent upon European countries in the gaining of separation from England. The French alliance supplied both the naval power and a considerable army for the winning of the most impressive victory against the British on the American continent. That other nations were at war with or hostile to Britain made the American victory more certain. The favorable treaty gained by the United States at Paris in 1783 was made possible by the cross currents of animosities and jealousies among European powers. The United States staved off bankruptcy time and again in the 1780's with loans acquired in European countries.

One of the greatest tasks of the United States under the Constitution was to shake off the depend-

ence upon Europe. Undoubtedly, European powers still viewed the United States as a potential pawn in their contests with one another. The French were inclined to the view that they had a special claim on both the good will of and special favors from the United States. The British, on the other hand, could not view with equanimity anything short of such close relations with the United States as that the old relationship of dependence would be in some measure restored. The Spanish were not resigned to the dominance by the United States of the eastern portion of the continent. Nor would the United States be independent of Europe until the British hold on the Great Lakes and the Spanish control of the Mississippi were broken.

The most alluring way out of the difficulties these things posed was for the United States to attach itself to some European power which would become their protector and champion their causes against all others. That is what, to a limited extent, had been done with France. But the French had been of very little help against Britain and Spain after the war. Moreover, the changes in France after 1792, and the new European war which broke out, made the French connection an almost certain liability and would have

linked the United States to governments which not only changed frequently but also were tyrannical and oppressive. The course which Presidents Washington, Adams, and Jefferson chose successively was independence from all these powers. But it was easier to choose such a course than to steer it.

#### ***European Conflicts with American Repercussions***

The first crisis of the Washington Administration came when the French declared war on England, Spain, and Holland. The Franco-American Alliance committed the United States to the defense of the French West Indies and not to render aid to France's enemies. Washington issued a Neutrality Proclamation shortly after the war broke out, stating that the United States was at peace with both Great Britain and France, and warning Americans not to commit hostile acts against either side. Jefferson had raised some doubt as to Washington's authority to do this, but he did not push the point. A few days before Washington made his proclamation, a new Minister from France had arrived in the United States, a man known as Citizen Genêt. Genêt had no sooner arrived than he began to commission privateers from American ports to prey on British ship-

ping. Washington warned him against this, but he persisted in similar activities, and the President eventually demanded his recall.

In 1794 Congress passed a Neutrality Act, which confirmed Washington's earlier Proclamation, in effect, and put teeth into it. Already, relations with France had deteriorated considerably. When the United States came to terms with Britain in a treaty, they grew worse. The accord with Britain is known as Jay's Treaty; it was signed by the diplomats in November of 1794 and ratified by the Senate June 24, 1795. By this treaty, Britain agreed to and did shortly withdraw their troops from the posts on the Great Lakes. It also opened up the East and West Indies to trade with the United States. A joint commission was appointed to deal with the debt claims, particularly of British merchants, which went back to colonial days, and a final settlement was made in 1802. British trade with the United States was placed on a most favored nation basis, which meant that any trade concession granted to any other nation would also be granted to British traders. This treaty settled most of the outstanding difficulties between the two countries; but in view of increasing difficulties with France, it was interpreted

by that country as a slap in the face.

On the heels of Jay's Treaty came Pinckney's Treaty with Spain in 1795. By its terms, Spain acknowledged the boundaries of the United States as being those established by the Treaty of Paris (1783), agreed to the free navigation of the Mississippi, and accorded the right of deposit at New Orleans to Americans for a period of 3 years. By these two treaties the United States made great headway toward the practical attainment of an independence of Europe which had been sought in the Treaty of Paris.

However, the French government now posed increasing problems for the United States. It refused to receive Charles C. Pinckney as U.S. Minister to France when he arrived there in late 1796. Nor was the commission made up of Pinckney, John Marshall, and Elbridge Gerry, appointed by President Adams to negotiate a settlement, treated any better. The French government did not formally receive them, and agents of the foreign minister, Talleyrand — agents designated in dispatches as X, Y, and Z — suggested that the government would be happy to treat with them if they would pay a bribe and give France a loan. This XYZ affair stirred up much resentment in America when it was

made public in 1798. Many expected that France would go to war with the United States at any time. Adams initiated such measures in preparation for the conflict as he thought prudent. And, an undeclared naval war between the two countries did take place, 1798-1800. Meanwhile, Adams continued efforts to reach an accord with France. This was achieved in what is known in diplomatic history as the Convention of 1800. France agreed to release the United States from the treaties made in 1778, and diplomatic relations between the two countries were resumed.

### **The Monroe Doctrine**

It would take us too far afield to go into any detail about the foreign relations of the next twenty-five years under Jeffersonian Republicans. They were, however, pointed toward the following of an independent course in the world. This was made extremely difficult by the Napoleonic wars which embroiled Europe for the first fifteen years of the new century. Both France and England continued pressure on the United States. The pressure of France however, was greatly reduced by the Louisiana Purchase. But the pressure of Britain led eventually to the War of 1812, which some historians have called the Second War for In-

dependence. Perhaps the culminating symbolic move in the establishment of American Independence was the Monroe Doctrine set forth in 1823. By it, President Monroe announced that the Americas were not subject to further colonization and by so saying attempted to place the Americas off limits to the European quest for empire and to free this continent from the struggles of Europe.

During these early years of trial a set of principles for American conduct with other nations had emerged from pronouncements and practice. The following is a summary of them, stated as imperatives:

The United States *should*

- 1. Establish and maintain a position of independence with regard to other countries.
- 2. Avoid *political* connection, involvement, or intervention in the affairs of other countries.
- 3. Make no permanent or entangling alliances.
- 4. Treat all nations impartially, neither granting nor accepting special privileges from any.
- 5. Promote commerce with all peoples and countries.
- 6. Cooperate with other countries to develop civilized rules of intercourse.
- 7. Act always in accordance with the "laws of nations."
- 8. Remedy all just claims of injury to other nations, and require

just treatment from other nations, standing ready, if necessary, to punish offenders.

• 9. Maintain a defensive force of sufficient magnitude to deter aggressors.<sup>5</sup>

### **The Rise of Political Parties**

One of the unforeseen and, by some, unwished for developments in the early years of the Republic was the rise of political parties. No reference to any role for them was made in the Constitution. There had not been, as yet, any political parties in America; divisions were occasional or tied to factional leadership of some man, as a rule. To formalize such differences by organizing them into political parties would have appeared the height of folly to many of the Founders. In fact, there was good reason to suppose that if the Republic did not founder on the shoals of foreign entanglements it would split under the stress of partisan or factional contests, as republics had tended to do in times past.

George Washington, in his Farewell Address, warned the country "in the most solemn manner against the baneful effects of the spirit of party" generally. He declared that:

It serves always to detract the public councils and enfeeble the public administration. It agitates the

community with ill-founded jealousies and false alarms; kindles the animosity of one part against another; foment occasionally riot and insurrection. It opens the door to foreign influence and corruption, which find a facilitated access to the government itself through the channels of party passion. Thus the policy and the will of one country are subjected to the policy and will of another.

Washington admitted that the spirit of party arose out of human nature itself and was unlikely to be entirely extinguished, but he exhorted his countrymen that the "effort ought to be by force of public opinion to mitigate and assuage it."<sup>6</sup>

Washington had reason enough for his fears about the spirit of party. Even before he left office the lines of party were forming; his Cabinet had already experienced the strain; and the country at large was about to witness some of the most acrimonious disputes that have ever taken place. It should be noted, however, that as yet disputants did not ordinarily mount the stump to address the people directly about their differences. Attacks usually appeared in newspapers, and more likely than not if major figures were involved they wrote or had their cases presented under pseudonyms. Such practices did not, however, promote restraint or prevent

breaks between individuals which were difficult to heal. They may well have had the contrary effect.

It is not difficult to see why parties and factions arise when men are free to hold and practice different views. Men simply do not see all questions from the same angle, and they do have, as individuals and groups, different interests from one another. And, men ever and again are drawn to the conceit that what is to their advantage is also to the advantage of the generality of people. Those in power usually take a more generous view of the extent of their power than those who do not have such power. There is, undoubtedly, a general welfare, but men hardly discern it and focus upon it exclusively in the course of their careers.

### **Major Questions at Issue**

There were choices of course in plenty to divide Americans and provide the opportunity for politicians to capitalize on them in the early years of the Republic. After all, the course of the nation was being set. Strong willed and determined men were placing their imprint upon it. Small wonder that those favoring and those opposing certain courses of action should form opposing factions which eventually assumed more permanent status. How should the Constitu-

tion be interpreted? Should it be broadly or strictly construed? Should the powers of the general government be greater, or those of the states preserved and enhanced? In foreign affairs, should the French Revolution be supported? Or should the United States link its fortunes to those of Britain? Or, if the United States was to be neutral, would this not benefit one side at war to the disadvantage of the other? More fundamentally, were there not choices to be made between order and liberty, between reason and experience, and between the individual and the community? If this latter formulation poses the distinctions too bluntly, it nevertheless indicates configurations of belief toward which men tended.

The two parties which emerged in the 1790's were called Federalist and Republican. Alexander Hamilton and John Adams are usually associated with leadership of the Federalist Party, which indicates also the early division in that party, division which in the course of time sundered it. New England was the center of the strength of the Federalist Party, but it had devotees throughout the country. Thomas Jefferson and James Madison were the leaders of the Republican Party, and the bulk of its strength was from Pennsylvania southward. The Republican Party was born in opposition, which prob-

ably made it considerably more united than the Federalist, which was born in power and suffered in the beginning from the stresses of power. It is much easier to be united in opposition and adversity than in possession of power and prosperity.

### **Federalists vs. Republicans**

Though it must be understood that leaders of parties are not in perfect agreement, that men do not readily acknowledge either-or positions, that the following should not be taken as absolutes, Federalists and Republicans did tend to divide along the following lines. Federalists were more inclined to emphasize the depravity of man, particularly that of the generality of men, than were Republicans, though Madison readily declared man' to be a frail vessel, and Jefferson would not deny it. Federalists emphasized the importance of experience, tradition, awe, and veneration, while Republicans were more hopeful about the benefits of reason. Federalists inclined to be nationalists (when they were in power), and the Republicans to favoring state's rights. Federalists tended toward mercantilism in economic policy, while Republicans were much more favorably disposed toward *laissez-faire*. Federalists favored industrializing, while Republicans wanted an agricultural

economy with an emphasis on foreign trade. Republicans were much more favorably disposed toward France than were the British-leaning Federalists.

It is not to the purpose of this work to devote much attention to these conflicts. What is important is that they were there and that political parties took shape around them as issues. Nor is it so important that when the Republicans were in power for awhile they began to abandon the policies they had championed and to advance some of those they had opposed. Being in power is a severe test of anyone's beliefs, and there are usually excuses enough in changing circumstances for altering them. What is important is that though political parties are extra-constitutional they came to play an important role in buttressing and maintaining the Constitution.

One of the checks and balances on government not conceived and contrived in the Constitutional Convention was that provided by political parties. Perhaps the greatest check of all on those in power is provided by the opposition party and by its members who hold office, not the power of determining policies. If the party in power takes a generous view of the powers available to its members, the one out of power uses the limited powers doctrine as one of its reasons

for opposing the extension of power. The Jeffersonians out of power opposed the Sedition Act as unConstitutional. Federalists out of power opposed the Jeffersonian Embargo and defended state's rights. So it has frequently been throughout American history. The strict construction doctrine would sometimes have few advocates without a minority party.

The Jeffersonians brought particularly important counter-balances to the Federalist emphasis. It probably was most useful that the early officials of the United States should have emphasized dignity, respect for law, pomp, and even ceremony. But Jefferson was much more in keeping with the genius of America in his emphasis upon republican simplicity and informality. Though the mercantile ideas of Hamilton may have served some temporary purpose, the Jeffersonians brought to the fore newer, fresher, and freer economic ideas, and there was no doubt that Jefferson believed in paying off the debt. Albert Gallatin, as Jefferson's Secretary of the Treasury, was a remarkable counterpart to Hamilton. He was equally brilliant, and his thought tended toward the freeing of enterprise. It may be of some use to quote him in a critique of the tariff system, a critique penned long after he had left the Treasury:

Let it be recollected, that the system is in itself an infraction of an essential part of the liberty of the citizen. The necessity must be urgent and palpable, which authorizes any government to interfere in the private pursuits of individuals; to forbid them to do that which in itself is not criminal, and which every one would most certainly do, if not forbidden. Every individual, in every community, without exception, will purchase whatever he may want on the cheapest terms within his reach. The most enthusiastic restrictionist, the manufacturer, most clamorous for special protection, will, each individually, pursue the same course, and prefer any foreign commodity, or material, to that of domestic origin, if the first is cheaper, and the law does not forbid him. All men ever have acted, and continue, under any system, to act on the same principle. . . . The advocates of the tariff system affirm, that what is true of all men, individually, is untrue, when applied to them collectively. We cannot consider the adherence of enlightened nations to regulations of that description, but as the last relic of that system of general restrictions and monopolies, which had its origin in barbarous times. . . .<sup>7</sup>

Perhaps the greatest precedent set in the early years of the Republic grew out of party divisions. That precedent was the peaceful change from one set of rulers to another. The congressional elections are so staggered that at no



time would there be an entirely new Congress. Even more is it unlikely that the personnel of the Federal courts would all change at any time. The one crucial branch, then, for the above and other reasons, for a change from one group of rulers to another is the executive branch. There was no over-all change in that branch until 1801. Though Washington stepped down in 1797, there was a clear continuity between his administration and that of Adams, for the members of the Cabinet were continued. Not so, when Jefferson came into office as President. Party divisions and loyalties had become so strong and determining, the feelings between Adams and Jefferson were so heated, that there could be no question of Jefferson's continuing with Adams' Cabinet. Yet, for all the strong feelings, the change from Adams to Jefferson was made peacefully. And so it has been ever since: Americans have become so accustomed to the peaceful change of rulers (or governors, if one's sensibilities are stirred by the other term) as not to remark it. Yet it is always a remarkable thing in history when a man with such powers yields them up to someone else without war. In a sense, our political contests are a means of shifting the conflict from the field of battle to the arena of ideas and words. The contest is usually sharp,

but the loser retires gracefully from the field.

### *The Two-Party System*

Were Washington's fears of parties groundless, then? Surely, they were not groundless; he could have called up much history in support of them. Nor did he expect that America would be without such divisions; he hoped only for a mitigation of the harshness of them. And, it can be reported that this occurred. Two major developments have made party contests less than seriously divisive, as a rule.

One is that the United States has usually had only two major parties. A multiplicity of parties does tend to divide the country into irreconcilable factions. Whereas, when there are only two major parties, they tend both to contain many people of similar views in each of them and to try to attract any considerable faction not yet within the party. But why, it is asked, has the United States had only two major parties? Some have supposed that the predilection to do this is peculiar to Anglo-Saxon peoples. But such an explanation is of most doubtful validity. The much more likely explanation is the winner-take-all practices, some in the Constitution, some added by the states. In elections to Congress, there is, as a rule, only one winner

in a district and in a state. (On rare occasions, there occurs an election of two Senators from the same state in the same election. But in such a case, candidates run separately for the positions, since the term of one of the men elected would not be for the full six years.) The office of President is clearly a winner-take-all affair, and states have made this true for electors along party lines as well by giving the whole vote for electors to the party which attains a plurality. The effect of this practice (as contrasted with proportional representation) is that only major parties can sustain any considerable following over the years by patronage. And only two parties can reasonably expect to elect many to office. They do so, as a rule, only by appealing to a very broad electorate.

The other offset in the American system to the baneful effects of party is a little more complicated. Washington noted that in "governments of a monarchical cast" it is plausible to "look with indulgence, if not with favor, upon the spirit of party. But in those of the popular character, in governments purely elective, it is a spirit not to be encouraged."<sup>8</sup> We can read between the lines of this a little and almost certainly infer his meaning. A land which has an hereditary monarch has continuity and sta-

bility. Governments change, cabinet officers come and go, a new election brings new members of the legislature, but the monarch remains. A republic, however, does not have this visible symbol of continuity and stability. When it is divided by parties, there is no man beyond these contesting groups to provide it. Yet the United States has had a sign and symbol—a veritable rock—to give it continuity and stability. It is, of course, the Constitution. Washington may be pardoned for not foreseeing that it would serve in that office.

#### **The Constitution as Higher Law**

The most likely prognosis for the Constitution in 1789 was that in very short order it would become a dead letter. After all, it was only a "piece of paper," and power resided in the hands of men once the government was organized. The ways by which it might have become a dead letter are so numerous that only a few of them need be suggested. Once men had power in their hands, they might have gone their own way, using the Constitution only as a launching pad, as it were, to come to power, then ignoring its restrictions. The states, on the other hand, might have made of it a nullity by so circumscribing the actual exercise of powers that the general government would be

of no account. The President might have become a dictator. The Constitution might have remained; all might have given it their vocal allegiance; but none allowing it any effect on their actions.

We know, of course, that these things did not occur. Instead, the Constitution became, in fact, a Higher Law in the United States, a Constitution above constitutions, and a document to which men truly repaired for the resolution of vexed issues. That this occurred can be attributed to tradition, circumstances, and the efforts of leading men.

Americans had a tradition of higher law, and it needs here only to be briefly recalled. They were a people of the Book, to whom the Bible was a higher law. They accepted, also, the belief that natural law was higher law. In the British and colonial traditions, they had received the belief that certain basic documents constitute a higher law, i.e., charters, covenants, declarations, and acts of conventions. This is to say that Americans were predisposed to the acceptance of a higher law, and they were especially sensitized to written laws.

The circumstances in which the Constitution was drawn and ratified lent weight to the giving of a unique place to it. It had been drawn in convention by some of the most prominent men in America.

This had been done behind closed doors and by way of debates to which the public at large was not privy. It had been ratified by special conventions within the states by men chosen for the particular task. And, most of the prominent men in America came forth to serve in the government which it authorized.

### **Course Set by Washington**

George Washington gave the full weight of his prestige to the Constitution. He wanted only men in his government who were devoted to it, and in his appointments attempted to make this the first requirement. His public pronouncements were such as to add weight and authority to the document. In his First Inaugural Address, he referred "to the great constitutional charter under which you are assembled, and which, in defining your powers, designates the objects to which your attention is to be given."<sup>9</sup> He said in his Farewell Address that those entrusted with governmental powers should

confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments in one, and thus to create, whatever the form of government, a real despotism. . . . If

in the opinion of the people the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation; for though this in one instance may be the instrument of good, it is the customary weapon by which free governments are destroyed.<sup>10</sup>

Other men who were or would be Presidents uttered similar messages. James Madison said in 1792:

Liberty and order will never be perfectly safe, until a trespass on the constitutional provisions for either, shall be felt with the same keenness that resents an invasion of the dearest rights, until every citizen shall be an Argus to espy, and Aegeon to avenge, the unhallowed deed.

Thomas Jefferson declared in 1793:

Our peculiar security is in the possession of a written Constitution. Let us not make a blank paper by construction. I say the same as to the opinion of those who consider the grant of the treaty-making power as boundless. If it is, then we have no Constitution. If it has bounds, they can be no other than the definitions of the powers which that instrument gives.

But it was John Marshall, as Chief Justice of the Supreme Court for 35 years, who raised the

Constitution to the pinnacle as the Higher Law in the United States. Among the large number of decisions of the court written by Marshall, a goodly number were referred to the Constitution for resolution. Indeed, Marshall appears to have relished those instances when he could make of the question before the court a constitutional question. This judgment is based on the fact that some of them could have been decided readily on other than constitutional grounds. Marshall made the Constitution very much a live letter, by making it available as law on which decisions could rest, by bringing Congress to heel, by bringing the states to heel, and by using it both as authority and restraint. Marshall tried to make it clear always that those brought to heel were not brought to that posture by the court but by the Constitution. In *Osburn v. U.S. Bank* delivered in 1824, he said: "Judicial power, as contra-distinguished from the power of the law, has no existence. Courts are the mere instruments of the law, and can will nothing."<sup>11</sup> He viewed the Constitution as "intended to endure for ages to come," and made decisions designed to ensure that it would.

In *Marbury v. Madison*, delivered in 1803, Marshall declared that the Constitution limits the

Congress. "The powers of the legislature are defined and limited; and that those limits may not be mistaken or forgotten, the constitution is written." When the legislature acts contrary to its constitutional authority, its acts are not to be put in force. For, he said, "the particular phraseology of the constitution of the United States confirms and strengthens the principle, supposed to be essential to all written constitutions, that a law repugnant to the constitution is void, and that courts, as well as other departments, are bound by that instrument."<sup>12</sup>

#### **Upholding the Constitution**

In *Fletcher v. Peck* (1810), Marshall spoke for a unanimous court when he held that the states were restrained by the Constitution. He said that Georgia "is a part of a large empire; she is a member of the American union; and that union has a constitution, the supremacy of which all acknowledge, and which imposes limits to the legislatures of the several states, which none claim a right to pass."<sup>13</sup>

Marshall could buttress his decisions with the broadest principles, but he could also construe the Constitution with great attention to distinctions. For example, the case of *Craig et. al., v. The State of Missouri* involved the attempt

to issue paper money by the state. The state contended that since this money was not made legal tender, it was permitted. Not so, said Marshall:


The Constitution itself furnishes no countenance to this distinction. The prohibition is general. It extends to all bills of credit, not to bills of a particular description . . . The Constitution . . . considers the emission of bills of credit and the enactment of tender laws as distinct operations, independent of each other, which may be separately performed. Both are forbidden. To sustain the one because it is not also the other; to say that bills of credit may be emitted if they be not made a tender in payment of debts, is in effect, to expunge that distinct independent prohibition, and to read the clause as if it had been entirely omitted. We are not at liberty to do this. . . .<sup>14</sup>

#### **Marshall's Great Contribution**

It has been commonly said of Marshall that in his decisions he construed the Constitution in a way to increase the power of the general government, that he was a nationalist, and that he built the power of the United States government at the expense of the states. This view contains some truth, obviously, but it is not the most important thing to say about him. It can also be truly said that Marshall by the tone and character of his decisions gave the central

role in expounding the Constitution to the Supreme Court, but that is not the most important thing to say about him, for that position can be and has been abused. What looms above all the other things he did as an enduring contribution is that he looked to and raised the Constitution to the position of Higher Law — a law to which courts, congresses, presidents, and states must yield. Above all, he professed to be bound by the Constitution. "This department," he said, "can listen only to the mandates of law, and can thread only that path which is marked out by duty."<sup>15</sup> The Supreme Court arose to high regard not because people believed that the Constitution was what the court said it was but because they believed that the court spoke not the will of its members but submitted their wills to the Constitution. John Marshall made such a view credible.

The course of the nation was set in the early years of the Republic. The credit was established, and men came to believe that the obligations of the United States

would be met. The United States adopted and followed an independent course in the world. The government was further checked and balanced by political parties. And the Constitution achieved a special place as a Higher Law binding all Americans. 

• FOOTNOTES •

<sup>1</sup> Richard B. Morris, *Alexander Hamilton and the Founding of the Nation* (New York: Dial Press, 1957), pp. 290-91.

<sup>2</sup> Nathan Schachner, *The Founding Fathers* (New York: Capricorn Books, 1954), p. 187.

<sup>3</sup> John C. Miller, *The Federalist Era* (New York: Harper and Row, 1960), p. 66.

<sup>4</sup> *Ibid.*, pp. 68-69.

<sup>5</sup> Clarence B. Carson, *The American Tradition* (Irvington: Foundation for Economic Education, 1964), p. 212.

<sup>6</sup> Henry S. Commager, *Documents of American History* (New York: Appleton-Century-Crofts, 1962, 7th ed.), p. 172.

<sup>7</sup> E. James Ferguson, ed., *Selected Writings of Albert Gallatin* (Indianapolis: Bobbs-Merrill, 1967), pp. 438-39.

<sup>8</sup> Commager, *op. cit.*, p. 172.

<sup>9</sup> *Ibid.*, p. 152.

<sup>10</sup> *Ibid.*, pp. 172-73.

<sup>11</sup> Quoted in Edward S. Corwin, *The Constitution and What It Means Today* (New York: Athenaeum, 1963), p. x.

<sup>12</sup> Commager, *op. cit.*, pp. 193-95.

<sup>13</sup> *Ibid.*, p. 206.

<sup>14</sup> *Ibid.*, pp. 252-53.

<sup>15</sup> *Ibid.*, p. 253.

*Next: The Beacon of Liberty*



## The Doomsday Syndrome

IN THE EARLY Nineteenth Century William Miller, using Scripture for his authority, confidently predicted the end of the world would come in 1843. He had thousands of disciples. When the year of doom passed and nothing happened, he revised his calendar: the funeral date for humanity on this earth would coincide with the Second Coming of Christ in October of 1844.

Miller was a religious fanatic, and we laugh at his kind in a secular age. But are our secular doom-sayers any more credible in their extrapolations and prophecies? I was an early ecologist, and I wrote about—and practiced—organic gardening back in the Thirties.

Chemurgy, which advocated the recycling of practically everything, was an exciting movement of the times. So, when the ecologists had their grand revival in the Sixties, I felt a sympathetic stirring in old bones. There *is* a pollution problem, and it must be tackled. The Long Island Sound coast where we dug for clams and harvested mussels when I was a boy is now verboten as a source of consumable shellfish, and to swim at low tide is to risk a bath in oil. The ecologists have many good points in decrying such a state of environmental affairs. Unfortunately, the secular Millerites among them started running away with the predictable result that the sensi-

ble parts of the movement have been discredited along with the palpable idiocies.

It is with the hope of saving ecology from its fanatic friends that John Maddox, the editor of *Nature* magazine in England, offers his *The Doomsday Syndrome* (McGraw-Hill, \$6.95). Mr. Maddox grew tired of hearing that the world was about to asphyxiate itself. The "numbers game" of the population explosionists, which predicted the starvation of "hundreds of millions of people" in the Nineteen Seventies, seemed to him a vastly overdramatic posing of unreal scarecrows. He doubted that DDT, which had eradicated malaria in many tropical areas, was a universal menace, even though it may have had some as yet undetermined impact on the birthrate of a few species of birds. He couldn't accept the claim that we must suffer from a shortage of metals; after all, the junk piles can become the new mines, and the uses of plastics as a metal substitution are practically infinite.

### **Scared to Death?**

Rachel Carson had started the doomsayers on their way with her *Silent Spring*, which scared thousands with its warning that "a few false moves on the part of man may result in destruction of soil productivity and the arthropods

may well take over." Looking back on such a statement, Mr. Maddox asks if there was ever any reason to fear that the entire surface of the earth would be treated in exactly the same way at exactly the same time, with all vegetation dying and the insects proliferating despite the insecticides and the lack of foliage to eat?

When Mr. Maddox looked at a map of the Amazon basin, or the Congo, or even of Wiltshire in England, it was more than obvious to him that even the worst agricultural practices would still leave plenty of trees and plenty of photosynthesis around to keep somebody and something, even a few robins, alive. Playing around with his own figures, Mr. Maddox says the atmosphere of the earth, which weighs more than 5,000 million million tons, has more than a million tons of air for each human being. The earth's water is so voluminous that each living person's share would fill a cube half a mile in each direction. Denying the utility of comparing "space-ship earth" to one of the Apollo moon capsules, Mr. Maddox says human activity, "spectacular though it may be, is still dwarfed by the human environment."

### **Dirty Old Nature**

Nature itself has provided instances of pollution that make



even the multiple car exhausts of all the Los Angeles freeways seem piddling by comparison. Mr. Maddox mentions the disappearance of the Pacific island of Krakatoa in a volcanic eruption in 1887. The explosion threw more than a million tons of dust into the stratosphere, and for years thereafter this dust provided the world with gorgeous sunsets. The dust also reduced the amount of solar energy reaching the earth, and we had lower temperatures for four or five years. Eventually the atmosphere purified itself. This is not an argument for defective carburetors or smoke belching chimneys, but it should convey something to the gloom-and-doom boys who think the internal combustion engine is about to do us all in.

Mr. Maddox recognizes that Malthus, whose "law" insists that populations must continue to outstrip the food supply, has some contemporary relevance in places like India. As an Englishman, however, he is quite aware of what happened to his own nation as it became industrialized. The pace of population growth slows down in countries whenever the need for juvenile farm hands becomes less important to families, and Mr. Maddox is sure that the British experience of a lowered birth rate will be repeated in all the under-

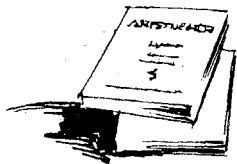
developed countries as the factories move in. A family with a two-child preference in countries that have decent hygiene doesn't need a third and a fourth child for "insurance" as it did in the days of yellow fever and diphtheria epidemics. Mr. Maddox wrote his book before the statisticians pointed to a real approach to zero population growth in the United States, but he was sure the curves were about to level off here as they had already leveled off in Sweden, Bulgaria, Japan and elsewhere. His verdict: the population explosion "has all the signs of being a damp squib."

### *The Green Revolution*

Even in the Asiatic countries that are not yet industrialized, the so-called green revolution is enabling the local farmers to keep a jump or two ahead of Malthus. Mr. Maddox may sound overly lyrical in his praise of miracle rice and the new "Mexi-Pak" wheat, but in spite of the risk of disease in highly specialized strains of cereals the green revolution is a demonstrated success. What is now happening in Asia has yet to happen in Africa and South America, but if Mexican wheat can help save India there is no reason to believe it can't thrive in Latin American lands that look to Mexico for leadership.

Even though the appropriation for cleaning up the atmosphere hasn't been what the ecologists want, it is not true that pollution is on the increase in American cities. Mr. Maddox says that Chicago reached its air pollution peak in 1965. Since then the carbon monoxide in Chicago air has "decreased most spectacularly." In New York the peak was reached in 1968. In London smog disappeared after the Clean Air legislation of the Fifties; there is no reason, says Mr. Maddox, why the London experience can't be repeated in the United States.

Mr. Maddox's book has special significance in that it comes from an ecologist who is himself in earnest about cleaning up the skies, the streets and Lake Erie. When a bona fide environmentalist tells us that we can continue to have industrial growth and a rise in the standard of living without adding to poisons and litter and overcrowding, it is good news indeed.



▶ **THE NEW TOTALITARIANS** by Roland Huntford (New York: Stein & Day, 1971) 354 pp., \$10.

*Reviewed by Allan C. Brownfeld*

SWEDEN, once labeled the middle way, is now totalitarian, reports the *London Observer's* Scandinavian correspondent. This total state is benign. Such words as individuality and freedom have lost their traditional meaning, having long been neglected in practice. People are passive, and so there is no need to employ the instruments of incarceration and the firing squad to keep them in line. Sweden reminds Huntford of *Brave New World* where Huxley told us that "A really efficient totalitarian state would be the one in which the all-powerful executive of political bosses and their army of managers control a population of slaves who do not have to be coerced, because they love their servitude."

Sweden is run by nonelected bureaucrats, and the Diet, which is elected, is virtually powerless. The Diet has neither a say in running the civil service, nor the ability to influence the administrative process. Cabinet ministers and senior bureaucrats are privileged to rule by administrative orders, which the Diet is prohibited from debating and over which it has no say. Most of the rules and regulations that govern Sweden are be-

yond parliamentary control, and the power of the bureaucracy has been extended to almost all aspects of society, even reaching into the home.

The Directorate of Social Affairs has total authority concerning the custody of children. An administrative order issued by a party official is sufficient to take any child away from its parents and have it brought up by any person or institution and in any way seen fit. Courts of law have no say in this matter, and there is no way that a parent can oppose an order depriving him of custody of his own child.

"At no point is it possible," states the author, "to invoke the due process of law, and parents may not be present at the civil service boards which discuss the removal of children from their homes. . . . In 1968, 21,000 children were removed from their parents' custody. This is about 1 per 350 inhabitants."

Academic freedom has never been known in Sweden. From the start, university professors have been appointed directly by the government; curricula and even the detailed content of individual lectures were decided by ecclesiastical functionaries and state officials. Mr. Sven Moberg, deputy Minister of Education, explains the goal of education in today's

Sweden: "Education is one of the most important agents for changing society. . . . Its purpose is to turn out the correct kind of person for the new society. The new school rejects individuality, and teaches children cooperation. Children are taught to work in groups. They solve problems together; not alone. The basic idea is that they are considered primarily as members of society, and individuality is discouraged."

Culture is also dominated by the state and used for its own political purposes. The center of the Swedish stage is the Royal Dramatic Theater in Stockholm, a state institution. The artistic director, Erland Josephson is of course a member of the Social Democratic Party which has ruled the country since the 1930s. "The purpose of the theater," he says, "is to expand emotional life. A country must have a rich emotional life. Without this, politicians cannot bring about changes or appeal to the public. You see, our people are emotionally and culturally underdeveloped. The arts, particularly the theater, are being used to accelerate and bring about a maturing of emotional life."

The drama, says Josephson, must promote the intentions of the Government. Nothing that contradicts the changes in Swed-

ish society is permitted to appear. "Education," he says, "is turning out people who have learned to fit into society. So that means I won't allow any plays that glorify the individual. That excludes most of the romantic dramatists, like Schiller. And it definitely cuts out most of Ibsen. *Brand* and *Peer Gynt* are two Ibsen plays I definitely do not want to see performed."

While we are told how happy and content the Swedes are, Mr. Huntford reports that crime in Sweden increased from 250,000 cases in 1960 to 500,000 in 1970. During 1969-70 there was a 20 per cent increase in thefts, 16 per cent in robberies, 62 per cent in check-passing, and violent crimes increased by 40 per cent in 1969. Seventy-five per cent of all crimes in Sweden are committed by children and youth between the ages of 10 and 25. Despite "sexual liberation," rape increased by 65.2 per cent between 1963 and 1967.

There are a few cracks in the unappetizing picture drawn by Huntford. One such is the recent defection from Prime Minister Palme's majority. Another is the built-in economic inefficiency of a centrally directed technocratic system. A third is the accumulation of evidence that there is a shift in public opinion, denoting a loss of faith in the system. In a new

book by Sture Källberg, *Report from a Swedish Village*, the natives come through as resigned and cynical, complaining of monotony and critical of officialdom, uncertain of where they are or where they want to go. Sweden has matured; those who walked the road to serfdom have finally arrived.

▶ THE POLITICAL CULTURE OF THE UNITED STATES by Donald J. Devine (Boston: Little, Brown & Co., 1972) 383 pp., \$7.95

*Reviewer: Allan C. Brownfeld*

IT IS EASY to mistake the pop culture for reality, and those who spend a great deal of time watching television and reading headlines are apt to fall into such a trap. A basic element of "fashionable" thought is that American politics is hopelessly unrepresentative of the American people, that most citizens are receiving a raw deal and would like nothing more than to turn the system upside down. Thus, radical intellectuals call for revolution in the name of the people, while the only revolution the people seem interested in is one against the intellectual elite itself.

A recently published scholarly study, *The Political Culture of the United States*, by Professor Donald J. Devine of the Univer-

sity of Maryland, leads to these conclusions and many more.

Professor Devine explores in great detail the nature of our value consensus, as reflected in opinion polls, and finds these values to be largely in "the liberal tradition," having little relationship, of course, with the political tendency which today calls itself "liberal." Professor Devine notes that this liberal tradition coincides with the writings of the political philosopher John Locke: "Locke saw man as rational and free, and his consent is needed for government to be legitimate. He is unrestricted in that he begins life with a mind like a white paper — not unlike America before settlement. But this man also has a tradition within which his reason operates. This is especially so for his values, which are based upon a natural law . . . Locke viewed government as contracted by this complex but essentially free man to preserve himself from the insecurity of the state of nature. Government was thus somewhat unnatural — limited to protecting the individual's life, liberty and property through popular consent, established laws, impartial judges, and limited but effective executives. A government that exceeds these bounds is illegitimate . . ."

The liberal tradition about which there exists a consensus is

one which calls for a very strictly limited government, whose primary function is to insure man's freedom and protect his life and property. Those in the political process today who speak of taxing the rich and bestowing their property among the poor are speaking in direct opposition to a basic element of our own liberal tradition. *The Federalist Papers* (No. 1, p. 36) states: "The diversity in the faculties of men from which the rights of property originate, is not less an insuperable obstacle to a uniformity of interests. The protection of these faculties is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results."

In his *Second Treatise*, John Locke set forth in no uncertain terms the value of private property. He noted that, "The great and chief end, therefore, of man's uniting into commonwealths and themselves under government, is the preservation of their property; to which in the state of nature there are many things wanting . . . Every man has a property in his own person. This nobody has any right to but himself. The labor of his body and the work of his hands, we may say are properly his. Whatsoever, then, he removes out

of the state that nature hath provided and left it in, he hath mixed his labor with it, and joined to it something that is his own, and thereby makes it his property."

In the American political tradition, states Professor Devine, "property is necessary because its protection insures that individual liberty and achievement possibilities survive . . . Property is a basic liberal value because its protection allows the individual to be free and secure."

Those who advocate more state intervention into the lives of individuals are calling for a policy which the overwhelming majority of Americans reject. The author's analysis of public opinion surveys indicates that more than eight out of ten choose liberty over economic security and seven out of ten choose individual freedom over duty to the state. Seven out of ten support freedom of the press while more than 95 per cent support freedom of speech. Eighty-one per cent prefer private over public ownership of property and six out of ten support achievement more than job security.

Professor Devine believes that too many men in politics attempt to please a radical intellectual elite which has views which are at variance with the views of the majority of Americans, rather than the people themselves. The

views of the majority are set forth in detail in *The Political Culture of the United States*. If the author's thesis is correct, political stability and political and economic freedom will continue into the future, despite those who challenge them today — that is, if the will of the people has anything to do with it.

▶ **THE BONHOEFFERS: PORTRAIT OF A FAMILY** by Sabine Leibholz-Bonhoeffer, with a Foreword by Lord Longford and a Preface by Eberhard Bethge (New York: St. Martin's Press, 1972) 203 pp., \$7.95

*Reviewer: Dr. Gottfried Dietze*

WHETHER ONE BELIEVES that history is made by great men or by the masses, certainly the progress of history is unthinkable without individuals standing out in greatness from what has been amassed around them, by standing up for their beliefs against the powers of this world. It may be added that the greatness of our civilization is due in a large measure to the fact that men again and again have had the courage to challenge what was fashionable. This is why the idea of freedom has relevance to all men irrespective of color, creed, or national origin, why the idea is older than Adam Smith and, indeed, timeless.

One of the men who stood up to

oppression in the not too distant past was Dietrich Bonhoeffer, a young Protestant theologian martyred by the National Socialists in a concentration camp at the end of World War II. When Hitler came to power Bonhoeffer went on the air saying that an individual feels the need of submitting himself to a leader only to the extent that he is not mature or responsible enough to do good by himself. From then on to his famous *Letters from Prison*, Bonhoeffer courageously resisted National Socialism and wrote his influential books. His life was the more remarkable in view of the fact that he left a safe haven in the United States and returned to Germany although he had been warned and knew that he would get into trouble there, feeling that his teaching would be more necessary under a government which oppressed religion than in a nation known for religious tolerance.

The attractive, well-illustrated book here reviewed, written by his twin sister, provides frank insights into Bonhoeffer's attitudes and beliefs, bringing in many personal remembrances. The author also vividly portrays the family she and her twin brother belonged to, one which Lord Longford calls the most remarkable family of our time, "with their distinguished ancestry on both sides, their father

perhaps the leading psychiatrist in Germany, the eight children all extremely gifted." Certainly, the whole family courageously opposed National Socialism. Aside from Dietrich, another brother, Klaus, and two brothers-in-law, Hans von Dohnanyi and Rüdiger Schleicher, were killed by Hitler's men.

In a human and touching way the author also describes her own life. Married to Gerhard Leibholz, a "non-Aryan" professor of constitutional law who due to Hitler's racism had to leave his professorship in Göttingen, her account shows the ostracism and persecution suffered under socialism of the nationalist brand. The book describes the family's flight to Switzerland and England, where they lived until 1947, when Dr. Leibholz resumed his professorship and became an outstanding judge of West Germany's highest court.

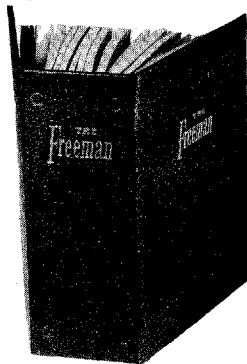
The book is a well-written and fascinating document of contemporary history. In a way, the ordeal of the Bonhoeffers is representative of the experience of all those who courageously resist oppression and who suffer the inevitable consequences.

It was said above that freedom is older than Smith's *Wealth of Nations*, generally credited with having ushered in the era of liberalism. And yet, that era perhaps

constitutes the climax in the history of freedom. This reviewer asked himself whether the family here described is not a typical product of the liberal era with its sense of individualism, propriety, honesty and achievement. All these values have increasingly come under challenge since World War I, when socialism made deep inroads upon liberalism. In our time when, as Hayek put it, the worst tend to get on top, a closely knit, distinguished family like the Bonhoeffers becomes increasingly a reminder of a past age, just as individualism, family life, and distinction are. Perhaps such losses

are inevitable after the revolt of the masses which Ortega y Gasset described. Perhaps, therefore, our mass age which produced a regime like that of National Socialism under which the Bonhoeffers had to suffer, an age which still suffers regimes that oppress freedom, now needs a revolt against the masses. Certainly many men like those here described would be needed to accomplish that task.

The book was an immediate success in Germany where it was originally published. Danish and English editions came out before the present American edition. A Japanese translation is to follow.



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 4 • APRIL 1973

- The Founding of the American Republic:**
- 21. The Beacon of Liberty** **Clarence B. Carson** 195  
"They had relighted the beacon of liberty; it remains for those who come after to keep it burning."
- Pilot Errors** **Leonard E. Read** 207  
If "flight plans" depend upon coercion, beware!
- Industrialism: Friend or Foe?** **V. Orval Watts** 211  
It is not "the power of the market" that dehumanizes the individual, but his subjection to unlimited political power.
- Right Congregation, Wrong Sermon** **John C. Sparks** 218  
For an enduring international armistice, we need to curb our personal appetites for government aid and intervention.
- The Rationale for Liberty** **Ridgway K. Foley, Jr.** 222  
Put simply, freedom must reign because it works and it is just.
- Does Madison Avenue Rule Our Lives?** **Dennis H. Mahoney** 230  
If so, isn't that better than the compulsory alternative?
- The Making of an International Monetary Crisis** **Paul Stevens** 233  
The policy-maker who seeks an artificial substitute for "the barbarous relic" seems doomed to fail.
- Book Reviews:** 252  
"Land Use Without Zoning" by Bernard H. Siegan  
"Selected Works of Artemus Ward" edited with an introduction by Albert Jay Nock  
"Foundation For Protest: A Father's Letters to His Grown-Up Children"  
by Frederic W. Overesch

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "The Founding of the American Republic," and "The Making of an International Monetary Crisis."



CLARENCE B. CARSON

THE  
FOUNDING  
OF  
THE  
AMERICAN  
REPUBLIC

21

The Beacon of Liberty

WHY SHOULD ANYONE bother to write the history of the founding of the American Republic? Or why, if it be written, should anyone bother to read or study it? Because, it has been asserted, it constitutes an epoch, and even an epic. That may be true enough, but if that epoch be wrenched out of its broader context, why should it be considered an epic? Here were some colonies on a remote continent which revolted from the empire of which they were a part and succeeded in effecting the separation. Having done so, they repudiated their paper money, could not meet many of their obligations, and lacked respect of the great powers of the world. Their Confederation lacked energy, and there was considerable doubt whether their state governments could maintain order. In these circumstances, they made a concerted effort to revamp and reorganize to effect a "more perfect Union." As we have left the story, they appear to have succeeded in doing this in considerable measure. Though this was an achievement to be admired, it would not suffice to make the story one of epic dimensions.

Nor should the account be read as a glorification of war. Even if

---

Dr. Carson, noted lecturer and author, is living at present in Alabama. The articles of this series will be published as a book by Arlington House.

war were worthy of glorification, the struggles in America would surely count as among its less notable episodes. There were few great battles; usually when one loomed ahead, a withdrawal occurred rather than a fight to the finish. The British used a great many foreign mercenaries. The Americans relied extensively on the militia, whose members would hardly qualify as soldiers. The Continental armies were rag-tag bob-tail aggregations with all too little discipline and shortages of almost everything else that makes armies go. True, there were great acts of personal heroism, and there was the exemplary tenacity of a few leaders, but these were offset often enough by cowardice of militia, lack of resolution by governments, and a civilian population looking the other way when help was needed. In any case, it is unlikely that the miseries of the Continental armies would be recalled as a glorification of war.

No more is this account to be understood as simply a veneration of government in general or of American governments in particular. Government is necessary; those of a pious bent may properly say that it is ordained. That is, man is such, and society is such, that government is required to maintain the peace. But if government were all that were wanted, it

would be possible to construct a much simpler one than the federal system of government in these United States. The exercise of government power does not require checks and balances, the separation of power, two or more distinct jurisdictions, a duplication of court systems, nor a multiplicity of elected officials. Much of this is actually extraneous to the efficient exercise of governmental power.

### *The Idea of Ordered Liberty*

What makes the story worth retelling, then, and gives it its epic dimensions, is neither war nor government. It is worth recalling because in the midst of war, diplomatic contests, internal divisions between Patriots and Loyalists, fiscal irresponsibilities, political squabbles, a sufficient number of Americans clung to a hope and an idea to bring it forth from the upheaval and make strides toward realizing it. That idea, if it must be put in a phrase, was the idea of ordered liberty, the idea that America should be a land where protections of liberty and property were firmly established, a refuge for the persecuted to come to, and a beacon shining forth as a guide for others to follow. George Washington could speak with the assurance that he knew his countrymen when he said, in his Farewell Address, "Interwoven as is the

love of liberty with every ligament of your hearts, no recommendation of mine is necessary to fortify or confirm the attachment."

This epoch is raised to epic proportions, then, by the quality of the idea that nourished it and by the degree to which the men of that day were able to achieve it. The era is appreciated the more for the epic that it was when it is seen in its proper context of past and future. It is what the United States became that justifies our attention to its beginnings, and it is that out of which it was wrought that gave it substance.

#### **A Rebirth of Freedom on the American Continent**

The epic of the founding of the American Republic is no less than the epic of the rebirth of liberty on the American continent. That is right; it was indeed a *rebirth*.

It would have been quite strange if it had been other than a rebirth. All our births are but rebirths. They are not the less remarkable for that, for we celebrate and stand in awe of the succession of rebirths which give continuity to and perennially freshen and renew our world. What is spring but a rebirth of what was there the year before? Every plant that springs from a seed is a rebirth of its parent plant. Every child born of woman is a rebirth of the hu-

man form in new attire. Rebirth stands at its peak when Christianity proclaims that you must be born again, that a rebirth in spirit is greater than the original birth. It is not for man to create; it is sufficient that he be able to take part in re-creation.

But there are facts enough to support the position that it was a rebirth of liberty that took place in America; it does not have to be made to follow from the universality of the phenomena. It was a rebirth of liberty because Americans took the elements from the past which they shaped into their own system for the protection of liberty. That is about all that history affords—elements—, for they have all too seldom been drawn together in a working system. The story of mankind is full to overflowing with examples of oppressions, tyrannies, restrictions, and repressions. Arbitrary government has been the rule; government restrained is the exception. Yet here and there and from time to time there have been practices which ameliorated the oppressions and allowed for greater or lesser amounts of liberty. The Founders of these United States combed the pages of history, read the works of political thought, sought guidance from all sources known to them, and brought their own traditions to bear on the subject to

learn what they could of how to establish governments that would provide ordered liberty.

The records of the Hebrew people contained in Scripture were of interest; the philosophers of Greece offered hints; the natural law philosophy in ancient Rome was a fount of inspiration; the separation of powers in the Middle Ages in abstracted form provided them a clue and example; the British tradition was ever at their back; and their own colonial experience provided them with numerous examples, bad and good. From these they drew and out of them they wove a frame of government with which to work. All that they had learned they viewed with a canny eye to discern where other systems had failed and what it would be in their own that would give way first before the bent of men toward power. Looking at the matter in the long run, they were reasonably certain that their labor was futile, for the work of men in the past had eventually fallen prey to man's interior bent to destruction; they saw little enough reason to suppose that theirs would meet with much better luck. Perhaps what was reborn would be a little stronger than what had gone before because its elements had been carefully selected, but that was the most to be hoped for.

### **A Success Story**

The act of rebirth would not, however, have been worthy of extended attention if the infant had been stillborn or if it had been frail and sickly, destined shortly to pass away. What finally makes the founding of such significance is that the American story is, in most important ways, a success story. So it has been adjudged, and so it must be adjudged by the yardsticks that men apply to nations. Those English Americans who had landed on some of the most forbidding territory, or that which was among the least promising in the new world, did, in the course of time, press on across the Appalachians, push their way to the Mississippi, surge across the great plains, pick their way through the Rockies, and establish themselves on the Pacific. Everywhere they went, they carried with them their religion, institutions, language, and constitutions; all others yielded to them, by and large. Conquests there were, but that is not the main story. The main story is one of construction: of houses, of bridges, of fences, of factories, of roads, of canals, of railroads, of barns, of communities, and of cities. In time, they were so productive that the Europe which had once succored them would turn to America for sustenance. It is not a story, of

course, in which the pure in heart can always rejoice and take comfort. None of the stories that involve men over any span of time are of that kind. But it has been a success story which could have been viewed by the Founders — who were mostly men who did not expect too much of the frail reed that is man and could therefore rejoice in what he did accomplish — with a measure of pride. They had laid a strong foundation for the United States.

#### ***What Accounts for Success?***

Any historian worth his salt must pause to ponder the sources of this success, and, it should be said, a goodly number have. But the success of America has not been of academic interest alone; peoples around the world have had and have a considerable interest in America. They have poured in large number to American shores in search of refuge and opportunity. They have sought to abstract from the American system those features they supposed have given the success. Of course, the successful are frequently envied, often despised, and sometimes hated, but they are, nonetheless, imitated.

It is common to ascribe the American success to a variety of causes, ranging from chance or luck to a favorable environment. Some declare that the United

States was particularly fortunate during the nineteenth century because of the remoteness from Europe, or because of bountiful resources, or because Presidents have been of a higher caliber than might have been expected, or because the British navy formed a protective shield, or because of a temperate climate which was mild enough to permit work the year round yet demanding enough to stir effort, or any of a large number of causes in combination. But the underlying explanation to which most who have written or spoken on the subject subscribe as judged by the attention given to it is American democracy. They have seen the greatness of America in the quest for democracy and the achievements of America as the fruit of democracy. It is this, above all else, that Americans have talked most about exporting in more recent times and that other countries have most often made the most noise about imitating, however sincerely or with whatever results.

#### ***Accidentally Democratic***

There is no denying that there are and have been democratic elements in the American political system. The Founders believed in popular government, up to a point, and many quotations could be arrayed to show that they argued

that the Constitution provided for a government resting on the consent of the people. They held that popular consent was the source of governmental authority and the fount of its strength. It should be said, however, that what they meant when it is decided by what they did was that government actions, to be legitimate, must have the consent of the property owners and taxpayers. But it is seriously to misread both what they thought and what they did to call it simply democratic; and it is an even more serious error to ascribe to democracy the foundation of American liberty and success.

The matter can be put strongly, perhaps too strongly, by saying in philosophical terminology that the democratic features of the American political system are *accidents*. In the common parlance, this is roughly the equivalent to saying that the democratic features are incidental. Note well, however, that to call them philosophical accidents is not to declare them unimportant. It is an accident, in this sense of the word, that one man is born black, another white, one red, and another yellow. None will deny that much importance has been and some importance may attach to these distinctions. But they do not go to the heart of the matter of what a man is. Color is not *essential*—again, speaking

philosophically—; it is accidental or incidental to the nature of man. So democracy is accidental, that is, not of the essence of the American political system.

### **Means to an End**

To put the matter another way, and to get closer to the point, the democratic (or republican, if one prefers) features of the political system are largely means to an end, and not to be confused with the end. They are means to legitimating government, selecting officials, and justifying the claims of government on the goods and services of the people. The end of government, so the Founders thought, is to provide order and to protect life, liberty, and property. Nor did they suppose these to be disparate ends. The surest means of promoting happiness (to which order is the one absolute requirement), they thought, is to protect individuals in their possession of life, liberty, and property. After all, the sources of disorder among men in community are the quest for power and the contentions over property. Indeed, so universal have been the contentions over property that some have supposed that, if property be done away with, so would the sources of conflict among men. There is no reason to suppose that this would follow, however, nor do such efforts as



have been made to do so give evidence to support it. On the contrary, when property rights are abolished, the contest shifts to the arena of the quest for power and special privilege, which immeasurably worsens rather than improves the situation. At any rate, the Founders thought that order and liberty are correlative ends of government.

### **Limited Government — and Free Men**

The *essence* of the American political system is *limited government*. This conclusion is supported in almost every paragraph of the Constitution. Limited government is the reason for being of checks and balances, the separation of powers, the two branches of Congress, the presidential veto, the power of the courts to receive appeals, the enumeration of powers, the prohibitions against the exercise of certain powers, the staggered terms of elected officers, the indirect modes of election, the dispersion of powers among the states and the general government, and the having of a Bill of Rights. One qualification should be made to the classifying of the democratic features as accidents; insofar as the necessity for popular consent limits government, it is essential to the American system.

Had the men who made the Con-

stitution in Philadelphia in 1787 been concerned only with establishing a popular (or democratic) government, their task would surely have been much simpler than it was, and they might have finished with it in short order. If they considered a direct democracy impractical — which they did, of course — then all they need have done would have been to contrive a list of the officials necessary to the exercise of governmental powers and to have provided for the election of them from time to time, by an explicit electorate. It is quite true, of course, that such a system might never have witnessed a second election, but anything added to it would have been by way of limiting government, not of making it democratic.

This is to say, of course, that the Founders conceived their task quite otherwise, that what was uppermost in their minds was to confide governmental powers to a general government — to make these adequate to the exigencies of the Union — and then to see that both the general government and the state governments were restrained and confined. It was for these purposes that they scanned the records of history, consulted the best minds, and called upon their experience. It was for these ends that they made the system as complex as it is.

### **The Release of Human Energy**

The *essence* of the American system — which is something much more than the political system — is *limited government* and *free men*. Government was confined that the energies of men might be released. This is the clue to the productive and constructive successes of Americans. When their energies are released, peaceful men are capable of and have achieved wonders of building, invention, production, transportation, and so forth. These activities proceed from people as individuals. They do not proceed from government, whether the government be democratic, aristocratic, or monarchical. Government is not capable, by nature, of being productive or constructive. In its capacity as government, it acts to restrain and restrict. When it uses these powers against those who would disturb the peace in one way or another it enables peaceful men to produce and construct. When it uses them to restrain peaceful men, it inhibits the constructive. Thus it is that limited government is the requirement for releasing the energies of men.

It would not be appropriate for Americans to be overmuch proud of their successes. Not only does pride go before a fall, but it is much less warranted than may be supposed. One need only to look casually at American history to

see that Americans have quite often ignored and forgotten the principles of their political system, that they have confused means with ends and accidents with essences. The ink was hardly dry on the Constitution before there were those conceiving of means to expand the powers of the general government. And it would be less than candid not to say here that in more recent times there have been increasing numbers who act as if their government were some sort of energizer and fount of construction and production. The powers exercised by all governments have been greatly expanded and the energies of individuals have been more and more channeled and confined. The means — the democratic features — have been made into an end — democracy —, and many suppose that America comes closer and closer to its goal the more democratic that it is. American politicians have proven themselves to be as imaginative and inventive as those of any other land in devising justifications for the expansion of their powers. Bemused by the supposed attractions of democracy, many voters must suppose that their own powers are thus being increased, but they only increase the powers of those who hold the reins of government at their own expense.

### ***Enduring Principles of Liberty***

It is not in pride, then, but with humility, that we return to an account of the foundations and of the Founders. It is to visit the scene of the beginnings of a great nation, but more than that to capture the sources of the greatness of it in the principles upon which it was founded. Out of the web of conflicts and contests of those years emerge the principles of liberty. They are, we may believe, enduring principles, not something invented by a generation of outstanding men. Indeed, the principles of liberty could probably be rediscovered by any man who would put his mind to the matter for long enough. But that is not necessary, they have long since been clearly enough discerned and written out. What distinguishes the Founders is that they were able to incorporate them into the fundamental laws of the land.

This epoch of history is an epic, finally, because of the quality of the work that was done, the caliber of the men who performed it, the nobility of the ideas that impelled the action, and the durability of the structure they devised. It was not uncommon for men during the days of the founding to declare that Americans had been especially blessed by the remarkable confluence of men, events, and happenings in the midst of which

these United States were born. George Washington put the matter about as elegantly and reverently as could be in his First Inaugural Address:

. . . No people can be bound to acknowledge and adore the Invisible Hand which conducts the affairs of men more than those of the United States. Every step by which they have advanced to the character of an independent nation seems to have been distinguished by some token of providential agency; and in the important revolution just accomplished in the system of their united government the tranquil deliberations and voluntary consent of so many distinct communities from which the event has resulted can not be compared with the means by which most governments have been established without some return of pious gratitude, along with an humble anticipation of the future blessings which the past seem to presage. . . .

### ***Vestiges of Immortality***

One by one, the men who had so much to do with the founding passed on to their final reward. To close this historical account with a record of their departures may serve to remind us not only that all men are mortal but also that those who strive to know and realize great ideas have a portion of their immortality here on earth.

James Otis died in 1783, the first of the notables of the epoch

to go. He had been among the first to raise his voice against British repression, reached the peak of his forensic skill in the mid-1760's, thereafter succumbed to occasional bouts with madness, but did sufficiently recover to fight at the Battle of Bunker Hill.

Benjamin Franklin died in 1790. He was probably the first American of international fame. He had risen from obscurity to be a printer, postmaster, inventor, philosopher, diplomat, leader in his state, and elder statesman at the Constitutional Convention. His country had done well by him; he did even better by it.

George Mason died in 1792. His moment of national prominence came during the Convention, in whose deliberations he participated so well but whose product he rejected.

Roger Sherman died in 1793. This dour Connecticut Yankee performed yeoman service for his state and country over the years, never so outstandingly as at the Constitutional Convention. His last years were well spent in the Congress of the United States, where he supported the programs of Hamilton.

John Hancock died in 1793. His national fame probably rests almost solely on his efforts as presiding officer of the Second Continental Congress which enabled him to

plant an oversized signature on the Declaration of Independence, but he was involved in the Patriot cause from the early years and was perennial governor of Massachusetts during most of the early years of that state.

Richard Henry Lee died in 1794. He joined early in the resistance to the oppressive acts of Britain, introduced the resolution for independence into the Second Continental Congress, was an opponent of the Constitution as it was drawn, but nevertheless served in the first Senate under it.

James Wilson died in 1798. He is remembered best for his work at the Constitutional Convention, but he was also the most able apologist for it at the state convention to consider ratification.

Patrick Henry died in June of 1799. His was over many years one of the most eloquent voices in America in defense of liberty. The making of strong and effective governments, however, was not his forte. During most of his years he could not forget that government remote from the people was a danger to their liberties.

### ***The End of a Century***

George Washington died in December of 1799, probably as a result of the ministrations of his physicians, not an uncommon way to go in those days. Most of his

adult life had been a sacrifice to the public service, for he ever longed to devote himself to his own affairs. Although he had frequently perforce to neglect his business affairs he did not, according to his accounts, neglect his private charities.

Samuel Adams died in 1803. His had been a leading role in arousing opposition to British acts in the 1760's and 1770's: to the Sugar Act, Stamp Act, Townshend Acts, and Tea Act. Once the revolt had succeeded, however, his public service was restricted to the state of Massachusetts.

Alexander Hamilton died in 1804. His death was caused by wounds suffered in a duel with Aaron Burr, making him the only one of the Founders to die of violence from the anger of another. It is not so surprising that this should have happened to someone, for quarrels were particularly acrimonious in those days. There are many impressions to be had of Hamilton, but it is perhaps most fitting that we take our leave of him by quoting a letter he wrote to his wife just before his death. It brings us more dramatically into another age than anything I know.

This letter, my dear Eliza, will not be delivered to you, unless I shall first have terminated my earthly career, to begin, as I humbly hope,

from redeeming grace and divine mercy, a happy immortality. If it had been possible for me to have avoided the interview, my love for you and my precious children would have been alone a decisive motive. But it was not possible, without sacrifices which would have rendered me unworthy of your esteem. I need not tell you of the pangs I feel from the idea of quitting you, and exposing you to the anguish I know you would feel. Nor could I dwell on the topic, lest it should unman me. The consolations of religion, my beloved, can alone support you; and these you have a right to enjoy. Fly to the bosom of your God, and be comforted. With my last idea I shall cherish the sweet hope of meeting you in a better world. Adieu, best of wives — best of women. Embrace all my darling children for me.<sup>1</sup>

Henry Knox died in 1806, Robert Morris in the same year, Oliver Ellsworth in 1807, John Dickinson in 1808, Thomas Paine in 1809, Edmund Randolph in 1813, Elbridge Gerry in 1814, Gouverneur Morris in 1816, and Charles C. Pinckney in 1825.

#### **Jefferson and Adams — 1826**

Thomas Jefferson and John Adams died on the same day, of the same month, of the same year — July 4, 1826. There was more that

---

<sup>1</sup> Richard B. Morris, ed., *Alexander Hamilton and the Founding of the Nation* (New York: Dial, 1957), p. 610.

was symbolic about this than their death on July 4, but that would have been enough, for both of them had been on the sub-committee for drawing the Declaration of Independence. There was more, however, for in some ways they came to represent the poles of political belief: Adams the proponent of awe, respect, and dignity of government, Jefferson the exemplar of republican simplicity; Adams the sturdy voice of conservative New England, Jefferson the eloquent spokesman for liberal Virginia; Adams, the Federalist, Jefferson, the Republican. They had been early believers in independence and had participated in many of the tasks by which it had been won. Partisan contests had made them the bitterest of political enemies by 1800. Time has a way of healing such wounds, how-

ever, and they were fortunate to live long enough to put behind them such animosities. Eventually, they resumed correspondence with one another, and continued the friendship until death.

John Jay died in 1829, Charles Carroll of Carrollton in 1832, and John Marshall in 1835.

Shortly before his death, James Madison concluded that he was the last of the men still living who had participated in making the Constitution. Indeed, he observed, wryly, that he might well be thought to have outlived himself. Frail "Jimmy" finally died in 1836 at the ripe age of 85. The last of that remarkable group of men called Founders had passed on.

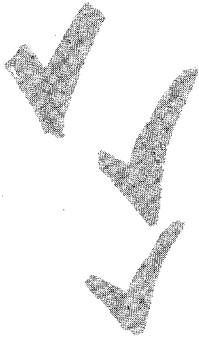
They had relighted the beacon of liberty; it remains for those who come after to keep it burning.



*This concludes the series on*

## **The Founding of the American Republic.**

These articles are being prepared as a book, which will be announced as soon as it is available.



# Pilot Errors

LEONARD E. READ

IT was year's end, December 31, 1972. One of my journal entries for the day:

The *New York Sunday Times* reports as a disaster the crash of a jumbo jet in the Florida Everglades. And on the same page a mere announcement that "the President is willing to name union men to all Federal departments." In my judgment, the latter is by far the greater disaster in the long run. The jet crash, I suspect, was due to pilot error; naming union men to all Federal departments, I am certain, is also pilot error.

I have no respect for organizations as such — be they labor unions, chambers of commerce, organized religions, educational organizations, governments, or whatever. Respect can be extended only to individual persons who up-

hold and practice the several virtues. A person's membership in this organization or that may reveal much or nothing.

An organization is analogous to a book defined as an assemblage of pages bound between two covers. Books, as such, do not merit respect; it is the content that counts. Books range all the way from filth and pornography to intellectual and spiritual enlightenment as found in the Bible or in *The Wealth of Nations*. The vices and virtues between the covers of organizations are no less diverse. The content of each must be examined.

Why do we not witness the political pilot's willingness to name chamber of commerce men to all Federal departments? Or members of the Women's Liberation movement? Or Catholics, Lutherans,

Episcopalians, Holy Rollers? Or corporate executives? Or Farm Bureau members? Or certified accountants? Or physicians? Why single out union members? From the standpoint of good government, there is no more logic in naming the latter than the others. There is, of course, a "reason."

And the "reason" is not that union members are distinguished beyond all others in the population for their statesmanship; they do not exhibit devotion to a common, across-the-board justice, free market and private ownership understanding and practice, or a disdain of special privilege! The real reason? Labor unions, more than any other labeled segment of the population, dictate what governments — Federal, state and local — shall and shall not do. Naming union men to all Federal departments is but an acknowledgment of their overpowering influence. It is a resignation to a political fact and I believe that this resignation, in itself, is a disaster. Find, if you will, any other reason for this "if you can't lick 'em, jine 'em" attitude!

### ***In Search of Power***

Before assaying the disastrous effects of resignation, let us reflect on the policies we are giving in to, admitting helplessness before, accepting as *fait accompli*.

Union men, by and large — or their officials, at least — sincerely believe in gaining political power, in "running the show." They regard this as a proper aspiration and, in this respect, are not to be distinguished from most of their opponents — the losers — the ones who also seek political power but with their men in the driver's seat rather than unionists. Virtually all contestants in the political arena are striving to get themselves in a position from which they can run the show. There is little attention to the philosophical issue: domineering versus freedom; the contest is which side shall have the dictatorial say-so. Most people who criticize union men should hark to Cicero's advice: "Everything you reprove in another, you must carefully avoid in yourself."

Very well! Having agreed that union men differ little from the mill run of humanity over the ages, let us now have a look at the policies they espouse.

### ***A Cartel Backed by Force***

A cartel is defined as "an association of industrialists for establishing a monopoly by price fixing, etc." Labor unions are no less cartels than are some industrial combines. They are price fixers; this is their chief claim to fame. They fix prices not by voluntary agreement but by edict backed by



violence. Monopolists? Try to become a 747 Captain for less than \$57,000 a year or a plumber in Westchester County for less than \$15.80 an hour plus the contractor's percentage.

All above-market wage rates forcibly exacted by labor unions cause unemployment precisely as \$20 for a pound of cheese would cause its unemployment at the table. How is this unemployment catastrophe covered up? Labor unions, using their political power, get the government to pick up the tab: public housing, urban renewal, the Gateway Arch, moon shots, and thousands of other pyramids — "make work" projects to employ resources which have been coercively excluded from the market.<sup>1</sup>

These "make work" projects cost billions upon billions annually. How does government pay these enormous bills? First, by direct taxation — all the voters will tolerate. This, however, is far from adequate. How make up the difference? Increase the money supply: *inflation!* The result? The

dollar becomes worth less and less. It has lost nearly 70 per cent of its purchasing value in the past 33 years. As one perceptive wit phrases it: "Nothing can replace the American dollar — and it practically has."

Reflect on this problem realistically. If it were generally believed that these tactics of labor unions were leading us to disaster, citizens would have none of them. Indeed, union men themselves would not be a party to what they now applaud.

### **"The New Economics"**

#### **— a Primitive Lust for Power**

But the general belief is to the contrary. Tactics such as these comprise "the new economics" and they are given prestige by such celebrated characters as Lord John Maynard Keynes, as well as by thousands of so-called economists spawned by them. These tactics are now believed to lead not to disaster but to prosperity and social welfare. Old fogeys may still frown on wage rates fixed above the market by violence, with government taxation and inflation to pick up the tab for the resulting unemployment; but why fret when assured that the consequence is all to the good! So goes the "reasoning."

As if "the new economics" were really new! Actually, all of this is


<sup>1</sup> The so-called Full Employment Act of 1946 authorizes governmental spending and relief programs to employ overpriced labor and other resources for purposes for which there are no willing customers. For further discussion see Henry Hazlitt, *The Failure of the "New Economics,"* Princeton, N. J., 1959, pp. 399-408.

an inheritance from our barbaric ancestors. It rests on the primitive notion that these self-appointed rulers are capable of running the lives of others beneficially. The fact? No person who has ever lived has such a capability over any single individual, let alone over millions. All wielders of this kind of power resemble the rest of us in knowing substantially nothing, but they are unaware of how little they know. All of "the new economics" is old hat.

I am trying to suggest that *beliefs* are here at issue. And at stake is the overthrow of the newest and most enlightening thoughts in human history, that is, as pertaining to political economy: free, voluntary exchange, private ownership, and limited government concepts. Were we to collapse life on this earth into a calendar year, these ideas have been perceived during the last 3½ seconds before midnight of December 31. However, as Ortega points out, it is always the latest

and highest acquisitions of the mind that are the least stable and the first to be abandoned whenever crisis threatens. The new, the wonderful—individual freedom—is now being abandoned in favor of the old, the primitive, the domineering way of life.

Sound economics is about as simple as this: Were the price of cheese to be coercively fixed at, say, \$20 per pound, there would be no consumption. And were it coercively fixed at, say, 2¢ per pound, there would be no production. I say to all political rigging, "Cheese it!"

Even if the political pilot gives in to "the new economics" by expressing a willingness that union men be named to all Federal departments, and even if millions of others evidence such resignation, I must hold out for freedom though I may seem to stand alone. My faith tells me, however, that there are thousands of others—The Remnant—who are determined to do the same. 

### ***On Power***

IDEAS ON



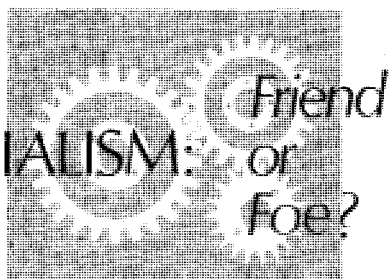
LIBERTY

POWER tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority. There is no worse heresy than that the office sanctifies the holder of it.

LORD ACTON

In letter to Creighton, April 5, 1887

# INDUSTRIALISM:



CAPITALISTIC industry today stands before Judge Public Opinion charged with various high crimes and misdemeanors.

Among the charges are (1) that it makes those who take part in it materialistic in tastes, interests, and ways of living; (2) that it standardizes people — turns them into robots, kills individualism; (3) that it concentrates “power” in the hands of a few who use this power with little regard for the welfare of others.

Those making the charges demand increasing government action to punish and prevent these alleged offenses against the common weal. Unfortunately, all too many Americans are ready to cast their ballots for the prosecution

when they enter the polling booths on election days.

Yet, nearly all Americans show by their daily conduct that they really *like* what modern industry — big and little — does; and the vast majority of mankind look to the most industrialized, free-enterprise nation — the United States — as a Mecca which they would like most of all to visit and if possible make their permanent home.

Most people, worldwide, for example, like what modern industry produces. From chewing gum to cameras, from aspirin to automobiles, they buy machine-made goods. Moreover, they buy, often and abundantly, the products of the free-enterprise elite, that is, the products of the industrial giants; and they generally buy with confidence that they will get a fair deal. Similarly, where they can, millions of housewives go to the

---

Dr. Watts is Director of Economic Education, Northwood Institute, a business-oriented college with campuses at Midland, Michigan; West Baden, Indiana; and Cedar Hill, Texas.

super-markets, chain stores, and big department stores for the necessities of life, as well as for thousands of comforts, gadgets, and sundries from toothpaste to tissues, from soap to stockings, and from vitamins to vacuum cleaners. And when shoppers go to small stores, or dealers, they usually buy goods that big companies, in some way or other, have helped to make.

Millions of these customers also earn their wages and salaries in the employ of the biggest manufacturing, commercial, and financial firms where free-enterprise industrialism is supposedly doing most to turn them into dehumanized robots. Fully one-fourth of the working force of the United States prefer the wages, working conditions, and "fringe benefits" of the big employers; and I never met any of these who seemed ashamed of his employer. On the contrary, they generally appear proud to be associated with one of these outstanding enterprises.

More millions of Americans, including millions of employees and customers, also invest their savings in the stocks and bonds of these big companies. Or they put their money in banks, insurance companies, and other agencies which buy the securities of big companies in the belief that these are likely to be especially safe and

profitable ways to invest the funds entrusted to them.

### **Big Businesses Foster Small Businesses**

Millions of small businesses buy, sell, and service the products of the biggest industrial companies; and hundreds of thousands of small producers act as suppliers for the "big boys." For example, the United States Steel Co. buys from 50,000 small and medium-size concerns and sells to 100,000 more.

Thus, small and medium-size establishments do most of the business in the United States, the world's most industrialized country. A firm with less than 500 employees is a small or medium-size business by U.S. standards. Such firms, together with farmers and the self-employed, account for two-thirds or more of the total work force outside of government service.

The fact is that big business gives rise to smaller businesses. So the "Big Four" in the automobile industry create opportunities for many thousands of dealers in cars and accessories, car "laundries," and garages, and the big oil producers and refineries create opportunities for more thousands of service stations. Furthermore, the growth of big business provides the jobs, income, and materials necessary for new enterprises to

develop and market new products. Some of these may rise from a basement or garage to skyscraper status; but they all *start* small, and most of them *remain* small.

Without large-scale industrialism and big business, in fact, America would be still in the horse-and-buggy age, and so too would be the rest of the world. The industrial giants — railroad companies, producers of steel, aluminum and copper, auto manufacturers, producers of farm machinery and chemicals — these built the foundations of our modern economy, and they are still maintaining our unprecedented affluence.

We should remember, too, that mass merchandising is essential for large-scale industry. The great selling organizations — mail-order houses, department stores, chain stores, and supermarkets — have brought down the costs of trade as the great industrial organizations have reduced costs of extraction, transportation, and processing. *These "distributors" are as truly productive and as necessary for economic progress as the mines and factories.* The same may be said for finance. Without large-scale banking, investment, insurance, and brokerage there would be neither large-scale merchandising nor large-scale output of goods to market.

But is this affluence provided by

modern industry too costly in terms of the human spirit and individual dignity? Does mass production turn human beings into materialistic, standardized robots?

### **Mass Production Means Mass Prosperity**

True, "mass production" means standardization of products and methods, and this mass production implies a mass market. It is production for "the masses." At first thought — without looking at the facts — this seems to mean standardization of people — turning them into faceless non-persons. Yet, this mass production by way of standardization is precisely what the communist rulers of Russia and China want for their subjects because *it means mass prosperity.*

What big concerns arise in freedom to serve only a wealthy few? *In freedom,* big business must produce mainly for factory workers, farmers, stenographers, school teachers, bookkeepers, sales clerks, mechanics, waiters, government employees, carpenters, and plumbers, along with other modestly paid producers and their dependents. These buy most of the products of industry because they get most of the total income of this nation.

And let us not forget that the pensioners and "reliefers" also have radios, TV sets, and drip-dry

shirts, along with the necessities of life. If any American goes barefoot, it is from choice, not necessity, for our mass production has made shoes so abundant that Americans commonly give away or throw into the trash cans better shoes than the shoddy new footwear the victims of Communist "planning" can buy in their dingy shops.

But besides an abundance of the necessities and comforts of life, and besides the great variety of recreations and entertainments, free-enterprise industry and business provide the high purchasing power and leisure necessary for cultivation of the arts and literature, for schooling and research, for books and free lectures on every conceivable subject. They provide these on a scale never known before the advent of modern industrialism, and have made them available even to the poorest of our population.

The victims of communist rule covet these fruits of free-enterprise capitalism; and their rulers try hard to establish the same great industries and marketing organizations that we have in the United States. And they do get a certain bigness and large-scale industry. But their industries, big and little, lack efficiency; and lacking efficiency, they progress only at a painfully slow rate — and I do

mean *painfully*. Consequently, communist countries lag behind the U.S., economically, as far as they did 30 or 40 years ago.

But we come back to the question: does mass production and mass prosperity produce a mechanized, standardized, collectivized, materialistic people?

### ***Industry Fosters Personality***

In the answer to this question we find a strange paradox. *In freedom*, mass production actually personalizes — individualizes — both consumer goods and the uses we make of them. It continually creates a greater variety of occupations and greater opportunity for individuals to choose the kind of work and working conditions which best fit their particular interests and abilities. It provides increasing opportunities for intellectual and artistic pursuits, for extending each person's circle of friends, for increasing awareness and sensitivity, that is, for the development of personality. In short, modern free-enterprise industrialism *reduces* the amount of drudgery, the long hours of monotonous, mind-dulling toil, and the subsistence levels of poverty which held the vast majority of mankind at a near-animal level of mind and spirit for untold aeons of the past. It enables humans to become *persons*.

Furthermore, it is the opportunity for individuals to satisfy a vast variety of tastes and pursue countless individual interests — intellectual, artistic, literary and social, as well as recreational — that provides the drive and enterprise which in *freedom* gives rise to rapid economic progress, with its mass production and giant business organizations.

Look in on any typical American assemblage — a roomful of students, a concert audience, a crowd of diners — what do you see? Outside the ranks of the few militant revolutionaries, it is hard to find two persons dressed in any way alike. Similarly, if you ask Americans about their life experiences and expectations, their work and their leisure pursuits, you will find individual variations too numerous to list.

Where else but in highly industrialized America, the land where most of the giant businesses arose and flourish, will you find the *variety* of consumers' goods offered for sale, the *variety* of jobs, the *variety* of leisure pursuits, the proportion of the population in colleges and universities, the amount and *variety* of scientific research, the *wide circles of friends* possessed by everyone who wants them, the amount of *travel*, and the widespread *awareness* of human problems and opportunities?

And, insofar as other nations permit freedom for private enterprise, they correspondingly provide opportunity for development of more humane and individualized personalities.

### **Communism Standardizes and Dehumanizes**

This points to a seldom-noted paradox: When they gain power, as in Soviet Russia and Red China, socialist authorities impose on their people, by force, the very same mass production methods which they say make robots of workers in capitalistic countries. In fact, they often carry the standardization much further than in capitalistic countries and in more burdensome fashion, as, for example, in use of the manual labor of women street sweepers and construction workers. But despite thefts, loans and subsidies from capitalistic countries, and despite ruthless coercion to get labor and capital from their subjects, they fail to achieve the prosperity necessary for individualized living — except for a small minority of privileged bureaucrats and their favorites of the moment (ballet dancers, mistresses, champion athletes or chess players, and a few scientists).

The reason for the continued deprivations and standardized ways of living for the masses in com-

munist countries should be obvious. Centralized planning, *imposed by legal force*, suppresses individual experimentation, reduces individual incentive, and denies individual responsibility. Indeed, suppressing individual freedom to experiment is precisely what socialists mean by "planned production."

Communists regard people as no more than complex machines to be manipulated by physical means as are inanimate tools. Or they look on the proletarian masses as rather dull-witted creatures to be fed, stalled and herded about as domesticated animals. Therefore, although communist governments impose on their subjects much standardization and some mechanization, they so dehumanize their people that they lose the individual enterprise necessary for mass prosperity and general economic progress. They have achieved a measure of *technical* ("material") progress; but they provide less opportunity for developing individual talent, personality, character, and intellect than prevailed three generations ago under czarist rule.

Despite the standardization of machines, materials, and gadgets, *free-enterprise* industrialism provides increasing opportunities for "the masses" to develop, individually, the highest human qualities. This freedom for individuation in these United States is precisely

why we have so much big industry, big business, mass production, mass prosperity, and mass opportunity. It releases human energies and imagination which are the driving and directing factors in progress.

### **Why Communist Economies Are Backward**

Under socialism and communism, on the other hand, the "planners" dictatorially restrict individuation of products and personal pursuits. As a result, they fail to develop the mass production and universal affluence which they so much covet and try to produce without regard for human life and human dignity. It is under socialism, or communism, therefore, that we find the actual concentration of power and rampant abuses of power. Only under socialism or communism can the few force the rise of great industries to serve their whims about what standardized goods their subjects should have, including the weapons for imperialism, war, and their own enslavement.

For these reasons, the victims of this concentrated power remain poor — drably dressed, badly housed, misinformed, restricted, standardized, materialistic and collectivized. As a consequence, their masters must maintain mine fields, great walls, and millions of armed



guards to keep their people at home.

If we can understand these facts and the reasons for them, perhaps we can enlarge the freedom for enterprise which this and other "capitalistic" nations have so well demonstrated is necessary for all truly *human* ("humane") progress.

### **Freedom Depends on Understanding**

I say we can "enlarge freedom" advisedly; and I mean that we can enlarge it everywhere that humans congregate.

Complete freedom is as unattainable as complete understanding. In fact, we gain in freedom — freedom from trespass, freedom from infringement of individual rights — *only* as we progress in understanding of human nature, human conduct, individual rights and individual responsibilities.

How many Americans, for example, understand that minimum-wage laws restrict the freedom of our young people and the less skilled adults? And how much thought do we give to the demoralizing effects of this tragic denial of opportunity to bear and discharge self-responsibility?

We know that "unemployment" — useless or destructive dissipation of human energies — demoralizes its victims. But how often do we hear or read of anyone relating the sudden rise in teen-age unemploy-

ment, especially among black teenagers, to the hikes in minimum-wage rates in the past 20 years in this country?

Yet, that relation is clear and obvious; and time and time again, research has verified it as well as any cause-and-effect relationship can be demonstrated in human affairs.

We hear and read that "welfare" is demoralizing millions of our fellow citizens. But how often do we stop to think that the confiscation of some two-thirds or more of business profits by taxes is restricting the freedom of every competent employer to offer jobs to unemployed job-seekers?

I repeat: *in freedom*, industrialism provides increasing opportunity for humans to develop morally, intellectually, physically, and esthetically; and this freedom is far from complete in these United States or anywhere else on earth.

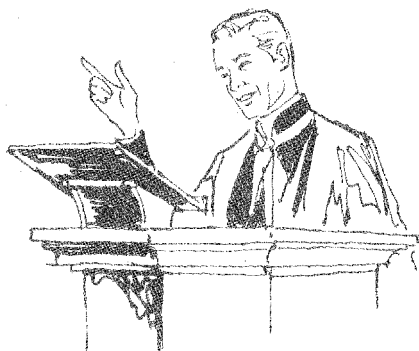
But although it is an unattainable ideal, it is imperative that man pursue it. For that pursuit requires of us the pursuit of understanding that is the very well-spring of all human progress.

*Wisdom is the principal thing; therefore get wisdom; and with all thy getting get understanding.*

*And ye shall know the truth, and the truth shall make you free.*



# Right Congregation, Wrong Sermon



JOHN C. SPARKS

IT WAS Sunday morning in church. The sermon was over. "The Price of Waging Peace" was a timely topic, for on the previous evening at seven o'clock the undeclared war between the United States and North Vietnam formally came to an end.

It was evident that the pastor had prepared well, and his delivery was flawless. His sincerity was indisputable. He talked of the need to work harder at peace — to love one another more — to bring more trust of others into our lives. He exhorted us to "pay such a price" in order to make peace work.

Since more love, more peaceful intentions, more trust of others

were the keys to a lasting peace, it seemed to follow that the lack of these attributes among us, here in this small Ohio community, was somehow instrumental in causing the previous years of war.

Was the preacher talking to me? Did I feel more peaceful, loving and trusting this morning than I felt last week or during the past years when the war was being waged? While grateful that the fighting was now concluded, I could detect no change in my attitude favoring peaceful ways. My peaceful inclinations were then as strong as now. Concluding that I was not one of the culprits accountable for the war, then who could it be among others in the congregation?

Knowing most of my fellow

---

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

townsmen, I mentally took inventory to see who might be responsible. There were several elderly widows seated together. No kinder or more gentle persons could be found anywhere. Count them out.

***No Hatred Here; Then  
Who Is At Fault?***

An insurance man and his family were in the front row. They had been worried about their son, now away at college. The father had told me his son had drawn a low draft number and would be claimed in one more year. But that had changed yesterday, too. The Secretary of Defense had ended the military draft. Before that good news, the family and the college son were worried and perplexed. The young man would not harm anyone, had even declined to hunt and shoot deer, his father had recently confided to me. How could he be molded into a soldier trained to kill an enemy, not personally his enemy, but one designated by the state? Was the preacher's sermon aimed at this family? Hardly, I concluded.

Across the aisle sat an attorney. His nephew had moved to Canada rather than accede to the call of the U. S. military forces. To call the nephew a coward was to ignore a courageous act he performed while yet a high school student —

when he risked his life to save a small child who had broken through the ice of a nearby lake. The attorney never failed to stand up for his nephew — speaking quietly in the face of rancor evident in some others who had loved ones serving in Vietnam. The attorney did not appear to be the pastor's target.

One by one I moved through the members of the congregation — all upstanding citizens, law-abiding, active in community affairs. I stopped with one family seated near the front. They used to be five, but this morning only four — and such it probably would remain. The oldest boy was lost in a bombing raid over Hanoi. Knowing the young man, I could imagine how difficult it was for him to carry out orders that would destroy lives of people he had never been closer to than at the moment the planes released their destruction thousands of feet overhead. He had no hate for anyone.

***The Nature of War***

Finding no one seated around me to be an appropriate culprit lacking in peacefulness and love, it seemed that the preacher's exhortation had no real meaning. If he sincerely wanted to achieve substantial progress toward permanent peace, the means he advocated — while sounding good — would ac-

comply with nothing. Nor would anything come of it if every church membership in America would have heard the same well-meant message. Why not?

The preacher had simply failed to recognize the real compelling factor in every war between nations in recent centuries. Only states conduct major wars. Manpower is a prerequisite of waging war. A physical conflict between two persons of strong differing opinions will attract very few supporters on either side willing to risk their lives or other physical harm to assist one or the other.

It is only when such conflict is between persons, who have the political power to demand that their fellow citizens join in the conflict, that a war occurs. Not much persuasion is needed to cause young men to join in arms to protect their homeland against attack. But when the conflict is difficult for the politicians to justify — when the issue is not clear, or the act not readily supportable, and especially when the conflict is in a geographic location far removed from the homeland — the state must use force to compel young men to become soldiers. Only a strong political power can enforce such a policy. Only large, strong nations wage major wars.

It logically follows, therefore, that wars in the world among na-

tions will continue to be a probability as long as the people give their own governments great power — including the power to force the young men to become soldiers.

### **Big Wars from Small Errors**

My thoughts on this matter turn back several years to a short essay by my good friend, E. W. Dykes, "Big Wars from Little Errors Grow" (*The Freeman*, January 1964). A friend had chided Dykes for being so engrossed in the basic principles of freedom and all their violations — no matter how seemingly insignificant, such as illustrated by a city government's garbage collection service — that he (Dykes) tended to ignore the most vital problem of the time: war and peace. He accepted the friend's challenge by the following reasoning:

War — like many other of today's problems — is the culmination of the breaking of the principles of individual freedom, not once, but thousands of times. We are challenged to jump in at this point and apply our principles to get out of the unholy mess resulting from years and years of errors on errors. The challenge might just as well have been put in terms like this: "You are a second lieutenant. Your platoon is surrounded. Your ammunition is gone. Two of your squad leaders are dead, the third severely wounded. Now, Mr. Individual Freedom, let's see you get

out of this one with your little seminars."

My answer: "Demunicipalize the garbage service."

Now, wait, before you cross me off as a nut. I have a point. That second lieutenant is a goner. And so is the prospect of lasting peace until man learns *why* it is wrong to municipalize the garbage service. You can't apply libertarian principles to wrong things at their culmination and expect to make much sense or progress. You have to start back at the very beginning, and that is precisely what our little seminars are for. There are people who build for tomorrow, others who build for a year, some who look forward a generation. The student of freedom takes the long view — forward to the time when war will be looked upon as we now look upon cannibalism, a thing of the past. And believe me, unless someone takes the long view, wars will continue.


Suppose a group of doctors at a meeting on cancer prevention decide to do with cancer as the state proposes to do with war: "Outlaw it." What chance would the doctors have? None. And precisely for the same reason that the state can't outlaw war: They don't know what causes it.

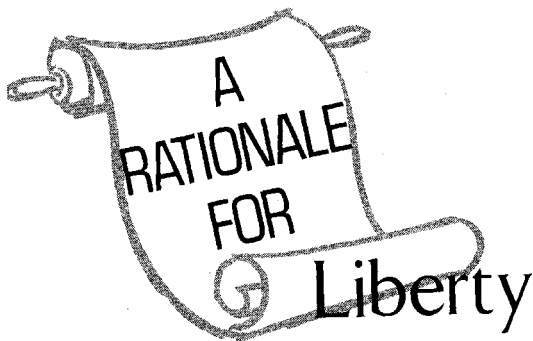
I think I know what causes war. In an unpublished article called "War, the Social Cancer," I developed the thesis that war is the malignancy resulting from the growth of interventionism, which invariably becomes uncontrolled, once started. Without interventionism — starting way back with things like the garbage service — war simply *cannot* happen.

What do we do in our little seminars? We make the case for freedom, which cannot coexist with interventionism. Slow? Of course, painfully slow. But who can really say and prove there is a better — or faster — way?

Agreed! If understanding of right principles must precede right action, then we must *get to* the job of bringing about an understanding of the principles of individual freedom. And it must be done so well that even the smallest seemingly most insignificant violation will not be countenanced.

Therein lies the remedy. Who, now, are the culprits? Everyone who has supported the growth of the state — voting more taxes, allowing more areas of decision-making to be removed from individual responsibility, involved in actions that give more and more power to the state.

The preacher had the culprits properly identified all the time! But the sermon he wrote to solve the problem of war simply did not fit the need. The power of the state must be reduced to a level where individual peaceful acts, love of fellowman, and trust of one's neighbors can come shining through in fact, internationally. To reduce that power is the challenge facing peace-loving people everywhere. 



RIDGWAY K. FOLEY, JR.

WHY FREEDOM? What reason underlies the contention that individual liberty supplies the most desirable condition for human existence, and that coercive restraints should be held to the minimum?<sup>1</sup>

A dual rationale appears, pragmatic and moral. Put simply, freedom must reign because it works and it is just.<sup>2</sup>

#### ***The Pragmatic Reason***

The basic proposition to be proved: freedom works better than restraint in a significantly greater number of cases. Proof of this postulate will manifest a

substantial reason to opt for liberty and avoid coercion, independent of any other argument.

Theories may be proven by different means. One may substantiate a supposition by conceptual rational analysis or by empirical proof. Both methods result in the identical conclusion when freedom forms the subject of inquiry. A study of human action in an ideal

---

<sup>1</sup> I have suggested elsewhere that the use of organized force should be limited to the deterrence of fraud and aggression and to the sanctioning of the administration of common justice. See, Foley, Ridgway K., Jr., "Individual Liberty and the Rule of Law," 21 *Freeman* 357-378 (June 1971); 7 *Willamette Law Journal* 396-418 (November 1971).

<sup>2</sup> One might substitute such open-textured semantic concepts as "right" or "moral" or "proper" for the word "just."

---

Mr. Foley is a partner in the firm of Souther, Spaulding, Kinsey, Williamson & Schwabe and practices law in Portland, Oregon.

free market — a condition which has never existed — is only possible in the realm of the mind, yet the fruits of such an investigation impel the conclusion that only in the absence of unnecessary or man-concocted restraints will the creativity of mankind reach its zenith. An identical conclusion derives from a study of history: the freer the society, the greater the outpouring of ideas and products.<sup>3</sup>

A state or nation founded upon the principles of libertarian thought will witness production and distribution by free men, to all members of society resident within the borders, of a greater variety, safer, better, more durable and more desirable goods and services than will an oppressive state or nation in an identical setting. The Saracenic culture and the 19th century United States<sup>4</sup>

witnessed a magnificent outpouring of ideas, values and material goods in comparison with their counterpart cultures, even though some of the latter were blessed with even greater natural resources and a more commodious climate. Simple modern comparisons demonstrate the validity of the proposition: East Germany versus West Germany; Russia versus the United States. In every case, by every index, more men enjoy greater economic or material benefits as society becomes less totalitarian and more libertarian.

A commonplace assertion tarnishes the value of production of material goods. Such an approach will not withstand rigorous scrutiny. Say these traducers of creativity and innovation, man is a superfluous being so long as he aims no higher than to produce material goods for consumption and to reproduce the species; it is only when he is concerned with higher or finer motivations that his existence is justified.<sup>5</sup>

No libertarian questions the

<sup>3</sup> These lessons appear over and over in the literature of freedom, from the simple and direct survey by Henry Grady Weaver [see, Weaver, Henry Grady, *The Mainspring of Human Progress* (The Foundation for Economic Education, Inc., Irvington-on-the-Hudson, New York, 1953)] to the monumental classic analysis of Dr. Ludwig von Mises [see, von Mises, Ludwig, *Human Action* (Henry Regnery Company, Chicago, 3d revised edition, 1966)]. I will not attempt to duplicate these magnificent efforts, for the purpose of this essay is much more limited: to demonstrate the foundations of freedom.

<sup>4</sup> Beware of the "GoldenAge" fallacy when considering the 19th century United States. See Footnote 1, *op. cit.*

<sup>5</sup> *Query*: Is this the meaning of the title of the autobiography of that amazing 20th century freedom philosopher, Albert Jay Nock? See, Nock, Albert Jay, *Memoirs of a Superfluous Man* (Henry Regnery Company, Chicago, 1943). Assuming, *arguendo*, this to be true, I submit that the moral rationale for liberty provided sufficient justification for the Nockian paean to individual freedom.

right of the immaterialist to his belief, so long as he does not utilize coercive means to impose his principles upon society. It does seem singular to preach such a philosophy at the same time the preacher satisfies his material wants at the expense of others by virtue of food stamps, public housing, and welfare dole — all extracted by force from the productive in society.

### ***What's Wrong With This?***

I challenge the assertion that disparages the production of an avalanche of goods and services available for the choosing to all members of society. I can perceive no evil in creating value and exchanging that value with my neighbor for something that he has created, to the happiness of each of us. I do not find a system immoral that provides an ever-widening choice of necessities and luxuries to the citizenry at an ever-decreasing real cost. I view no wrong in a philosophy that, by necessity, encourages the widest possible distribution of created products to all persons, in place of a closed mercantilist program which offers luxuries to the powerful or affluent and crumbs to the yeoman.

Remember well: free market capitalism offers the greatest comparative benefits to the poorer and

least powerful individuals in society; the "poor" in the United States, even in that mixed bag which forms our economic system, fare far better than the wealthy in other countries. While the politically motivated recently have discovered the existence of the poor, one must remember that they have been with us always — there just were more of them a century ago.

### ***Prior to the Market***

Before the market became freer, few goods and services filtered to the sadder societal segments; one hears little of these people for a simple and pitiful reason: they died young and often of pestilence or starvation. Only the free market, with its abundance of food, clothing, and housing, with the freeing of creative men to conceive and develop new forms of medical assistance, has rendered the life of the erstwhile loser anything but short, dull, solitary and brutish. I can see no wrong in this system which so alleviates suffering and extends life.

The citizen who produces goods and services successfully in a restricted market may benefit from illiberal dislocation engendered by the politics of power. For example, the state may cede a producer a monopoly market, or grant to a worker a minimum wage. Such



market interferences distort the supply, demand, and price of goods and services.

On the other hand, the producer or supplier who successfully markets goods and services in a free market does so because he is able to supply willing consumers with the best bargain: desirable products at an acceptable price. When he fails to satisfy people, or when his price becomes too high, or when a competitor markets a more desirable substitute, the producer either modifies his ways or leaves the market. He will not remain in business long unless, like TVA or Lockheed, he is forced upon an unwilling public by state intervention. A natural concomitant of this market dislocation appears to be the supplying of increasingly shoddy goods and services at increasingly high and inelastic prices.

Any man who freely supplies the wants of his fellowmen at the lowest bargained-for price, can hardly term himself superfluous by any objective justification. In the absence of a market, each individual would be forced to expend his efforts to supply all of his needs and those of his dependents. Such a situation allows precious little time for the production of luxuries and virtually none for creative thought.

Granted a market, and each man

produces his specialty — “does his thing” in modern argot. He becomes proficient at his task, much more so than if he had to perform the myriad chores of farmer, weaver, tanner, builder, plumber, doctor, herdsman, and so on. He becomes able to devote a share of his time to pleasurable and creative activities, or just plain relaxation if he chooses. He supplies his wants by free trade, asking such price for the value he has created at a point where he can profit the most by securing the goods and services he desires. As he becomes more efficient at his chosen production, his neighbor improves his lot because the neighbor is enabled to buy better quality goods and services at ever-decreasing prices, thus permitting the accumulation of more and better products.

### **Supplying Cornflakes**

Consider a simple example, an ordinary yet honorable profession, and measure the immaterialist claim against the seen and the unseen consequences.<sup>6</sup> Suppose I make and sell cornflakes, charging a price which will produce the

<sup>6</sup> No one thinker has employed the concept of the seen and the unseen like that amazing Frenchman, Frederic Bastiat. See, e.g., “What is Seen and What is Not Seen,” Bastiat, Frederic, *Selected Essays on Political Economy* (D. Van Nostrand Company, Inc., Princeton, New Jersey, 1964) 1-50.

greatest profit, and employing no deceit in my business. The immaterialist focuses upon the seen effect: I take otherwise unused or uneconomically employed goods and services and, using my efforts and my stored-up labor (capital), I create a new product which is desired by some of my fellowmen; I sell to them and receive money which I expend as I like.

The perceptive observer considers the rest of the sequence, the unseen consequence. One of my customers, freed from the production of his own food and shelter (partially by my entrepreneurial efforts) studies long hours until he becomes qualified to impart knowledge at a university. The young people who flock to his classes include a brilliant youth who, some day, partly because of the exposure to the professor's mind, will discover a cure for cancer. Another customer, freed from the drudgery of toil in the fields, composes a magnificent anthem which brings pleasure to generations yet unborn. A third consumer, of indeterminate occupation, likewise freed from toil, finds time to become a friend to yet another individual who needs one at that particular moment. Still other customers have stories to tell, some simple, some profound, but each in his own way sending shockwaves of benefit through the lives of

others. How can I, even a simple producer of a plain product, term myself superfluous if these events follow in cause-and-effect fashion?

Obviously, I can lay no valid claim to all good things that flow from the consumption of my cornflakes, any more than I can be charged with complicity in the crimes perpetrated by other, more odious, characters who likewise enjoy my product. The salient point adduced: uncoercive, unceitful production of goods and services relieves other individuals of the necessity of production of those same goods and services if that is their choice; with the unstructured time thus created, consumers of those products are provided with the *opportunity* to partake of other activities<sup>7</sup> which may benefit themselves and others. Whether, and to what extent, the freed man engages in creative endeavors resides solely within his own free choice. The benefit granted by the innovator or producer to the customer is a gift of a more meaningful freedom, possibly the highest grant which one individual can bestow upon another.

#### **The Moral Reason**

The pragmatic rationale, standing independently, offers a com-

<sup>7</sup> At least some of which apparently meet the vague criteria of the "finer things in life" set forth in the immaterialist hypothetical heretofore.

plete defense to those who would challenge or limit man's liberty. Yet, the moral underpinnings of freedom afford an even more intense justification for individual liberty against the ravages of man-concocted restraints.<sup>8</sup> Simply stated, freedom is desirable because it is just, moral and proper.

Perhaps this simplistic conclusion requires explanation and analysis to produce conviction. Man is a finite creature, limited in talent, knowledge, and ability, capable of improvement but incapable of perfection.<sup>9</sup> No man, no matter how wonderfully prescient he seems when compared to his fellows, possesses the omniscience to control the lives of others. Indeed, many of us find it exceedingly difficult to adequately govern our own endeavors, yet clearly each of us possesses more innate knowledge concerning our own desires and direction than does any other individual. Compare and multiply the problem confronting each of us in the myriad decisions which must be made in each human life,

with a multitude of persons, each exhibiting similar strengths and weaknesses, goals and drives, complexities and dreams, and the chore of social engineering boggles the imagination.

Those persons advocating the restriction of individual freedom beyond that necessary for the prevention of aggression and fraud and for the arbitration of interpersonal disputes must rest their case upon a single arrogant assumption: some man, or group of men, no different in essence from the rest of us, cursed with the identical finiteness which afflicts us all, should be empowered, by virtue of strength, wisdom, or talent of some undefined nature, to restrict the actions of others and to choose alternatives in their stead.

#### ***The Nature of Mankind Calls for Freedom of Choice***

I cannot accede to embrace this proposition. It fails to square with the nature of mankind, with reality as I perceive it. It ignores the fact that no man, however talented, possesses the innate or acquired ability to choose for others and to make demonstrably better choices. If I choose Cheer for my wash in place of Bold, who is to say that I have made an incorrect choice? Perhaps one product manifests different characteristics than the other, and rational rea-

<sup>8</sup> Mr. Leonard E. Read uses this phrase throughout his many writings in the defense of freedom; I cannot improve upon it and can only acknowledge the source with gratitude for his efforts. See, e.g., "Justice Versus Social Justice," Read, Leonard E., *Notes from FEE* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, May 1972).

<sup>9</sup> See essay cited in Footnote 1, *op. cit.*

sons persuade many to choose in conformity with those characteristics; this fact does not logically prove that one is better, safer, or more appropriate for *my use*, given my nature, my goals, and my needs. Only I am privy to the information necessary to an informed choice. What is right for you may very well be wrong, or less satisfactory, for *me*. Thus, only I should be privileged to make *my choice*.

In such manner, we can demonstrate rationally that free choice should inhere in each acting, purposive being as only he can wisely choose. The moral justification for liberty resides on a more fundamental base. Each individual should be allowed to choose among available alternatives because he is a purposive being, capable of charting his own destiny. If we grant to each person the right to life,<sup>10</sup> then the right to liberty in the broadest sense naturally follows. Life encompasses purpose and choice; a slave lacking free choice becomes less than human to the extent his choice is restricted; man enslaves other men to the extent that he, solely or collectively, *inhibits* a selection of al-

ternatives; moral man ought not to coerce his fellows.

### **Restrictive Methods Cannot Serve the Ends of Freedom**

A third moral tenet appears when we recall Emerson's axiom<sup>11</sup> that the ends pre-exist in the means. Just results cannot follow from coercive actions. I cannot make you believe in God by compelling you to attend religious services, nor can I coerce my neighbor into the production of better goods and services by the tacit or explicit threat of violence. Often the opposite results derive from the application of force. Because I am not better qualified by intrinsic worth to judge how even one of my fellowmen should live his life in even the smallest particular, it forms the height of arrogance for me to exercise compulsion against him, no matter how foolish he appears to be. Subtly related to this premise we discover the equally valid norm that one man cannot morally force another to do his bidding because to do so would not only render the object of compulsion less human but also fail to achieve just and desirable results


<sup>10</sup> The meaning of the right to life deserves special and separate treatment. For purposes of this essay, the right of each individual human being to his own life, without interference or enslavement by others, is assumed.

<sup>11</sup> This concept is stressed in the writings of Mr. Leonard E. Read. See, e.g., "The Bloom Pre-Exists in the Seed," Read, Leonard E., *Let Freedom Reign* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1969) 78-86.

because of the restrictive means employed in the action.

From these simple examples we deduce the valid rule that morally freedom is right and restriction is wrong. Notice that coercive man does not improve his position by banding together with others to form a collective which will force a decision on another or restrict the subject's alternatives. Logically, denuded of needless trappings, the state consists of collective force — the majority or currently most powerful individuals produce a cohesive force in a given territorial unit within which they limit the alternatives available to other men. Coercive force becomes no more or less restrictive or evil when exercised by conspiracy or agreement. Individual man bears

moral responsibility for every choice made in life, and he must be prepared to accept the moral consequence of each act notwithstanding the fact that some or all decisions were rendered under the aegis of committee, convention or majority rule. Pillage and looting do not diminish in ethical opprobrium when performed by cliques or associations. Man cannot escape the moral consequences for an action by the alibi that he acted in harmony with the dictates of the United States Army, the Chamber of Commerce, or the National Democratic Committee.

Moral order and material benefits justify the condition of freedom. Rational man should demand no other course in life. 

### *For Moral Conduct*

FREEDOM TO ORDER our own conduct in the sphere where material circumstances force a choice upon us, and responsibility for the arrangement of our own life according to our own conscience, is the air in which alone moral sense grows and in which moral values are daily re-created in the free decision of the individual. Responsibility, not to a superior, but to one's conscience, the awareness of a duty not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and bear the consequences of one's own decision, are the very essence of any morals which deserve the name.

IDEAS ON



LIBERTY

# DOES MADISON AVENUE RULE OUR LIVES?

DENNIS H. MAHONEY

THE ADVOCATE of any type of planned economy or welfare state must sooner or later, if he is even slightly honest with himself, face the unpleasant reality that he is taking away the people's right to spend their money in the way they most prefer. Under a competitive and open market system, the individual determines his own life style. One is free to buy or not to buy any product of one's choice. Under the welfare state, on the other hand, the government makes decisions for us, presumably for our own good. Unfortunately, you may not happen to want medical insurance, public transportation, government-furnished housing, or whatever else Big Brother wants to give you. Too bad, comrade, you may as well use them, because you

pay for them whether you like it or not.

The dedicated totalitarian probably won't lose a minute's sleep over this discovery. The democratic socialist, however, faces a dilemma. He is "democratic" because he wants to imitate the economy of a communist system without sacrificing basic liberties. Rather than face the inherent impossibility of his goal, he develops rationalizations designed to convey the message that the free market isn't really free (leaving socialism, of course, as the alternative).

One of the more persistent cliches reads, "Madison Avenue rules our lives." According to this theory, we buy things that we neither want nor need because we are hopelessly brainwashed by a barrage of clever advertising. Big business, the theory continues, doesn't need to respond to the

---

Mr. Mahoney is now serving in the U.S. Navy, following his graduation in political science from the University of California at Berkeley.

consumer's desires, because the ad men can artificially create a demand for any product their employers produce.

An essential element of this argument is the belief that the American public as a whole is so gullible that it will rush out and waste its money on any product it sees attractively packaged. Few of us want to accept this pessimistic outlook. However, simply because something is unpleasant, it is not necessarily untrue. Nor, by the same reasoning, is it necessarily true.

Personally, I am more optimistic than the potential central planner. If Ford was able to sell anything it produced, we'd still be driving Edsels. Nonetheless, for the sake of this discussion, let's concede a point and assume — just assume — that the planner is correct, and the average consumer is really incapable of knowing what he wants or needs.

### *In Place of the Market*

What substitute for the market place is proposed by the democratic socialist, and, to a lesser extent, by the contemporary liberal? Simple. We free ourselves from our own folly by turning our money over to the government in the form of taxes. The state, then, provides those services which are most conducive to our welfare.

And who runs the state? Politicians elected by — well, what do you know? — by those very same gullible people who can't think for themselves. The voter, who (according to the "Madison Avenue-rule theory") can't even buy a bar of soap intelligently, is expected to select a President and a Congress wise enough to know what is best for all of us.

If Americans are too foolish to purchase medical insurance, or too selfish to support the genuine needy through voluntary charity, how can we expect them to elect leaders who are smart enough and unselfish enough to make decisions about the lives of others? The only people wise enough to select someone to run their lives are those who never needed anyone to run their lives in the first place.

At this point, one might be tempted to think, as Plato did, that the only way to protect us from the irrational mob is to toss democracy out the window and let our society be controlled by a few authoritarian rulers. Unfortunately, with so many so-called "foolish" people running around, how do we guarantee that our dictator won't be one of them? How many dictators of the past and present have displayed the wisdom to understand the best interests of an entire nation? (Hitler? Stalin? Castro?) And even if we do man-

age to get an intelligent Octavian in one generation, we must always live in dread of being saddled with a sick, brutal Nero in the next.

As long as we remain a system of men, rather than angels, a great many bad decisions will be made; this will be true regardless of what form of economy we have — capitalist, socialist, communist, or fascist. Is their really any difference?

Only the difference between a free man and a slave.

#### ***The Important Difference***

None of us is subject to another consumer's taste, nor are we hurt by his bad judgment. If my neighbor buys expensive aspirin when cheap aspirin is just as good, he hasn't hurt me. I'm still free to buy the cheap brand if I so choose. Can anyone say the same for a decision made by government? If that same neighbor votes for an incompetent politician because the old fellow likes to kiss babies, then I suffer the consequences of bad government regardless of how I voted. Further, I pay the bill for every worthless program that Washington decides to launch, whether I support the program or not.

The only way to protect our-

selves is to permit as little taxation and government power as possible. Let medicare, social security, Amtrak, and even the post office remain unsubsidized in the minds of the politicians who conceive them. If the majority supports these programs, then that majority will be free to purchase similar services on the open market, which can provide them for anyone who pays voluntarily. But don't force the rest of us to pay also.

The socialist who complains that the average citizen is easily persuaded by Madison Avenue, and other attractive forms of packaging, is giving a strong argument in favor of the open market. Competitive private enterprise is the only system which protects the individual against the fickle mob by letting him decline to support its whims.

Although I don't want my neighbor's mistakes to hurt me (nor mine to hurt him), there is no reason to assume that I am not concerned about his welfare. I may try to persuade him to do what is best, but I will not force him. I am my brother's keeper, but only insofar as he welcomes me. Otherwise, I am no longer his brother, but his slavemaster. ☉



## PAUL STEVENS

FOR YEARS the world has been plagued by continuing international monetary crises. The international monetary system since 1944 has endured dollar shortages and dollar gluts; chronic deficits and chronic surpluses; perpetual parity disequilibria and currency realignments; disruptive "hot money" flights of capital, and numerous controls on the exchange of money and goods.

In 1968 a "two-tier" gold market was established in the midst of a run on U.S. Treasury gold reserves. In 1971 the two-tier experiment failed in the face of new foreign government demands for dollar convertibility: The U.S. embargoed gold and allowed the dollar to seek its own level on the free market.

### ***The making of an international monetary crisis***

In December of 1971, a new agreement was reached — the Smithsonian Agreement — which consisted of multilateral revaluations of most major foreign currencies and a *de facto* devaluation of the dollar. In 1972 the dollar was officially devalued yet remained nonconvertible into gold.

---

Mr. Stevens is a free-lance writer who specializes in the field of economics.

### **Further Devaluation**

Meanwhile, only fourteen months after the Smithsonian Agreement was reached, the dollar was brought under new selling pressure and was again forced to devalue (a total of almost 20 per cent in under two years), and the free market price of gold soared to nearly \$100 an ounce, making the official price and the now mythical "two-tier" system look embarrassingly unrealistic.

The most immediate and visible cause of the 1971 international monetary crisis can be traced directly to an excess supply of dollars which have been accumulating in foreign central banks. These dollars, some \$60 billion, were at one time theoretically claims on U. S. gold. But over the years, U. S. gold reserves (now about \$10 billion) have become conspicuously inadequate to meet foreign demand for gold convertibility.

At present, the major problem confronting economic and monetary Policy Makers is: "What is to be done with the approximately \$60 billion held by the central banks of the western world?"

Policy Makers have instituted one stop-gap measure after another in order to buy the time necessary to solve this problem and to reach agreement on long-term monetary reform. Agreement on monetary reform will be the

basis for the development of a new international monetary system, tentatively scheduled to be established by the International Monetary Fund (IMF) in the near future.

But before one can determine which reforms are necessary for a successful future monetary system, one must know what monetary policies caused the past system to fail.

Today's Policy Makers have refused to identify the most fundamental cause of the 1971 international monetary crisis; they have never wanted to know which monetary theories and policies led to the excessive and disruptive amounts of dollars that now flood the world, for the answer is: their own monetary theories and domestic policies of artificial money and credit expansion. If one wishes to project the kinds of policies that will be employed internationally and the effects they will produce in the future, one need only to look at the monetary theories held by today's Policy Makers and their effects when implemented in the past.

### **Monetary Theory: Past**

During the nineteenth century the free world was on what was called the classical gold standard. It was a century of unprecedented production. More wealth and a

greater standard of living was achieved and enjoyed by more people than in all the previous history of the world. The two conditions most responsible for the great increase in wealth during the nineteenth century were competitive capitalism and the gold standard: Capitalism because it provided a social system where men were free to *produce* and *own* the results of their labor; the gold standard because it provided a monetary system by which men could more readily *exchange* and *save* the results of their labor.

While capitalism afforded men the opportunity to trade in the open market which led to economic *prosperity*, the gold standard provided a market-originated medium of exchange and means of saving which led to monetary *stability*.

But because neither competitive capitalism nor the gold standard were ever fully understood or practiced, there existed a paradox during the nineteenth century: a series of disruptive economic and monetary crises in the midst of a century of prosperity.

These crises can all be traced to excessive supplies of money and credit. The U.S. panics of 1814, 1819, 1837, 1857, 1873, 1893, 1907 and the international monetary crises of 1933 and 1971 all have one thing in common: excessive supplies of money and credit. The

fact is that no monetary crisis in history has ever resulted from a *lack* of money and credit. *Every* monetary crisis can be traced to excessive supplies of money and credit. Where does this money and credit come from?

Under a gold standard, the amount of money in circulation is the amount of gold circulating among individuals or held in trust by banks. All claims to gold (e.g. dollars) are receipts for gold and are fully convertible into a specific amount of gold. If the claims to gold are circulating, the gold cannot. The money supply is determined in the open market — by the same factors that determine the production of any and all commodities — the factors of supply, demand, and the costs of production. Thus the only way to increase wealth under such a market-originated monetary and economic system is through the production of goods or services.

#### **No Curb on Governments**

But the world never achieved a pure gold standard. While individuals operated under a classical gold standard with the conviction that production was the only way to gain wealth, they allowed their government to become the exception to this rule.

Government produces nothing. During the nineteenth century it

operated mostly on money it taxed from its citizens. As government's role increased, so did its need for money.

The Policy Makers knew that gold stood in the way of government spending, that direct confiscation of wealth via taxation was unpopular. So Policy Makers advocated a way of indirectly taxing productive men in order to finance both government programs and the increasing government bureaucracy necessary to implement those programs.

The method was to increase the money supply. Since government officials were not about to go out and mine gold, they had to rely on an artificial increase. Although the methods of artificial monetary expansion varied, the net effect remained the same: an increase in the claims to goods in circulation and a general rise in commodity prices. The layman called this phenomenon "inflation." This resulted invariably in monetary crises and economic depressions.

Capitalism and gold got the blame for these crises, but the blame was undeserved.

Why then were capitalism and the gold standard not exonerated from this unearned guilt? Why were these two great institutions tried and sentenced to death by the slow strangulation of government laws? The verdict must read:

"Found guilty due to inadequate defense."

The few whispers of defense from a handful of scholars were easily drowned out by every politician who argued for more government controls and regulations over the economy; by every professor who argued for the redistribution of private wealth and for government to provide for the welfare of some group at the expense of another; by every businessman and his lobbyist who argued for government to subsidize his business or industry while protecting him from foreign competitors; by every economist who advocated that government should "stimulate" the economy; and by every media spokesman who argued that the public should vote for policies of government intervention. These, and men like them, made up an army of educators.

### ***The Policy Makers***

They were the "intellectuals" who promoted theories that could not exist without the governmental expropriation of private funds; who sponsored, advocated, or encouraged government policies that would victimize men (taxation), deceive and defraud men (inflation), and turn men against one another (the redistribution of private wealth). They were the men who provided government with the

theoretical ammunition necessary to disarm men of their rights. They educated the public on the "blessings" of government intervention, and were the ones directly or indirectly responsible for all the subsequent coercive government actions and all of their economically disruptive effects.

They were (and still are) the Policy Makers.

Policy Makers damned capitalism and the gold standard as being inherently unstable. They attributed capitalism's productive booms to government's intervention into the economy, and the government-made busts to the gold standard and the "greed of man."

Such distortions of truth could not be sold to the public easily. A united attack on common sense was necessary in order to obscure the virtues of freedom and the meaning of money.

### ***The Process of Confusion***

The Policy Maker led that attack. Armed with the slogans of a con man, he slowly obscured the obvious and concealed the sensible, cloaking monetary and economic theories in graphs, charts, and statistics, until men doubted their own ability to deal with the now esoteric problems of economy and state.

But the American public had great confidence in the integrity

of their public leaders and trusted the knowledge of experts in the fields of higher learning, and so they accepted the conclusions of their Policy Makers.

The Policy Maker had made his first and most important move toward institutionalizing government intervention and his theories of artificial monetary expansion into the American way of life: he convinced the American public that men needed government protection from the "natural" depressions of capitalism and the monetary crises "inherent" in the gold standard.

Policy Makers had to do a lot of talking to convince men that the most productive system ever known to them was the cause of depressions. They had to do even more talking to convince men that the precious metal freely chosen and held as money was the cause of monetary depreciation and the source of bank insolvency. It took a lot of talking, but when they had finished, men were convinced. They were convinced that their minds — their own eyes — had been deceiving them. They were convinced that the way to freedom was through greater controls and more restrictions, and that paper was as good as gold.

While the attack on capitalism was subtle and implicit, condemnation of the gold standard was open and explicit.

### **Condemnation of Gold**

The reason for the Policy Maker's condemnation is that, even though governments never really adhered to it, the gold standard placed limits on the amount of artificial money and credit a government could create. Money and credit expansion was always brought to a quick end because banks and governments had to redeem their notes in gold. Redemption was the major obstacle in the way of the Policy Maker's dream of unlimited artificial money creation, unlimited spending.

The Policy Maker learned how to obtain in a matter of minutes the purchasing power of 50 productive men working 50 weeks. He learned of the plunder and loot that a button on a printing press would provide. But it would not be until the twentieth century that he would convince the government to eliminate gold and convince men of the "virtues" of legal counterfeiting. The Policy Maker had to destroy man's idea of property in order to entice men with dreams of unearned wealth. He had to persuade men of the "merits" of monetary redistribution and government handouts.

If there was a monetary rule of conduct among men during the days of the semi-gold standard it was: the man who desires to gain wealth must earn it, by producing

goods or their equivalent in gold.

It was in this spirit and by this *golden* rule of conduct that men could and did operate in the monetary and economic spheres of society. Consequently, they achieved the most productive and beneficial era that mankind had ever known.

But what they never identified or challenged was the opposing monetary rule of conduct advocated by their Policy Makers: the government that aims to acquire wealth must confiscate it — or counterfeit its equivalent in paper claims.

### **Evolution of the Theory**

The gold standard limited artificial *monetary* expansion and in doing so, it limited artificial *economic* expansion. The Policy Maker considered this great virtue of the gold standard to be its major vice.

The Policy Maker saw that artificial monetary expansion had led to economic booms. He also saw that at the end of every artificial boom there occurred a financial panic and depression.

The Policy Maker ignored the cause of financial panics, he saw only their effects — bank runs and the demand for gold redemption. He ignored the cause of economic depressions, he saw only that the boom had ended. Reversing cause and effect, the Policy Maker concluded: eliminate gold redemption

and the financial panics would stop; eliminate the gold standard and the boom would never end.

The Policy Maker had to make another major move toward institutionalizing government intervention and his theories of artificial monetary expansion into the American way of life: he had to divorce the idea of *national* production from the idea of *individual* productivity.

Ignoring the fact that the individual was the source of production, he convinced men that in the name of "social prosperity," government could and should "stimulate" the economy and "encourage" national production; while at the same time he advocated income taxation to penalize individuals for being productive. Implicit in this doctrine is the idea that production is a gift of state, the result of government guidance; and that individual productivity is a sin, the result of human greed.

Men were subtly offered a false alternative: the "permission" to produce and be taxed directly through government confiscation; or the "luxury" of an artificial boom, to be taxed indirectly through inflation.

The American people rejected both alternatives (and still do today) yet saw no other acceptable course of action — the intellectual opposition was still too weak to

provide them with one. Thus, by default, they accepted both alternatives "to a limited degree." An income tax should be levied "only on those who could afford it," while the government "should steer the economy on a prosperous course."

How was the economy to be "steered"? By supplying unending paper reserves to a regimented banking system and compelling bankers to keep interest rates artificially low. But in 1913 it was too early to sell the public on the "virtues" of the direct confiscation of gold. But the time was "right" for the takeover of the banking system. A monetary revolution was in store for America.

### **Fractional Reserve Banking**

In the name of "economizing" gold (which allegedly was not in sufficient supply to be used as money), Policy Makers advocated a fractional reserve system. A fractional reserve system would *by law* set a ratio at which gold must be held to back legal tender notes. While fractional reserve banking had always been practiced by banks and condoned by governments, the Policy Maker formalized and legitimized it through the Federal Reserve System domestically and the gold exchange standard internationally.

What the Federal Reserve Sys-

tem and the gold exchange standard had in common was a central banking system that used as reserves both gold and money substitutes (such as demand deposits, fractionally backed Federal Reserve notes, commercial paper theoretically convertible into various commodities, and government securities backed by the taxing power of the government). These reserves — gold and the money substitutes — served as a *base* for monetary expansion.

Gold was no longer the sole reserve asset: it was now supplemented by paper reserves. The government exercising a monopoly on the issuance of paper money could designate what should comprise the monetary reserves. Hence, redemption was now not only in gold, but also in money substitutes. In this way a pyramiding of money and credit expansion could take place without the automatic limitations imposed by the gold standard.

By the 1920's the Federal Reserve System had grown and increased its power and controls, which enabled it to increase the money supply and reduce interest rates for longer periods of time. The Federal Reserve Board succeeded in implementing its easy money policies. The problem now was that money and credit became so easy to obtain that it spilled

over into the stock market and other investment areas.

The government became alarmed over this wild speculation, raised interest rates sharply, and slammed on the monetary brakes — but it was too late. The day came (that inevitable day) in October 1929 when the Law of Causality presented its bill.

Men found that their profits were merely paper profits, that their prosperity was an illusion. The stock market crashed. Men suddenly realized that on the other side of the coin of credit there existed debt. Industries fought to become "liquid"; everyone tried to get hard cash. But the hard cash — the gold — was insufficient to cover the outstanding claims.

### ***The Great Depression***

The Policy Maker succeeded in implementing his theories, yet all of the consequences that his theories were to have eliminated confronted him once again — this time to a far greater degree. This was the *Great Depression*; this was the monetary crisis that not only forced an entire national banking system to close its doors, but was of *international* dimensions. The dollar was in trouble not only at home, but also abroad. What to do?

The Policy Maker had the "answer." He viciously condemned gold and capitalism for causing



the crisis and advocated even greater policies of money and credit expansion in order to "stimulate" the economy; more government controls, more government regulations, more and higher taxes were the "answer." Men were asked to patriotically give up their gold in order to save the nation's credit. It was a time of emergency, so Americans complied. They did not know that they would never see their gold again, that taxes would continue to rise higher and higher, and that inflation would become a way of life.

The Policy Maker had to do a lot of talking to convince men of the "evils" of gold and capitalism. He had to do a lot of talking, but when he was finished, men were convinced. They were convinced that nothing less than the direct confiscation of wealth and a vigorous credit expansion could save the nation.

#### **Devaluation in 1934 -**

In 1934, Franklin D. Roosevelt with one stroke of the pen confiscated the entire gold stock of America. When government held the gold and the citizens held only paper, the government reduced the value of the paper by over 40 per cent, raising the official dollar "price" of its gold holdings. (The Policy Maker had learned that credit expansion meant debt crea-

tion, but showed governments how to default on their debts by devaluing the monetary unit in relation to gold and other currencies.)

The U. S. was now on a fiat standard domestically, and again in the name of "economizing" gold, the government printed new money against its total stock of newly acquired gold. Deficit spending became a way of life and government borrowing became so insatiable that any mention of paying off the national debt was smeared as unrealistic and regressive in light of the "virtues" of continued monetary expansion. (The Policy Maker had learned that borrowing meant debt accumulation, but showed the government how to "amortize" its debts by charging its citizens in direct and hidden taxes.)

Domestically the fiat standard has failed miserably. It was designed to "economize" gold and provide a stable dollar. Since 1913, the dollar has lost approximately 75 per cent of its purchasing power. The fractional gold cover has been progressively reduced, and transferred to cover obligations abroad. That gold reserve has been reduced from \$25 billion to \$10 billion through demands for redemption by foreign governments which finally forced the U.S. to close the doors of its central bank. (The central bank was supposed to be a bank of last resort. The run on the

Treasury's gold amounts to the largest and most prolonged bank run in the history of any nation.)

### **Bretton Woods**

Meanwhile, internationally, in 1944 a "new" system was established—the Bretton Woods system. During the Bretton Woods era Policy Makers adopted policies of vigorous credit expansion as a panacea for the world's problems. The instrument of credit used was the dollar. In its role as reserve currency, the dollar was considered "as good as gold" and served as a supplement to world gold reserves. In the name of world liquidity, dollars would be furnished as needed to replenish and build up world reserves. The dollar was envisioned as a stable yet ever-expanding reserve currency.

In this spirit, dollars poured forth on demand via U.S. deficits in the form of foreign aid, loans, and military expenditures. Foreign demand for dollars never ceased, nor did the expansion of money and credit, until the world found itself in the midst of an inflationary spiral which turned to recession and ended in an international monetary crisis: the dollar inconvertible, dropping in value, an undesirable credit instrument and ineffective reserve currency.

The dollar was again devalued, while gold soared in value, reach-

ing new highs. And through all this, Policy Makers have been screaming the same old theories: "Gold is a barbarous relic! It ought to be eliminated completely! What we need is *more* liquidity . . . *more* money and credit!"

What more can the Policy Maker do?

### **The Theory Projected**

There is a causal link between history and future events—the link is theory.

A theory is a policy or set of ideas proposed as the basis for human action. To the extent that a theory furthers man's life it is a practical basis for human action and therefore a good theory. To the extent that a theory destroys man's life it is impractical, self-defeating, and therefore a bad theory.

A sound monetary theory, if employed, will facilitate trade and economic growth, while an unsound monetary theory will lead to monetary crises and economic disruptions.

The Policy Maker has been charged with providing theoretical ammunition to government. To the Policy Maker's great discredit he has learned nothing about monetary theory in the last two centuries, save how to employ more sophisticated techniques of credit expansion. He has rejected the

lessons of history through self-induced blindness and has made himself deaf and dumb to rational economic analysis. He sees nothing except his precious theories of artificial monetary expansion.

Today's Policy Maker sees himself as participating in an evolution of the international monetary system comparable in "importance" to the role his intellectual ancestor played in evolving the gold standard into the gold exchange standard. And if by evolution the Policy Maker means a series of changes in a given direction, this is a correct description of his role. But it is the *wrong* direction. And it has been the wrong direction for over a century.

Given the monetary theories held by today's Policy Makers who are concerned with international monetary reform, one can expect a change only in the method and degree of monetary expansion — not a change in direction.

Each time the Policy Maker has seen his monetary theories implemented he has blinded himself to their effects. Each time a monetary or economic crisis has occurred he has refused to identify the cause, blaming it on the so-called "business cycle" which he insists is an inherent weakness within capitalism and which invariably causes depressions. But there is no such thing as a "business cycle" that

causes depressions — only a cycle of continuous government intervention into the economy, providing newly printed money that causes inflation, malinvestment, over-consumption, the misallocation of resources — distortions and mistakes that, when liquidated, are called depressions.

There is nothing in the nature of capitalism and the free market to cause such crises. If economic history has tended to repeat itself, it is because the Policy Maker has been guiding human action and government policies along a circular theoretical course that has been tried and has failed — again and again and again.

***"If at first you don't succeed . . ."***

The spectacle of billions of inconvertible dollars frozen in the vaults of central banks has brought on cries of condemnation over the dollar's credibility as a reserve currency.

The Policy Maker's theory of a stable yet artificially ever-expanding reserve currency has failed. Policy Makers are willing to admit this freely. The failure, of course, was not theirs — it was "all gold's fault." The Policy Maker avoids dealing with the problem by insisting that there is too little gold in existence instead of too many claims to gold outstanding.

The "solution" to the problem

(if the Policy Maker remains consistent) will be to evolve the international monetary system from a system in which an ever-expanding reserve *currency* provided the world with credit and liquidity, to a system in which an ever-expanding reserve "*asset*" will fill that role. Like the dollar, this reserve "*asset*" will amount to circulating debt, i.e. something owed rather than something owned. It will be a non-market instrument, deriving its acceptability from government cooperation and decree, "immune from the laws of the free market and outside the reach of greedy speculators."

Where will this "*asset*" come from? Under the Bretton Woods system, dollar reserves were furnished by the U.S. central bank. Both the bank and the "*asset*" failed. The next step is to create a *world* bank (a larger bank of last resort) controlled by an international organization (the IMF) with the power to create a new "*asset*," independent of any single government's monetary policy.

As a supplement to gold and like the dollar before it, this "*asset*" should be a credit instrument. Unlike the dollar, it would have the backing of an entire world of central banks. The "*asset*" should be ever-expanding and should provide both liquidity and stability. In short, "as good as gold."

### ***The SDR: "as good as gold" again!***

Special Drawing Rights (SDR's), or "paper gold" as it is sometimes referred to by those who can keep a straight face, was introduced to the international monetary system in 1967. It was a time when the dollar was under suspicion and gold was increasingly demanded.

In order to "economize" gold, the IMF issued a new reserve "*asset*" (SDR's) to supplement gold and take pressure off the dollar. The SDR is a bookkeeping entry, defined in gold yet non-convertible into gold. It serves the same function as gold since it is a reserve, but unlike gold, it can be created by a stroke of the pen.

U.S. Policy Makers have chosen the SDR as the reserve "*asset*" most likely to succeed in replacing gold. But just as the dollar was supposed to be as good as gold and was not, the SDR, even if made tangible and convertible into gold and/or other currencies, will suffer the same demise.

The Policy Maker has chosen to ignore the fact that there is no fundamental difference between an artificially ever-expanding reserve currency and an artificially ever-expanding reserve "*asset*" — both are inflationary and therefore self-destructive.

But the real threat is not that the SDR may fail as the dollar did in bringing monetary stability.

The threat is in the damage SDR's can do if developed within a formal system. Just as the dollar replaced gold as the primary asset, SDR's have a very real potential for further diminishing the role of gold, and in doing so changing the entire nature and inflationary potential of the IMF.

The most controversial question in monetary reform today centers around the respective roles of gold and SDR's. While the U.S. has taken an anti-gold position, France has been said to have taken a pro-gold position in opposition to U.S. proposals. But if one checks the theories held by the Policy Makers of the governments involved, the "pro-gold" opposition looks absurdly weak.

### **The Mythical Pro-gold Governments**

The U.S. wants a lesser role for gold, holding that SDR's can serve as a measurement of currency value, act as a credit instrument, earn interest, and absorb dollars. In effect the U.S. position would eliminate gold's major role without eliminating gold. SDR's would not only become the standard of value for all currencies, they would replace gold as redemption instruments.

The "opposition" (mainly France) wants gold as the major reserve asset in which all currency values are measured. While the

U.S. proposes that excess dollars be "absorbed" by an IMF issuance of SDR's, France proposes instead that the official "price" of gold be raised sufficiently high to convert excess dollars in central banks.

Superficially, it would appear that there are two opposing positions being taken: one anti-gold, one pro-gold. However, both positions are anti-gold standard, hence anti-gold as a reserve asset.

A gold standard requires that governments limit the currencies they print to the supply of gold they possess — and this is considered out of the question by today's government leaders. They insist on the "right" to inflate. "Pro-gold" European governments have, time and time again, inflated their currencies, then devalued. To advocate arbitrarily raising the "price" of gold is as much an attempt to use gold as a fiat reserve asset as is the U.S. position.

While the U.S. would increase reserves by printing "assets" to cover present and future money and credit needs, France would increase reserves by raising the "price" of gold to cover the artificial money and credit *previously* created. And this is the common denominator that links the two apparently opposing positions: their basic agreement, in principle, that the artificial creation of money and credit is essential to any monetary

system. Disagreement only arises over the *method* to be used in dealing with excessive monetary expansion, i.e., *debt*.

There are no pro-gold governments in existence today, only pro-inflation governments. The difference between governments is only in the degree of monetary expansion and the freedom of gold ownership a government permits.

**"Amortize" or Default:  
the False Alternative**

So, basically, monetary reform boils down to the following two alternatives: the "pro-gold" countries advocate *defaulting* on foreign debts via devaluation; the "anti-gold" countries advocate "*amortizing*" foreign debts via artificial reserve expansion. (The kind of "amortization" that is consistent with the Policy Makers' theories amounts to a method of constantly refinancing government debt below the market rate of interest. Given the past record of government, the principal may never be repaid in full or in real money terms.)

The third alternative is simply to not *create* debts that governments are unable or unwilling to repay. The third alternative is for governments to stop arbitrarily creating debt instruments such as the dollar in its role as reserve currency, and the SDR. These in-

struments and the currencies printed against them invariably depreciate and cause monetary crises. The third alternative would mean returning to the gold standard which, in today's "enlightened" era and within our "evolving" economic structure, is considered "passe" and "old-fashioned."

Thus, in the present political context, monetary reform will consist of devaluation (and/or revaluation more recently) and default on debts, or artificial reserve expansion and the "amortization" of debts or, more probably, a combination of both.

What is the difference between default and "amortization"?

Consider the example of a man whose expenditures have for some time been exceeding his income. He has in effect been running a deficit. He finds himself with more short-term claims against him than he has liquid assets. If he refuses to liquidate assets and finds a way to default on his short-term claims, the loss falls directly on his creditors. (When governments default on *their* creditors, they call it devaluation.)

But what if the man refinances his short-term obligations by printing IOU's far in excess of his assets, and offers interest on this new "medium of exchange"? What if this new "medium of exchange" is then used as an "asset" by cred-

itors who, in turn, print IOU's against it and distribute these as direct claims to goods?

Here the loss falls on all those who are in the domain of the counterfeiters, and who must suffer the effects of artificially rising prices. (When the government thus creates fiat money in this way, they call the process "amortization".)

From this example, the following conclusion can be drawn relative to governments: any form of debt default falls squarely on the shoulders of the creditors, i.e., on the citizens of creditor governments. Any form of debt "amortization", however, falls indiscriminately on the shoulders of all those individuals within the monetary sphere of those governments participating in an international monetary system of debt "amortization." No ring of international counterfeiters has ever been, or could ever be, more of a threat to individuals and their wealth than is the IMF in its move toward international monetary "reform."

### ***The Frightening Prospect of an International Debt***

In the past, devaluation and default on excessive debt has been the method most used to eliminate debt. But, given an international system of artificial reserve expansion, the issuance of credit and the "amortization" of debts may be

expected to give rise to the specter of an *international* debt.

The possibility of an international debt is not a pleasant one to contemplate. Like a national debt that continues to grow without restraint through continuous refinancing, an international debt would soon become uncontrollable and self-perpetuating.

The victims of such debt "amortization" must ultimately be individuals: taxpayers to the degree that the debt is financed directly or repaid; consumers to the degree that the debt is refinanced indirectly through the inflationary method of money creation; or creditors if and when (or to the degree that) the debt is ultimately repudiated.

Given the choice between "amortization" and default as methods of dealing with the problem of debt, and given the inflationary policies that governments are determined to follow, it makes little difference what kind of monetary "reform" is implemented. Our monetary authorities are only haggling over who should be the victims of their debt creation — foreigners or nationals.

Rational and morally concerned individuals will not cheer their government for shifting the burden of their debt onto foreign citizens through the process of debt default and devaluation. On the

other hand, given debt "amortization," the citizens of all countries will suffer the inevitable result of more taxation and more inflation.

Thus an individual will pay taxes, and on top of that the hidden tax of inflation for *domestic programs*, and on top of that an inflationary tax for *world expenditures*, and on top of that the inflationary tax for *interest* on all inflationary debts both domestic and international.

#### **Toward an International Fiat Reserve System**

It is not an easy thing to eliminate gold from a monetary system and replace it with the continuously depreciating promises of paper money and paper "assets." All such money substitutes at one time derived their value from and were dependent on the market or exchange value of commodities.

It takes a lot of time and a lot of talking to convince men to accept artificial values as distinguished from the market-determined values in exchange. In America, Policy Makers have had nearly two centuries in which to propagate their monetary theories and institutionalize them within the policies of state. The result has been a slow erosion and obscuring of gold's role in the monetary systems of man.

The monetary system that lies

at the end of the Policy Maker's theories is an international fiat reserve system. The foot in the door that opens the way to this system is the SDR.

The U.S. proposal to replace gold with the SDR amounts to just such a proposal. (Whether or not "SDR" is the final name given to a fiat reserve asset is unimportant. What is important is simply whether that asset derives its value realistically or arbitrarily.) But the U.S. knows that governments will not simply give up their gold overnight. And while it is true the so-called "pro-gold" countries have no intention of giving up their gold, the role of gold can be so diminished within the future monetary system that it will no longer serve as a protection against artificial monetary expansion, even to the limited degree that it has in recent years. An "opposition" that is in basic agreement with U.S. theories of artificial credit expansion cannot be expected to properly defend gold's role in any future international monetary system.

If there is to be a "meeting of the minds" on international monetary reform, it will come through compromise — and that compromise must lessen gold's role in the future. Worse, if this compromise is achieved, it will establish an unprecedented potential for world inflation.



### ***International Demonetization***

What will be the nature of this compromise? Given the theories of world Policy Makers, the most probable compromise would be to issue, as "legal tender" notes, SDR's backed by a *fractional* amount of gold. The effect of such an agreement will concede to the IMF the power to create reserves and set in motion the unrestricted workings of an *international* fractional reserve system.

Just as gold was demonetized in the U.S. through the method of fractional reserve banking, the Policy Makers will attempt to demonetize gold internationally.

A sequence of events typical of what one might expect from Policy Makers would be for them to advocate the establishment of a central bank (the IMF) that has the power to create reserve assets, define the asset in gold to give it credibility (fractionally backing the asset with a percentage of gold) and, in the name of "economizing" gold, increase SDR allotments, thereby reducing and eventually eliminating the gold backing, thus facilitating the constant increase in fiat reserves.

Ultimately this system would eliminate any objective limitations on monetary expansion, thereby surrendering monetary policy into the collective hands of a world body the monetary heads of which

would subjectively decide which nations will be given the "special right" to consume goods and at whose expense.

### ***Simply Repetitious***

This is not a prediction of coming events. It is simply an example of the methods Policy Makers would most likely advocate in order to achieve their goal. Notice that there is nothing innovative about the method of creating a fiat instrument, arbitrarily decreeing its value by force, then proceeding through fractional reserve banking and monetary expansion to systematically undermine the acceptability it had enjoyed by reason of its gold backing. It has all been done before.

These men are not innovators. They are simply repetitious! They would be laughable if they weren't so dangerous. But today's Policy Makers are dangerous. They have the power of government force behind all the theories they propagate. And at the end of their theories awaits chaos.

Given today's political context, an international fiat reserve system must ultimately add to massive world inflation as governments are inclined to spend more and more. This must lead to the eventual collapse of the international monetary system and with it the economies of the world.

### ***The Real Meaning of Monetary Reform***

Monetary crises are not born from nature, they are made—man-made.

As long as governments continue to adopt policies of inflationary finance, the monetary systems of the world will be in perpetual disintegration. This disintegration will lead to crises of greater scope and intensity, recurring at shorter intervals, while the meetings on monetary reform become a way of life as Policy Makers offer only variations of their destructive and futile theories.

As long as governments continue their policies of artificial monetary expansion there can be no such thing as monetary reform. To reform means to abandon those policies which have proven to be unjust and incorrect. *Fundamental* monetary reform means that governments would have to abandon their policies of inflationary finance.

The *essence* of contemporary monetary policy is the employment of inflationary finance, which means injustice to individuals who must bear the brunt of the default and "amortization" of government debt, and the continuous depreciation in the value of their currencies. Further, it means that individuals will be forced to suffer the unnecessary and harmful effects

of continuous recessions and depressions.

Until fundamental reform is achieved, the individual will remain the source of government financing. One can easily see that the source is being more and more exploited as governments resort to greater and more extensive policies of artificial monetary expansion.

If fundamental reform does not occur, it is only a matter of time until individuals and private property are squandered in an inflationary system of waste.

In the last analysis, real monetary reform must consist of returning to a gold standard. But there are preconditions to be met before a gold standard can be established as a lasting monetary system.

Men must understand what money is. They must rediscover *why* gold is the most effective medium of exchange and means of saving. And men must discover what money is *not*. They must understand that by accepting a monetary unit of value by decree, they are not only condoning theft, but are sanctioning the instrument of their own monetary and economic destruction.


When men have understood this, they will want to return to the gold standard.

But the gold standard cannot

survive in an economy mixed with socialist controls and vaguely defined individual freedoms. Men must rediscover the virtues of the gold standard; and men will not rediscover the virtues of the gold standard until they rediscover the virtues of capitalism. Men will not rediscover the virtues of capitalism until they identify the nature of man's rights and the injustices of government-initiated force and coercion.

If the gold standard is to return to this country, it will return on

the wings of capitalism and not before.

If one wishes to fight for economic and monetary stability, one must also fight for capitalism. If one wishes to fight for capitalism, one must fight for man's rights. If one wishes to engage in this fight, the battle lines are clear: one must engage in an *intellectual* battle to displace the theories held by his intellectual adversaries — the advocates of policies based on coercion. 

### ***Benefits of Money***

THE EMERGENCE of money was a great boon to the human race. Without money — without a general medium of exchange — there could be no real specialization, no advancement of the economy above a bare primitive level. With money, the problems of indivisibility and “coincidence of wants” that plagued the barter society all vanish.

IDEAS ON



LIBERTY

The establishment of money conveys another great benefit. Since all exchanges are made in money, all the exchange-ratios are expressed in money, and so people can now compare the market worth of each good to that of every other good. If a TV set exchanges for 3 ounces of gold, and an automobile exchanges for 60 gold ounces, then everyone can see that 1 automobile is “worth” 20 TV sets on the market. These exchange-ratios are *prices*, and the money-commodity serves as a common denominator for all prices. Only the establishment of money-prices on the market allows the development of a civilized economy, for only they permit businessmen to *calculate* economically. . . . Such calculations guide businessmen, laborers, and landowners, in their search for monetary income on the market. Only such calculations can allocate resources to their most productive uses — to those uses that will most satisfy the demands of consumers.



## LAND USE WITHOUT ZONING

BERNARD H. SIEGAN's *Land Use Without Zoning* (D. C. Heath and Co., Lexington Books, \$10) is one of the most difficult compendiums of intensely analytical prose that this reader has ever encountered. To get past the detail to the generalizations entails hacking one's way with a machete through an undergrowth that offers briars, burrs and thorns on every branch. But when one has come out into the clear one has the feeling that Mr. Siegan has accomplished something that will stand as a landmark for the rest of our century.

Mr. Siegan got into his subject during years spent as an attorney specializing in real estate problems in Chicago. He was impressed with the fact that the land planners who have been responsible for the idea that you can zone a community for beauty and gracious living almost never suc-

ceed in acting as the disinterested judges which they fancy themselves to be. They are necessarily in politics up to their ears, with pressures beating in upon them from all sides. In suburbs where life styles have already been fixed they may not do badly, for in such circumstances they are merely called upon to endorse patterns that are part of an accepted status quo. But in big cities where life styles vary and the needs of commerce are many, there can be no standards by which every proposal can be measured.

Market surveys costing thousands of dollars may be necessary. Who has the wisdom to decide on priorities? There are questions of compatibility, property values, traffic, existing use, Utopian expectations, future growth, conservation, nuisances, the need for schools, and general economic feasibility. The whole thing becomes

a political struggle, and those with the biggest clout at the polls or in the councils of the dominant political party must win. The strongest, it is perhaps unnecessary to add, are not always the ones with the most cultivated esthetic sensibilities.

### **The Houston Example**

Having witnessed the trials of the zoning planner in Chicago, Mr. Siegan looked about him for a city that has managed to get along without zoning laws. He found one in Houston, Texas. The University of Chicago Law School gave him a research fellowship in law and economics, and he was off to Texas to make some empirical studies on the spot. His investigations not only took him to Houston, where "planning" is left to the professional subdivision developers, but to Dallas, a community that depends on zoning both for its suburbs and its downtown business sections. What he found is presented in massed detail that can be extremely bewildering. But when one has finished with the intricate statistical columns and the graphs one realizes that zoning is one of the great "liberal" hoaxes of our time.

The fact is that Houston and its suburbs, which have always rejected zoning boards and the eternal struggle for "variances" and

amended rules, do just as well as Dallas, and even a little better. In Dallas they tell you where you can and cannot put up a high-rise office building; in Houston there are no geographical restrictions. So what happens? The Houston skyline is just as orderly as the one in Dallas. The Houston business section is contained in one big self-created "district." In Dallas there are two "districts." The effect of architectural comeliness is more or less the same in both cities. And neither yields to the other in convenience.

### **Restrictive Covenants**

Beyond the business area Houston tends to be a "single-family" town. The residential areas, many of which have restrictive covenants of a voluntary nature (you accept the space rules put into the contract by the developer), are neat and orderly. Gas stations and shops have not invaded the back streets; they couldn't make a go of it economically if they did. Land values have proved effective in separating business and industrial real estate from the single-family lots. Houston is an industrial town, but both its heavy and light industry stick close to the major truck arteries, the railroads, and the docking facilities. The city has not been "Manhattanized," which means that the apart-

ment houses have not taken over even where one might expect people to go in for apartment living. As for billboards, they are where thousands of motorists need them for information.

The citizens of Dallas, who have accepted zoning, can't boast of any amenities (aside, maybe, from *Nieman Marcus*) that may not be found in "anarchic" Houston. Dallas is a single-family home town, too. But the virtues of regulation provide nothing that Houston's voluntaristic approach does not offer in comparable profusion and at less cost.

Can one draw a generalized conclusion from the fact that rents in Houston are lower than in Dallas? Mr. Siegan obviously thinks that one can. The conclusion would seem to be that Houston offers more variety for less rental money than Dallas without debasing its land value structure by charging less for home acreage. Mr. Siegan's tables are complicated, but this is what they seem to tell us.

### ***The Voluntary Urban Pattern***

Other generalizations follow from Mr. Siegan's study of the two Texas towns. The absence of land use restrictions is financially rewarding to a community because it allows for a greater development. Where the negative action of zoning curtails construction

and drives business and employment away, the real estate tax collections suffer. There is less money to pay for parks and schools. This, says Mr. Siegan, is an extremely high price to pay for forcibly maintaining the urban pattern which, as the experience of Houston demonstrates, can be preserved by voluntary means. The best fiscal zoning, so Mr. Siegan insists, is no zoning.

The only people who really benefit from zoning are the planners themselves. They make careers of it, which pays off in ego trips if not in money. The planning they do, however, is more improvisation than planning, for zoning laws are invariably the resultant of pressures exerted on planning boards by a medley of politicians, owners, courts, do-gooders, do-badders, and general busybodies.

Speaking of land use legislation, Mr. Siegan says the planning of large areas is repugnant to the intelligence. Any state agency is bound to have only the most cursory knowledge about local conditions. Just evaluating the potential uses and demands for a fraction of a mile within a metropolitan area may cost thousands of dollars. In the end, as Mr. Siegan shows, one comes out with less than the free market will provide if one lets things alone.

Will our zone-crazy country take

Mr. Siegan seriously? I am told that some 4,000 copies of his book have been sold, but surely it needs translation into a less complicated idiom if it is to have the maximum effect. Mr. Siegan explains himself most lucidly in interviews, which means that he is quite capable of doing the necessary simplification if he so chooses.

► **SELECTED WORKS OF ARTEMUS WARD** Edited with an Introduction by Albert Jay Nock (New York: AMS Press, Inc., 1972, 295 pp., \$7.50) (Available from the Nockian Society, 30 South Broadway, Irvington, New York 10533.)

Reviewer: Robert M. Thornton

Charles Farrar Browne, who used the pen name Artemus Ward, was born in 1834, at Waterford, Maine, and died in 1867. He was a reporter on the *Cleveland Plain Dealer*, edited *Vanity Fair* for a short time, and gained a reputation as a humorous lecturer. Ward was much more than this, Nock contends; he was "the first really great critic of American society. . . . In fact," Nock continues, "the only one who seems to me to stand with him is another victim of popular misbranding in our own time, Mr. Dooley. In our appreciation of both these men it is interesting to see how far our instinct outruns our intelligence; we think they

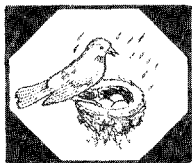
affect us by the power of their humour, when nine times out of ten what actually affects us is the power of their criticism — and here, no doubt, we have the reason why their names persist. For instance, there is no great humour in Ward's oft-quoted observation on the fanatical extravaganzas of Abolitionism; what really interests us is its exact correspondence with history's verdict upon them."

Ward had the ability to keep a clear and steady view of things as they are. He was a Unionist, a friend of the Administration, yet his greatest praise of Lincoln was for remaining "unscared and unmoved by Secesh in front of you and Abolish at the back of you, each one of which is a little wuss than the other, if possible." Ward once said of writers like himself that "They have helped the truth along without encumbering it with themselves." As Ward saw America, writes Nock, "its god was Good Business; its monotheism was impregnable. Of man's five fundamental social instincts only one, the instinct of expansion, had free play, and its range was limitless. The instincts of intellect and knowledge, of religion and morals, of beauty and poetry, of social life and manners, were disallowed and perverted."

Ward had the true critical temper — an easy, urbane, unruffled

superiority to the subject of his criticism. "Its influence dissolves rancour; by its aid one surveys the hardness and hideousness of Baldwinsville in a truly Socratic spirit, with no resentment, and with no evangelical desire to expostulate with the citizens of Baldwinsville upon their waste of life."

This book was first published in 1924, and it is good to see it back in print.



- *Foundation For Protest: A Father's Letters to His Grown-Up Children* by Frederic W. Overesch (516 West 34th St., New York, N. Y., Vantage Press 1972) 121 pp. \$4.95.

*Reviewed by Paul L. Poirot*

Fritz Overesch spent most of his first seventy years in advertising and market communications work and wants to share some of the things he has learned about the blessings of freedom and the miracle of the market. Let his words tell the story:

"It seems to me that these Laws of Creation, so well defined by Moses on the basis of past experi-

ence, pretty well govern the voluntary behavior of human beings — regardless of religious faith or lack of it — regardless of economic theories — regardless of political philosophies. But human beings, born with free will and free choice, can choose whether or not to obey them . . . .

"The foundation for my protest is based on past experience and the mistakes of past generations recorded in 4,000 years of history. Consequently, my protests are not against those in the Establishment *who fail to solve our current problems*, but against the members of the Establishment *who continue to repeat the mistakes of the past — which caused the problems in the first place . . . .*

"From all the years of recorded history, it seems self-evident that the greatest miracle of Creation is that human beings were born to be free. And in all the Laws of Creation which accompanied the orderly nature of Creation some were designed to govern the behavior of human beings so they could be free to fulfill their purpose in this great universe.

"Once we stop violating the Laws of Creation — once we start working in harmony with those Laws, we shall make the same kind of progress in the improvement of human behavior as we have in the field of science." ☉



# the Freeman

VOL. 23, NO. 5 • MAY 1973

- |   |                         |            |
|---|-------------------------|------------|
| <b>The European Communities and the Free Economy</b><br>Calling something an <b>economic</b> community does not alter the political nature of the arrangement.                                      | <b>J. Enoch Powell</b>  | <b>259</b> |
| <b>Freedom Is an Uninsurable Risk</b><br>The results of freedom cannot be classified or known in advance.   | <b>Paul L. Poirot</b>   | <b>269</b> |
| <b>Stubborn Facts and Hard Heads</b><br>The sooner we recognize that there are unchanging rules of life, the easier for us to enter into it.  | <b>Edmund A. Opitz</b>  | <b>275</b> |
| <b>The Passing Parade</b><br>How to find in commonplace things the miracle of the market.   | <b>R. W. Demers</b>     | <b>288</b> |
| <b>Evolution and Liberty</b><br>A search for the "fittest" among the ideas of the Social Darwinists.  | <b>Ronald F. Cooney</b> | <b>290</b> |
| <b>Bretton Woods: 1944-1971</b><br>Bretton Woods is dead and an autopsy is called for to determine the cause of death.  | <b>Paul Stevens</b>     | <b>296</b> |
| <b>Seeds of Oppression</b><br>How government welfare programs inevitably lead to abuse and oppression.  | <b>Robert E. Hood</b>   | <b>307</b> |
| <b>Something Else</b><br>When it comes to protectionism, are we better able than Robinson Crusoe to see its fallacy?  | <b>Frederic Bastiat</b> | <b>309</b> |
| <b>Book Reviews:</b><br>"How to Start Your Own School" by Robert D. Love<br>"What You Can Do About Inflation, Unemployment, Productivity, Profits, and Collective Bargaining" by Lemuel R. Boulware |                         | <b>315</b> |

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "Bretton Woods: 1944-1971."



# The European Communities and the Free Economy

THE RT. HON.  
J. ENOCH POWELL, M.P.



THANK YOU for inviting me to discuss "The European Communities and the Free Economy." I do so the more gladly because I am sure that Britain's presence in or absence from the European economic communities is going to be one of the central questions in British politics in the coming months and years.

Ten or twelve years ago, when British membership of the European Economic Communities was first raised, I was under the mistaken impression that the EEC was concerned with free trade. I now know that the first important fact to grasp about the EEC is

that it has nothing to do with free trade.

Free trade is the absence of barriers — of artificial barriers — to trade between the citizens of the various countries, so that whatever may be the respective circumstances and the types of government under which they live and the follies which those governments respectively commit, nevertheless the citizens on either side of the national frontiers may within those limitations enjoy the best return in exchange for that which they produce. In other words, it enables the citizen to make the best choices and obtain the best reward for what he produces and offers for exchange. That is what free trade is about. It is about

---

From an address of February 13, 1973, before a group of ministers — *The Remnant* — and guests in New York City.

helping those who belong to different political units nevertheless to exchange automatically, often unconsciously, and as freely as possible, the produce of their hands and their brains. And that, I repeat, has nothing to do with the EEC.

The object of that organization, as the name denotes, is to create an economic community. Let us put it the other way round; to create a common economy. Paradoxical though it may appear, an economy is not a fact of economics. An economy is not an economic entity. No amount of economic information supplied to a visitor from Mars would enable him to outline on a map of the world the various economies. Of course, he could draw attention to areas where he suspected there would be a maritime economy, a riverine economy, and so forth. But "the British economy," "the United States economy," "the European economy" would remain entirely unknown and invisible to him. In order to detect and define those, the information that he would require would be political.

### ***The Essence is Political***

"The British economy" means the economic aspects of a political thing, the nation called Britain or the United Kingdom. "The economy of the United States" is not something derived from nature; it

is about a political thing—the United States of America. When we talk about "the American economy," we are viewing from an economic aspect something of which the essence is political. It is not economic facts that make the United States. It is political facts.

Therefore it is not surprising to find that the intention in the Treaty of Rome, as it has been implemented over the past 15 or 16 years, to create a European economic community is a political intention. It is one hundred per cent politics and zero per cent economics. That is not to say that it is right or wrong, wise or foolish, or that its results will be fortunate or unfortunate; but we must not be misled either by the alternative title, "Common Market" — which the British (rather significantly) have hitherto preferred to use — or by the appearance of the word "economic" in the title of this new political entity.

Three months before the due date of British membership on January 1, 1973, the leaders of the nine countries concerned met in Paris and, among other decisions, arrived at the conclusion that they intended to bring about "economic and monetary union" by 1980. I suppose that the political intention behind the EEC could not have been more sharply denoted than by that assertion. *Mon-*

etary union? A single money, or the automatic convertibility of the respective national currencies? That implies that there is only one government; for the behavior of money is affected or determined by government — and not merely by the direct monetary policies of government, but by all the decisions that government takes, to intervene or not to intervene, to tax or not to tax, to spend or not to spend. All these have their effect on the value of the currency.

#### **One Money — One Government**

Therefore an area in which there is a single money — a singleness of purpose in all the ways in which government may influence the value of money — must mean that in that area there is one and only one government, one and only one political will. That is so obvious that it is superfluous to carry through the same proof again in the context of *economic* union. Indeed, it is hardly an exaggeration to say that economic and monetary union is a tautology: the same degree of political unification is necessary for monetary as for economic union. This, then, is what is aimed at within seven years — so we are told by the representatives of the nine countries of the Community.

Already a very considerable degree of political unification has

taken place. Most people in Britain probably don't know it yet; but since the first of January Britain has had no trade policy. What, no trade policy? Yes, literally, no trade policy! Decisions which fall within the scope and definition of trade policy are no longer within the power of the British Government or Parliament. Those political decisions, that aspect of government, is now exercised elsewhere and is withdrawn from the control of any purely British authority.

So I am not drawing your attention to a speculative, hypothetical, ultimate development, but to a process implicit in the nature of the EEC itself, a process which by the very act of membership is carried a large stride forward, a process which is intended to be mightily accelerated — if not completed — in the years immediately ahead.

#### **What Sort of Government?**

The immediate effect of political unification is by no means unambiguous in its economic consequences. One is obliged to examine what may be the policies of the government which is to be set up within this new political unit. Will it be devoted to the free economy? Will it be bureaucratic? Will it be interventionist? The mere fact that there is to be a new political unit does not predetermine what

will be its policies and its proclivities. But the effects upon the economic life of the component countries are already more far-reaching than I think they suspect, and I should like to spend a moment on one very important effect, directly connected with the bid to produce political union and uniformity of economic policy within the Community.

Inside a single nation, where there are no trade barriers and not merely the money but the economic policy is the same throughout, the economic balance — which is constantly altering — between the various regions of that nation is restored by the movement of people and of resources. If you could imagine, for example, the United Kingdom divided into three, four, or five separate countries, each with its own government and each with its own money, then the balance between these economies would be maintained by the exchange rate between their respective currencies. But as they are parts of one monetary and political unit, the consequence of economic change is a movement of resources and of people which takes place freely in response to those forces.

Out of this arises what we know as "the regional problem." Even within a single nation people are so attached, for other than

economic reasons, to their own area, to their own part of the country, to the historic region to which they belong, that they resent the economic consequences of the national unity which is theirs, and demand that the central government shall take interventionist steps in order to defeat the effects of economic and political union, by making it appear more favorable instead of less to conduct industry in a place which otherwise industry would desert or giving preferences to areas which are economically less advantageous.

#### ***The Regional Problem on an International Scale***

Bearing in mind that picture of the regional stresses within a unitary nation, let us look at the European Economic Community. We immediately see that the effect is bound to be the same on a larger scale. No longer will economic relations among the members be equilibrated through the exchange of currencies. On the contrary, they will be equilibrated by the free and automatic movement of people and resources; and just because that collides with the fact of the enduring local and national affections of the various parts of the Community, regional policy is one of the big problem areas of EEC politics. It is as though, having decided to achieve economic

union, the Community found itself obliged at the same time to undo or counteract what must necessarily be the effects of political union. So we see straight from the beginning a direct political impact on the member countries of the political intention which lies behind the formation and the extension of the EEC.

So I return to my question: what sort of government is this going to be which is implied by the nascent economic and monetary union of the EEC? I've already given one indication. I have pointed out that the EEC has felt immediately moved to counteract the very economic consequences at which it purported to aim by using the power of the central authority to redistribute resources again, to falsify the economic data and to divert the economic forces within the enlarged community. But if we look at the character of the Community from the beginning, and at its background, I think we shall have little difficulty in discovering what kind of government there will be, and what kind of policy will be pursued, in this new political entity.

### **Three Communities**

I notice that very accurately, in the specification of my title, the plural was used — “the Economic Communities” — and indeed there

are in fact three. There is not only the EEC itself, as it was set up by the Treaty of Rome in 1957. There is the Coal and Steel Community; and there is EURATOM, the atomic community. So let's have a look at those other two communities that make up the plural.

There is a high authority for the coal and steel industry throughout the European Economic Community. What for? If the intention were the freest possible exploitation, in response to economic forces, of the coal and steel resources of the Community, then the last thing which would be needed is an “authority,” to do what the market will do of itself. When an authority is set up, that is a clear sign of intention to ensure that the economic forces do *not* produce their natural effect but that something else happens instead.

Sure enough, the object of these two communities, the Atomic Community and the Coal and Steel Community, is not to ensure that the exploitation of the potentialities of coal and steel and atomic power occurs wherever and to the extent that it produces the highest return to the resources employed. If that were the object, no authority would be necessary. The object is a political object. It is so to control both the location and the volume of production as to achieve

an outcome different from the purely economic — in other words, a political outcome. Already the governments in all the countries of the Community are knee-deep in coal, steel, and atomic energy. If those governments are to be unified within the Community, then the Community is bound to have an “authority” which will stand in relation to coal, steel, and atomic energy for the Community as a whole as the individual governments have been doing hitherto for their respective territories. In other words, it is plainly and wholly interventionist.

### **Trade Policy**

Let us take trade policy as another example. What is meant by saying — and we hear these words on the most respectable lips — that the new European entity will constitute a “powerful” economic bloc, that it will wield economic power comparable with that of such giant economies as the United States or the Soviet Union. What does this mean, this talk of economic power? In what sense would western Europe, with no internal tariff barriers, represent a power or force in the world? Not by trading freely, either inside its limits or across a common tariff against the outside world. The essence of trade is that one party to a transaction exercises no more power

than the other party. Trade in itself is of all human relationships the most pure of any taint of the exercise of power; for trade takes place when mutual advantage is equal and opposite.

Yet “economic power” is very much what lies at the heart and intention of the creators and the magnifiers of the European Economic Community. So what do they intend? How do you wield what is called “economic power”? Obviously, not by freeing economic activity and trade or by multiplying the voluntary relationships between individuals in one part of the globe and in another. You do it by exercising political constraint over your own citizens in their trading activities, so that their behavior may in turn bring duress to bear upon the citizens of other countries.

We witnessed in the 1930s what was meant by the exercise of “economic power”: the deliberate use of a nation’s ability, by molding the economic actions of its own citizens, to bring leverage to bear upon others. This is not the attitude or the approach of a new government with ambitions for freedom of trade and intercourse. It is the language of a new government with strictly political ambitions, where economic welfare will be subordinated to political intention.



### **Taxation Policies — Uniform Throughout**

Turn now to taxation. One of the principles of the European Economic Community is that taxation, and indeed all the other aspects of government which have an economic consequence in the life of the citizen, shall progressively be harmonized throughout the Community. We are at the moment enacting in Britain a Value-Added-Tax. Whether good or bad, this taxation is unparalleled in the course of the last 500 years; it is a tax which we cannot repeal, whether we like it or not; for it is a condition of membership of the European Economic Community that all the countries must have a Value-Added-Tax. In due course, the same logic will require that they shall all have the same Value-Added-Tax.

In every sort of government action which has economic consequences, the European Economic Community aims at attaining uniformity. We are, therefore, engaged in creating a government, a new government, a supergovernment, which will impose upon all the citizens of that area a system of taxation, a system of social welfare and insurance, a system of law wherever it touches economic affairs — uniform throughout.

I ask: is that likely to be minimal or is it likely to be maximal?

Is it likely that harmonization will take place downwards or that it will take place upwards? Will intervention be raised to the level of the maximum which prevails anywhere in the Community or reduced to the minimum which is anywhere to be had? Well, I can tell you that in Britain, when anxious souls inquire, "Is there any truth in the rumor that in the European Economic Community we would have to dismantle the Health Service?", the reply is always confidently given, "Oh, no, no! What we expect will happen will be that in due course the rest of the Community will imitate us." That's how political harmonization takes place: in the nature of things, it takes place in an upward and not a downward direction.

### ***The Nature of the Animal***

Let us now have a look at the animal itself. Thus far, I have discussed in the abstract the political unit, the new political unit, the new government, the new supergovernment. But who are they who comprise this government? They don't at all closely resemble the present government, for example, of Britain. Those who make up the present government of Britain, for all their faults and failings, sit in the House of Commons and are answerable to the House of Commons in the sense that they

may be called to debate there, and certainly are ultimately answerable to the electorate, in the sense that the electorate can turn them out. The government of the European Economic Community will not be like that at all.

The government of the European Economic Community consists of two parts. One part of this government is the bureaucracy, the bureaucracy which created it, the bureaucracy which inspired its extension and which is already busily engaged, on an ever-increasing, Parkinsonian scale, in working out plans for harmonization. This is a bureaucracy which is not answerable to any democratic authority whatsoever anywhere in the Community. It thus differs from the civil services of the respective governments, which, after all, are the servants of those governments although they may sometimes behave more like masters. The bureaucracy of Brussels, the bureaucracy of the Community, the Commission is entrenched in the Treaty. It is part of the constitution. It has its own inherent power and its own independent source of growth and of authority.

The other part of the government is a combination of the national governments, meeting together in conclave to arrive at bargains among themselves to their common or mutual advan-

tage, a sort of lowest common denominator of the national executives of the respective countries. But when they are together they are not the same as when they are separate. When they are separate, they each return to their makers. The British Government at home behaves as the British Government. Parliament has to explain and to argue; the supporters have to defend their actions to their electors; the electors then have the last word.

#### *The Whole Differs from the Parts*

Not so when governments join to become a collective. The combining of nine governments does not leave those nine governments unaltered. They become a tenth thing, something new. The decisions which they take in common are decisions for which none of them is separately and independently responsible. They are all, as individual governments, irresponsible in respect to the decisions which they take together; and each and every one of them can say, "But, of course, this wasn't our decision. No doubt, if we had been free, we wouldn't have done exactly this. But you see, we had to agree, because we are a Community."

Both parts, therefore, of the government of the new political entity are irresponsible. And I

have to ask you this question: is it more likely that a bureaucracy and an executive which are not democratically responsible will be less or more greedy of power, less or more ready to find new work to do, than national governments, which at least in the last resort, have to render account for their actions to those whose activities and lives are affected?

So, I conclude that the European Economic Community represents the erection of a new government, a new political unit with a new government, and that the whole spirit and trend of this new unit and new government will be to increase the power of government vis-à-vis the citizen and to increase the scope and range of government intervention in the economic life of the citizen throughout the area which is covered. As I said when I started, this is not about free trade. This is not about economic freedom. It is about the regulation of trade and the regulation of economic life.

### **A National Interest**

I want to leave this reflection with you in conclusion. It is a reflection which has been borne in upon me with new sharpness by the many valuable encounters and discussions I have enjoyed here in the United States during the past

nine days. Though we hold in common many beliefs and principles, these are seen by each of us in the context of his own national background. We err if we imagine that the laws of economics apply merely to individuals, and that the aggregations of mankind into nations and societies is the mere totaling of individuals. The case for a free economy — the case for which we contend, all of us in our respective situations — the case for economic freedom does not depend upon an artificial picture of humanity. The case consists in what the application of those principles can do in particular societies, the societies into which men are actually organized as sovereign nations; and the story of Britain in the European Economic Community really illustrates this.

The decision that Britain has to make — and we haven't made it yet<sup>1</sup> — is essentially a national de-

---

<sup>1</sup> At the last general election, Mr. Heath said that such a thing as membership in the Community could not come about without the full-hearted consent of Parliament and people. The measure was forced through Parliament by paper-thin majorities and no one, however enthusiastic for British membership, has ever dared to claim that there is even a bare majority in favor amongst the public outside Parliament. In those circumstances, what has happened must be regarded as provisional and I do not believe that the electorate can be denied the opportunity if it wishes to make this the deciding factor in a decision at a general election.

cision, a national political decision. The question is: By whom are we going to be ruled? So, as one who labors with you in the same field, I find myself opposing Britain's membership in the European Economic Community — indeed, believing that it cannot be brought permanently to pass — not primarily on the ground that it will operate to increase the power of intervention by government over a great area of humanity, but because of its political unrealism: that it assumes a will to be governed where a will to be governed in the new unit does not exist.

Economic laws, of course, are independent of human volition; but like the other laws of nature which we cannot change, we seek to place a true interpretation and use of such laws at the disposal of our fellow citizens. And we do that — I believe, all of us — not

from general and abstract considerations of the welfare of the total of humanity, but because we ourselves enter as members into the fate and destiny of a specific human society. It is in that sense, though only in that sense, that I have always claimed that the economic in human life is subordinate to the political. It is a servant, a servant in the sense that any of the other natural forces is a servant if rightly used. That is why the politician has the duty to his own society to insure that that society understands the necessary consequences of the policies which it adopts or rejects. It is because I want to preserve to the people of Britain the opportunity still to take that kind of decision for Britain, that I, for my part, have said "No" to the creation of this new superstate and supergovernment — at least insofar as Britain is intended to be a part of it. ☉

### ***Freedom to Cooperate***

INTERNATIONAL CONFLICTS are inherent in the systems of interventionism and socialism and cannot be solved unless the systems themselves are abolished. The principles of national welfare as conceived by our progressive planners conflict with the principles of international cooperation and division of production. If international cooperation is to be restored, the policies of government interventionism and socialism must be abandoned.

IDEAS ON



LIBERTY



## is an uninsurable risk

PAUL L. POIROT

UNDER "no-fault" auto insurance, presumably every owner would be covered and have to pay premiums, and most claims for damages would be drawn against the pool, regardless of whose negligence might have caused or contributed to the casualty. In many respects, such "no-fault" insurance resembles Workmen's Compensation and is in keeping with other developments in our welfarist society.

Formerly, an individual was allowed to assume the risks and responsibilities of caring for himself in his old age. Then came "Social Security," and rare today is the individual who is allowed exemption from this compulsory program.

Compulsory unemployment insurance now tends to relieve individuals of full responsibility for earning a livelihood.

Consistent with universal compulsory schooling are various governmental child care and family assistance programs.

Health care and medicare insurance programs have been largely collectivized and rendered compulsory.

Plans are being discussed for governmental remuneration of any victim of crime, regardless of contributory negligence by the victim — or by the police force instituted to suppress crime.

One after another, the risks of living, that once might have been assumed by the individual or insured against privately if he so desired, have been brought under compulsory insurance programs which cost a typical tax-paying family \$2000 a year. This amount is increasing and is now some three times what it was a decade

earlier. Further, this figure is over and beyond the costs of any insurance policies still privately carried such as life insurance, home owner's fire and casualty, automobile liability and casualty, private pension and medical plans, and so forth. Some private insurance costs are loaded into rental rates and carrying charges on mortgages and other loans, or as fringe benefits of employment, so that the customer may not be fully aware how much he pays privately for insurance — any more than he would know how much of his tax bills go toward compulsory insurance coverage of one kind or another.

### ***The Age of Socialism***

The point is that many Americans, from those living below the so-called poverty level on up through middle and higher income groups, literally are being insured to death. The age of compulsive and compulsory protectionism is upon us, and another name for this is socialism. It is not insurance.

A voluntary insurance contract is a viable and sound protective device for the pooling of the classifiable and calculable risks people encounter in life. In a competitive market economy where savings may be privately accumulated and invested and owned — where private property is respected — men

have long since devised cooperative ways of insuring themselves against various contingencies.

But the application of the insurance principle depends upon a fairly accurate and reliable method of grouping the risks into classes. In the case of life insurance for instance, a person of a given age and normal life expectancy would not want to be pooled at the same premium rate charged persons of another race or society or of advanced years with a life expectancy much less than his own. Nor would Mr. Average want to be pooled with a group known to have a poor medical history or with persons engaged in a particularly hazardous occupation. Such classes of risks each would be expected to have its own premium for life insurance, based upon fairly accurate actuarial tables or experience ratings. Otherwise, anyone with longer life expectancy would more than likely carry his own risk — stay out of such high-cost pools — perhaps form a new company with others in a class of risk comparable to his own. Men acting voluntarily in open competition thus tend to serve and satisfy their respective and variable needs, each buying as much life insurance as he chooses at competitive rates befitting his class of risk.

Supposedly, however, there is something wrong with such vol-

untary life insurance: it fails to cover those who do not want to be insured and who would not, or could not, voluntarily pay premiums at competitive rates. In other words, if life insurance is voluntary, some persons may choose to use their property for purposes deemed by them to be more important than insurance — possibly for food, clothing, shelter, recreation, some other form of saving and investment; perhaps even for cigarettes, liquor, drugs, gambling or who knows what.

#### **Not Like Insurance**

Under the Social Security program of the United States, the Federal government insists that nothing shall be more important to an individual during his working lifetime in "covered employment" than that 11.7 per cent of the first \$10,800 of his annual earnings (1973 rates) be paid into the Social Security pool, regardless of his current needs for food, clothing, shelter, or whatever.

True, the OASDI premium payments may vary depending upon the amount of one's earnings; and the eventual benefit payments also may be related to one's record of past earnings. But there also are marked departures from the established insurance principle of grouping the risks into comparable classes. For instance, the pre-

mium rate is the same for a youth in his twenties as for a person in his sixties. The coverage is the same for those who want less insurance, or none, as for those who want more; the same for all occupations, races, colors, creeds, regardless of actuarial histories. Such unrealistic groupings explain why this sort of an insurance program has been made compulsory; it simply couldn't attract voluntary participation.

#### **Hard-to-Classify Risks**

The principles that apply in the case of life insurance also relate to other types of insurance: fire, theft, liability, collision, hail, windstorm, flood, malpractice, and so on. If a program of voluntary insurance is to be practical, then the risks must be measurable and more or less easily classifiable so that rates may fairly reflect the costs for a particular class of risk. And in some cases, such as hail or hurricane or flood insurance, the risks may differ so much from one geographic area to another, or may be so great in any given area, that an owner might simply elect to take his loss if and when it occurs rather than pay a very high annual premium. Following a local hailstorm or hurricane or flood of disastrous proportions, there is likely to be a clamor for Federal aid — which would amount to com-

pulsory insurance of these hard-to-classify risks on a nationwide basis.

Another principle of sound insurance is that the policyholder (and presumably the one who pays the premium) has a morally and legally insurable interest in the property in question. In other words, it is definitely to his interest to see the property maintained intact in its prevailing use rather than lost or destroyed. He'd rather have his home or business property as it stands than to have it burned down for the insurance. He'd rather have his actual and anticipated earnings from the market place than to collect on his life or disability or unemployment policy. Some persons are known to be poor moral risks for certain types of insurance, and no one of sound mind and character willingly chooses to be pooled with such high-risk cases when he buys his own insurance.

#### ***Breakdown of Morals***

The proliferation of compulsory government insurance programs in any society seems to be closely linked with the moral deterioration of the people, though the programs are seldom if ever initiated or promoted on any such premise. On the contrary, Social Security, Workmen's Compensation, Unemployment Payments, Medicare,

Disability Benefits, Veterans Pensions, Family Welfare, No-Fault Auto Insurance, Flood Relief, and the like invariably are launched upon good intentions to help the hapless and worthy poor — usually at taxpayer expense. But if actuarial tables tell us anything for certain, the fact is that subsidizing a weakness aggravates and accentuates it. The “worthy poor” multiply in proportion to the handouts made available — which is a condition known in the insurance business as a poor moral risk. The same result may be expected of any compulsory insurance program: excessive demand for the benefits, and no one volunteering to pay the premiums.

#### ***The Human Situation***

The utopian dream of living exclusively upon the fruits of the labor of others is forever doomed to disappointment. And the reason is clear. There are no “others” who want to work and produce and save entirely for someone else's satisfaction rather than for their own purposes. Socialism sadly misreads the human situation, presuming self-interest to be no significant feature of human nature. “All for each and each for all,” is the basic socialist slogan, and it does have great emotional appeal; wouldn't that be nice!

“To each his own,” however, is



a slogan far more consistent with the nature of man. He is motivated by self-interest, and often, if not always, can understand that it is in his own best interest to serve efficiently the most urgent interests of others. Thereupon rests the case for private ownership of property, voluntary exchange, open competition and government limited to policing the market. This affords the maximum or optimum cooperation possible among men who are not perfect saints. The consumer may be king, but only if he is guided by the economics of production rather than by the fictions of consumerism or the fully insured life. What is not produced may not be consumed. And what is not privately owned and controlled is not realistically insurable.

### ***An Insurable Interest***

So, we come once more to the principle of insurance against casualties and the reason why the principle is inoperable under socialism. If there is property, a portion of it may be invested (pooled, if you prefer) to cover the probability of losing all of it. Now, who is interested in covering that sort of risk? Have you ever seriously considered buying a policy to insure your neighbor's life or his house against loss by fire? Probably not. You insure your life

or your own property against such losses, and you do it only because that property, or the loss of it, is all yours.

The Preamble to the Constitution of the United States reads like an insurance policy:

We, the people . . . in order to . . . insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution. . . .

Here we have the one thing and the only thing in which all the people of a society have a common insurable interest: protecting peaceful persons and their activities against criminal intervention — in order to secure the blessings of liberty. The Founding Fathers thus gave us the formula for limited government — compulsory insurance against criminal intervention.

In contrast, the formula of compulsory collectivism — “to each according to need” — would presume to insure against every contingency, thereby precluding the forever uncertain blessings of liberty. Governmentally managed “welfarism” has been thoroughly tested, in the United States and in other nations. All the evidence indicates that this leveling-down process eventually strips the individual of

his dignity, choice, incentive, property, and personality — a compulsory insurance scheme with its premiums taken “from each according to ability.”

Many today have forgotten that the Pilgrim Fathers on the shores of Massachusetts, as well as the first colonists of Virginia at Jamestown, tried this communal form of insurance. Out of their common product and storehouse they set up a system of rationing. And the result was famine — until they abandoned the socialist formula and resorted to private ownership, competition, and trade.

The lesson seems to be that the

most trustworthy way to insure one's life, or property, or anything else one possesses of value is to put that property and those talents to productive use. By thus serving others, one earns from them all the insurance he deserves.

If a person would be free, he has to assume the responsibilities and uncertainties of open competition and peaceful exchange. These essential conditions of freedom, as variable as the thoughts or the fingerprints of individuals, are not subject to classification, nor can the results be calculated or known in advance. This is why freedom is an uninsurable risk. ☉

### *Voluntary Co-operation*

IN A WORLD of voluntary social co-operation through mutually beneficial exchanges, where one man's gain is another man's *gain*, it is obvious that great scope is provided for the development of social sympathy and human friendships. It is the peaceful, co-operative society that creates favorable conditions for feelings of friendship among men.

The mutual benefits yielded by exchange provide a major incentive to would-be *aggressors* (initiators of violent action against others) to restrain their aggression and co-operate peacefully with their fellows. Individuals then decide that the advantages of engaging in specialization and exchange outweigh the advantages that war might bring.

MURRAY N. ROTHBARD, *Man, Economy, and State*

IDEAS ON



LIBERTY

# Stubborn Facts Hard Heads

ABOUT a dozen years ago, the London magazine, *Contemporary Review*, published an article by Colin Welch, a new Member of Parliament, reflecting on his first year at Whitehall. "Coming afresh to Parliament in this silver age," he wrote, "it is impossible not to feel one is too late. The great debate is over. The voice now silent was a great and uniquely English one: that of Milton and Locke, of Burke, Mill, Gladstone and Morley — [it was the voice] of liberalism, with a small 'l'."

Liberalism with a small "l" is the philosophy of the eighteenth century Whigs which inspired our Founding Fathers and the men who wrote *The Federalist*. Adam Smith outlined a system of economics to go with Whiggery, producing a science which has been

amplified in our day by such men as Ludwig Mises and F. A. Hayek. Present-day spokesmen for this tradition generally call themselves Conservatives or Right Wingers, for the word Liberalism has been captured by the opposition.

Certain of our contemporaries have turned this old liberal philosophy inside out, but they have kept the label. Contemporary Liberalism is an ideology which is the very reverse of classical liberalism. Today's Liberal has his ideological heroes: chiefly Marx, Veblen, and John Maynard Keynes. Today's Liberal is a man of the Left; he seeks political power in order to impose some sort of a "Deal" on the nation. He demands that government manage the economy; he finds religion useful only insofar as the churches focus on social action; he wants to control the schools in order to condition students to play their role in society.

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education, a seminar lecturer, and author of the book, *Religion and Capitalism: Allies Not Enemies*.

The contemporary Liberal has been described as a man with both feet planted firmly in mid-air.

### **A Man of the Right**

I hope I have said enough to broadly identify these two schools of thought, Conservatism and Liberalism. And to let you know where I stand, I am a man of the Right, a Conservative.

I'm a Conservative, first of all, because men of this persuasion approach life with a healthy respect for its variety, its complexity, and its mysteries. Life is full of stubborn facts; reality is very much what it is and our wishes will not make it otherwise. It would be convenient on occasion if the multiplication table did not insist relentlessly that three times two is six; but the answer is always six. The facts are equally stubborn in other departments of life — not only in the natural and biological sciences, but in the religious, ethical, economic, and political sectors as well. We are surrounded by inexorable regularities, laws which we cannot rewrite because we did not write them in the first place. We must accommodate ourselves to these laws, in order to succeed. But there are those among us with hard heads, and this thought does not penetrate.

Somebody said that if you ask

a psychotic "How much is three times two?" he'll give you a definite answer. He knows three times two is seven. Ask a neurotic the same question, and this nervous chap is uncertain; the answer might be five or six or seven, but he's not sure. The Liberal knows the answer; he knows that three times two is six, but he resents it!

### **Getting the Message**

Each of us, as he makes his way through life, might be compared to a blind man at the seashore using Braille to read an important message in the sand, written in code. The man feels a sense of urgency because the tide is rising and he knows that the waves will soon obliterate the message. But the blind man restrains his anxiety, knowing that he must not in his haste thrust his fingers roughly against the letters in the sand lest his heavy handedness disturb and erase them. He must make every move with great delicacy, touching the sand just firmly enough to trace the contours of each letter but not so heavily as to disturb the sand which forms them.

Tactile contact with irregularities in the sand puts the blind man in possession of a cluster of words. He decodes the words and gets the message; and thinking about the message, he gets its meaning.

### **Life's Meaning**

Life is like that; its meaning is not self-evident, nor is it forced upon us. As we grow up into life we feel an inner compulsion to decipher its mysteries, discover some of its regularities, align our lives with what we believe to be real. Our means for doing this are meager, compared to the immense complexity of the task. We possess a spark of intelligence, our instincts are feeble, and we have spasmodic help from experience, tradition, and the conventional wisdom of our society. But with a little luck, we can decode the message and find its meaning. What are some of the things it tells us?

It tells us that we live on a restless planet, a globe where change goes on constantly. The continents float on a molten lake, and they slowly drift away from each other. The earth's crust fidgets with a deep anxiety and occasionally erupts to change the contours of the land. Erosion occurs and we lose huge chunks of the shoreline to the sea. Iron rusts, the dollar is devalued, and each one of us is a day older than he was yesterday.

Although we ourselves change without ceasing and live our lives amidst constant change, we nevertheless know that some things do *not* change. Some things are now what they always were and always

will be. I've referred to one such, the multiplication table. The table of atomic numbers is another instance of fixed relationships, immune to change. In short, there is a realm where things are permanent, a realm of Being in contrast to the realm of Becoming. Some things remain; they are beyond the reach of time, and so they do not grow old, nor do they decay or rust.

### **Theism**

There is God — the same yesterday, today, and forever. You've heard rumors that God is dead. Certain conceptions of the deity are dead, and good riddance. The idea of God as a heavenly Santa Claus or God as a Cosmic Bellhop — these ideas are laid to rest and I hope they remain so. But the idea of an overarching meaning and purpose in the universe is not dead. This is a stubborn fact, and we find meaning and purpose in our own lives only as we come to terms with it.

Belief in God, or Theism, is not an easy philosophy, but the alternative to it — carried to its logical end — is impossible. Theism is the belief that a mental-spiritual dimension is at the very heart of things. It is the belief that Mind is ultimate, and not Matter. If we do not accept this position we are driven to affirm that Matter is ulti-

mate, with Mind being a mere derivative. But to say that Mind is a mere offshoot of matter is to downgrade our own reasoning processes and to discredit any conclusions we might reach by taking thought. Anti-theism makes Matter the master of Mind; it reduces the search for truth to the movement of material particles and thus refutes itself.

### ***Life Without God***

I believe that Theism is important, not because theology is my bag, but because of what happens when belief in God goes. First off, we lose our minds! Our mental processes are reduced to the level of a secretion from a gland.

Secondly, we lose a proper goal for life. When a society loses contact with the transcendent there will ensue a passionate pursuit of wealth and power. Every gain by the power-hungry nullifies freedom at that point; and the frantic pursuit of material gain will destroy the market economy.

Thirdly, the materialistic philosophy of the anti-theist throws out free will; it regards every human action as determined by physical causes, overlooking human creativity. And if man is not a freely choosing person, it's pretty silly to try to defend the free choice economic system, and even sillier to work for the free society where

men enjoy maximum liberty to choose and pursue their own life goals.

Fourth, and finally, there is no place for moral values in a universe where Matter is ultimate — where, in philosophical language, the distinction between right and wrong has no ontological status, no reality. In Communist countries, right is whatever the Party commands, and wrong is whatever the Party forbids. In such a society there is no appeal from arbitrary commands to a standard of justice above the law; goodness is equated to Party loyalty. On this point, at least, the comrades are logical; if God is dead, men are creatures of the State; its fiat are their law.

My second stubborn fact is that there is a moral order. The universe consists of more than brute facts; it contains ethical values. If there is a genuine moral law operating in 1973, it is the same moral law which operated in 1973 B.C. Men's interpretations of the moral law might vary, due to ignorance or wishful thinking. But the law which is subject to mistaken interpretations does not itself vary; it is what it is, and our thinking does not make it so or not so.

A primitive people might believe that the stars in a night sky are the souls of departed tribesmen,

and that the sun is a huge torch borne across the sky by the tribal deity. But these erroneous conceptions no more invalidate our astronomy than do the weird notions of right and wrong entertained by these same tribesmen — or by contemporary intellectuals — invalidate the ethical code built up around the Ten Commandments and the Golden Rule. There is a moral order with ideal norms and standards for flourishing human life, and in the long run no society can flout the moral order without courting destruction; every person must eventually come to terms with it if he would fulfill the potentials his life holds.

The third stubborn fact is human nature itself. A piece of silly putty can be molded into any shape you choose; throw it down and it will slowly subside into a formless mass. The human being, by contrast, is a dynamic transformer of his environment; he does not passively lapse into whatever the situation in which he finds himself. We are adaptable and durable creatures, but we adjust to realities only so that we might more effectively cope with the difficulties attendant upon survival and growth.

There are permanent elements in human nature because of our relationship to God and the moral order. There is in us a sacred essence, a private domain in each

person to which he alone has access and over which he alone possesses rights. "We are endowed by our Creator," the Declaration reads, "with certain unalienable rights," and it is a function of government to help secure those rights. We are not mere end products of natural and social forces; we are created beings. God made us free, and any man or institution which impairs liberty frustrates some purpose of the Creator.

#### *Laws of Economics*

God, the moral order, human nature; these are stubborn facts. And so are the laws of economics. When certain consequences follow invariably from certain antecedents we are entitled to speak of this regularity as a law. There are indeed economic laws, for we can say: Choose these policies and you will be visited by such and such consequences; the consequences are built into the policies and the only way you can avoid them is to reject those policies. For example:

- Whenever a government expands the money supply — which is the definition of inflation — the price level rises and people find that they cannot afford things.
- Impose rent controls and the growth rate of new housing declines, while present housing deteriorates.
- Pay a man for not working — Un-

employment Compensation — and he will produce less, or stop working altogether.

- Legislate monopoly unionism and you institutionalize unemployment.
- Impose minimum wage laws and you do someone out of a job.
- Launch a government war on poverty and you increase the number of poor people.
- Allow the trading nations of the world to fix the price of each other's currency and you will suffer periodic devaluations of the dollar — or the mark, or the yen, or the pound.

I might lengthen this list — and I know that each of these blunt propositions needs to be backed by a book — but you get the idea.

The last of the stubborn facts I want to mention concerns government. I remarked earlier that people of my persuasion who today accept the Conservative label would have been called Whigs or classical liberals a couple of centuries ago. Classical liberalism marked a radical departure from all other political theories and practices. It declared that the end of government is justice between man and man, and maximum liberty for each person in society.

### Questions of Power

From ancient times to the present, every political theorist — except the classical liberals — tried to frame answers for three questions.

The first question was: *Who shall wield power?* Whether the structure took the form of a monarchy backed by divine right or a democracy based on the so-called will of the majority, it was essential that power be wielded by the small group thought most fit to exercise rule. But it was not power simply for power's sake, but political power for the sake of economic advantage.

So the second question is: *For whose benefit shall this power be wielded?* The court at Versaille is a good example of what I mean. The French nobles favored by royalty lived rather well although they'd rather be caught dead than working. In virtue of their privileged position in the political structure, they got something for nothing. I daresay that each of you can think of parallel instances operating today, even in our own country.

Now, when someone in a society gets something for nothing through political channels, there are others in that society who are forced to accept nothing for something! So the third question is: *At whose expense shall this power be wielded?*

Let me repeat these three questions, for they provide an apt key to most political puzzles: *Who shall wield power? For whose benefit? At whose expense? One might put*



this in a formula: Votes and taxes for all; subsidies and privileges for us, our friends, and whoever else happens at the moment to pack a lot of political clout.

### ***Equality Before the Law***

The American system was to be based upon a different idea. It took seriously the ideas of God, the moral order, and the rights of persons. It discarded the notion of using government to arbitrarily disadvantage a selected segment of society, and instead embraced the idea of equality before the law. Government, in this scheme, functioned somewhat like an umpire on the baseball field. The umpire does not write the rules for baseball; they have emerged and been inscribed in rule books over the years and they lay down the norms as to how the game shall be played. If any person is on the field it is to be presumed that he has freely chosen to be there because he wants to play baseball; otherwise he'd be on the tennis court, the golf links, or in the poolroom. He wants to play ball, and in his thoughtful moments he knows that the game cannot go on unless there is an impartial arbiter on the field to interpret and enforce last resort decisions — such as ball or strike, or safe at first.

Baseball is inconceivable without a rule book, and that goes for

every other game as well. It would not be a baseball game if every man on the diamond merely did his own thing; it would be chaos. The rules of the game are not designed to hamper the player, although everyone who has ever played ball has had moments when he'd like the rules to bend a little in his favor; the rules are what make baseball possible. Or chess. Or tennis. Or any other area of life you'd care to mention. In the absence of rules there is sheer disorder, on the playing field as in life.

But surely not in the realm of art, someone might say. There may be economic laws, and Edmond Hoyle did compile his book of games; but Shakespeare did not write his poems "according to Hoyle." Great artists often compose or paint in a frenzy of inspiration, our objector might say; the creator knows that the rules are there to be broken; the artist is averse to order. At first thought this rebuttal does seem to carry some weight, for some modern composers do disregard the rules; they compose without melody, without rhythm, without harmony — without talent. But there is magnificent order in a Beethoven symphony; the great composer did not write his symphonies "by the book," but most emphatically he did not discard the rules. There is indeed an affinity between the art-

ist and disorder, but only in the sense that disorder or chaos challenges the artist to bring order and harmony out of it.

The order present in all real art might not be immediately obvious to the untrained eye or ear, and in great art it is artfully concealed. Go to the Parthenon and contemplate the frieze sculpted by Phidias. Motion and fluidity strike the eye, but as Gerald Heard writes: "Scrape down the figures to their main structural lines and there, clear and hard as the rib and fretwork of an Arabian vault, stands out the geometrical design, holding all this apparent streaming fluidity in an iron order."

Who would dare argue that Shakespeare's genius was blunted by having to conform to the fixed pattern of the sonnet? This ready-made poetic form actually enhanced the poet's freedom; it allowed him to spend all his genius on content.

Apart from the various forms a written language might take — poetry, novels, essays, dramas, and so on — there is the language itself. Sometimes the niceties of grammar seem to lie in wait just to ensnare the ideas that rush pell-mell out of our minds, or we bog down in a syntactical quagmire. But if it weren't for the language which we absorb as our mother tongue we would have no way to

express our ideas, and our ideas would be of the foggiest sort. Not even the most brilliant mind conceivable could invent a new language from scratch; and even if the miracle occurred he could not use it to communicate. The rules of language, which sometimes are annoying, are at the same time a vehicle for our freedom; just as, for a swimmer, the water whose friction impedes his progress provides the buoyancy without which swimming would be impossible.

#### **Chaos and Disorder**

I have belabored this point only because we live at a time of passionate rebellion against the very concept of order, a time when disorder is the new thing, the "in" thing in every department of human affairs. Such key words as Law, Order, Norms, Standards, and the like, are dirty words today. Abandonment of the rules is confused with freedom; the slave to impulse and whim thinks he is a free man. The result is chaos in the souls of men and anarchy in society.

Every society must find ways of dealing with people whose erratic conduct deviates significantly from the norms of human behavior acceptable in that society. Those who cannot figure out what these norms are, or who know but refuse to conform to them, are the crimi-

nals and the psycopaths. In a humane society such people are treated with understanding, compassion and Christian charity; but no society can long survive a takeover by the antisocial. By definition, this is the case. It must, therefore, be able to distinguish social from antisocial conduct, and this our society is having trouble doing.

So far has the erosion of norms gone in our society that the idea of abnormality has just about disappeared. Standards of right and wrong have crumpled, the rule book has been pitched out the window, and each one of us is advised merely to do his own thing. Anything goes; every variety of conduct and any kind of life style is to be tolerated because, it is alleged, no one can say what is normal and what is not. What is right for one man may not be right for another, we hear it said, so let every person decide for himself what is right for him. Anything goes; everything must be tolerated.

### **No Standards Remain**

At this point we turn the corner and the relativist is hoist with his own petard. The relativist can propound his theory and practice his eccentricities only so long as most other people refuse to accept relativism and continue to live

straight. But as soon as the balance begins to tip toward relativism, the result is nihilism. If everything must be tolerated, then *intolerance* is sanctioned. If anything goes, and there's no way to prove that anything is better or worse than anything else, then intolerance is no worse and no better than tolerance! Tolerant is what a person should be if he's so inclined; and intolerant is what a person should be if his conscience impels him in that direction. Having abandoned norms and standards, we have no way of deciding that one thing is better than another, or that this is right and that wrong. "If it feels good," reads the bumper sticker, "do it."

Each of us has his inner world, but we also live in the world outside. Rules and standards, right and wrong, are in the area that exists outside of and above individual subjectivity; feelings, on the other hand, are strictly private, inhabiting the individual's inner domain. Norms are objective; they are "out there," and they are what they are regardless of what we might think they are. A toothache is subjective, it belongs to you alone; it is wholly private, not public at all. There's no limit to the number of persons who can come to a knowledge of the norms which apply to human behavior, but only you experience your pain.

The only response another person can make to your pain is to sympathize.

Go back now to the bumper sticker: "If it feels good, do it." The only referent here is to the domain of individual subjectivity. If an individual says that something feels good he has made an ultimate judgment, for no one is in a position to get inside another and tell him otherwise. There's nothing to discuss; preferences and likes are final. It might occur to you to tell another that the wrong things make him feel good, that his affectional nature is warped and perverted; otherwise, he wouldn't take pleasure in beating up old ladies. But this fellow is a bit of a philosopher too, so he reminds you that he has abandoned norms, and without this plumbline there's no reason why he should not prefer his feelings to yours — which, in fact, he does.

It's another story if we amend the advice to read: "If it's right, do it." Now here there is something to discuss, for the idea of right is "out there." We can talk things over and possibly come to an agreement that the proposed line of action is indeed right, or not; and further, if it is right, whether doing it now is proper, or expedient, or whatever.

I do not mean to suggest that every person who innocently re-

peats the catchphrase, "Do your own thing," is a nihilist, with full awareness of the implications of this position. He might say, Do your own thing, so long as it doesn't hurt anyone; or Do your own thing and allow everyone else the same latitude. But such a person has appealed to a norm, the ancient norm, "Injure no man." This norm implies others, and pretty soon you've restored the rule book. A warning is in order: Those who begin by adopting the vocabulary of nihilism may end by becoming its victims.

### ***The Cult of Abnormality***

Having opened the can of worms this far, permit me to pry back the lid a little further and offer a clinical example: gay liberation. Homosexuality is a sad fact of life, and because homosexuality is not a life-affirming but rather a life-denying attitude, it comes to the fore especially during periods of a nation's decadence. When all standards are in doubt, the norms of maleness and the norms of femaleness become unclear, and so we hear it said that homosexuality is just as normal as heterosexuality. They pose the question: Who is to say what is normal? The question is intended to be merely rhetorical, supplying its own answer, that no one is entitled to say what is normal and what is abnormal. But if

the rule book has been discarded and there is a general rejection of the idea that there are standards which men and women should try to live up to, then ruthless dealing with our fellows is no more to be condemned than kindness and generosity is to be applauded.

It is a fact of the human situation as such, that if a male does cut a sorry figure as a man he will cut an even sorrier figure in the feminine role; likewise the female. Such persons cut themselves off from the understanding and help they need from the rest of us when they employ the false and desperate argument that no one can say what is normal. The argument will eventually backfire in the form of hostility and intolerance on the part of those who have been informed that this reaction is just as normal as the opposite attitude, and twice as much fun.

### ***The Realm of Necessity***

I have talked at length about stubborn facts, unchanging regularities, rules, order — and the necessity thereby imposed upon us to conform our conduct to the way things are. I have emphasized the domain of necessity only because its imperatives are widely ignored or denied today. But if this were the whole story, or even the most important part of it, we'd come away with the notion of a mechan-

ically arranged universe in which man cheerlessly and robot-like serves out his sentence under a rigid prison routine of eat, sleep, and work. This is not at all what I have in mind, for such a grim caricature of life would be an affront to our Creator and omit the most important fact of our inner nature, its radical freedom! There *is* a realm of necessity, but there is also a realm of freedom; successful living demands that we give each its due.

Imagine yourself at the poker table. You are dealt a particular hand. The cards you hold may give you an edge or they may impose a handicap; in either case it is the way you exercise your freedom to play your hand that really counts; it's a combination of luck and skill, with skill being the critical factor.

Now take a look at baseball. I have stressed the importance of the rule book in baseball; but men sitting down to chew over the rules is not baseball. We couldn't play baseball without the rule book, but the game itself is something else again. It is the incredible batting, pitching, fielding, and strategic skills of the players and coach; it is the excitement of Yankee Stadium, the constant murmur of the crowd, the tension that mounts in tight situations; it is winning, and the horseplay in the locker room. This is the game of baseball, and

the only function of the rule book is to make all this possible.

***If Nature Were Unpredictable, --  
We Could Not Survive***

It is much the same in life; it is only from the neutral base of order and dependability in nature and society that we can exercise our freedom creatively. If nature were completely unpredictable we could not survive, and if we could not count on our fellow men in a variety of situations society would collapse. There are stubborn facts we cannot change, which we must simply accept, to which we must adjust ourselves; but there is also the infinitely expansible domain of our freedom where our capacity to create tips the balance in the direction we will it to go. The things at stake here have been well put in the old prayer: "God grant me the serenity to accept the things I cannot change, courage to change the things I can, and the wisdom to know the difference."

When we do understand the difference, our freedom begets a new awareness of the majesty of the order where necessity prevails; we are awed by its mysteries and charmed by its beauties. Beyond mere survival we get a bonus every time we interact with our world. Reflect for a moment on our five senses; sight, taste, hearing, smell, and touch.

The animal uses his eyes to survive, to spot his prey and to see his foes before they see him. Our eyes also serve a utilitarian purpose, but in addition we can look with them, and when we look we find sheer delight in the colors, the patterns, and the visible arrangements of our planetary home. Beyond this, there is reading, there are the pleasures of art and architecture.

We get a second bonus with the sense of taste. It is conceivable that we might be fed intravenously with all the food elements we need for survival but with no accompanying gustatory pleasure; I don't suppose an earthworm has a palate and the same is true of most other forms of life. How come we human beings are so lucky?

Then there is the gift of hearing. There is survival value in being able to pick up sound waves and be thus warned of danger, but that's only a minor part of the auditory world. There's the murmur of the wind in the pines, the song of a bird, the babble of a brook, the roar of the surf, the sizzle of a steak, the sound of music. Music is a realm unto itself, and without it, the philosopher said with pardonable exaggeration, life would be a mistake.

Nor should we overlook the sense of smell which takes us into the subtle world of fragrances. In-

cense has performed its humble service for the sacred since the dawn of time, and the art of the perfumer antedates history. The blossom and the fruit strike the olfactory sense and an ancient racial memory stirs.

And it is not only for the blind that the world of touch — the feel of textures, contours, warmth, resilience — exists.

Life pours out its richness in a veritable torrent, but we stand alongside this flood trying to scoop up the precious stuff with a thimble! Our container is too small; that's why we take in only a fraction of what's available to us. The bottleneck is within us, in our own thick heads! We've got to enlarge our capacity; exchange the thimble for a tea cup; the tea cup for a bucket; the bucket for a barrel. We've got to work on ourselves, for there's little any person can do for another until he has done

his utmost with his own being. As Gerald Heard put it, we've got to grow as big inside as the whale has grown outside. Some few have made it, and what they have done we can emulate.

Harry Emerson Fosdick tells about baby sitting his five-year-old niece. The child got restless so Fosdick went to an old copy of *Life* magazine and tore out a page on which was a map of the world. He cut this into a number of little pieces and then told his niece, "Now put this map together." He set the child at a table and went back to work in his study.

In ten minutes the child popped into his study and announced that she had finished. This seemed incredible so Fosdick asked her how she had done it. "There was a man's picture on the other side of the map," said the child, "and when I put the man together the world came out right." 🌐

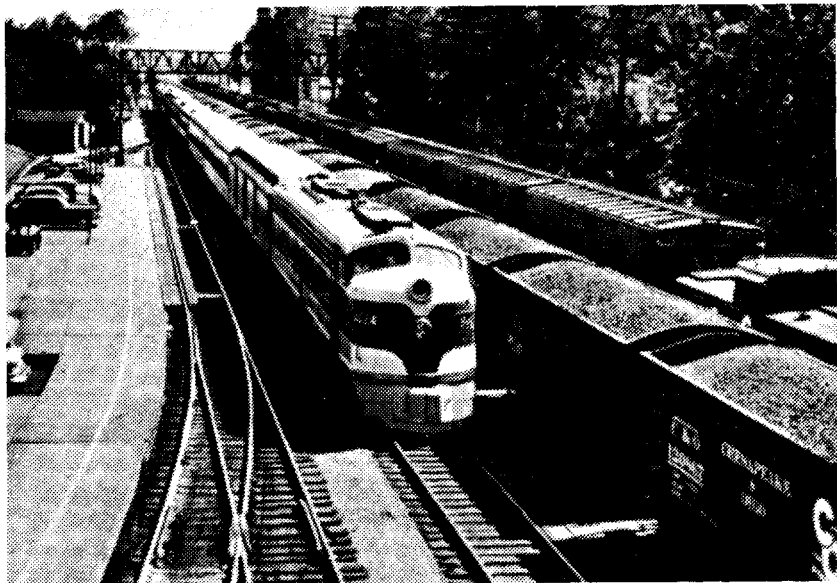
### **Communication**

How do you persuade a man to change his mind? You don't threaten him, you don't lecture him, you don't accuse him of evil crimes. You show your own security in other ideas and you keep on exhibiting evidence of the validity of those ideas. You don't especially try to *prove* anything; that only makes people suspicious; you get busy creating the good society filled with good men of the sort you say flourish naturally under the rules of your society.... You concentrate on production of the persuasive facts.

IDEAS ON



LIBERTY



## The Passing Parade

R. W. DEMERS

TOO FREQUENTLY too many of us ignore the clear, concise lesson to be learned by incidents and situations which we view only as passing commonplace, and principally a source of boredom or delay, or both.

Consider the situation which has surely confronted us all on frequent occasions — a long, rumbling freight train has crossed our path, and what is our usual reaction? We wait, of necessity, but we are impatient, irritable, and aggravated

at the inconvenience this rolling behemoth has imposed upon us.

What might have been, or could still be, a much more fruitful reaction? Could we not find a wealth of concrete, specific examples of the amazing success formula which has blessed us as the most free and independent of all people? As the cars roll by, starting with the chugging diesels to the rickety caboose, we have a graphic, demonstrative testimony to the genius and industry of free enterprise, acting in concert across a vast span of miles.

Long refrigerated cars bearing

---

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



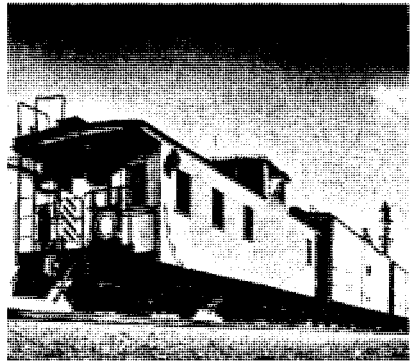
perishable citrus fruits from the sub-tropical climes of Florida, Arizona and Southern California to tiered flat cars loaded with the gleaming, shining bodies of new cars and trucks from Detroit and the various assembly plants across the land. Huge earth-moving rolling stock lashed to swaying flat beds in their multicolored coverings of paint, and defying imagination as to the nature and variety of their uses. Open-top cars, revealing their cargo and destination by the streamers of sawdust and wood chips as they bump and clatter across the rails. All sorts of cars with letters, titles, codes, and destinations from a host of rail-ways across the length and breadth of the U.S.A., challenging the imagination as to what cargo, if any, fills their interiors. Stacks of plywood, huge timbers, and sheets of gypsum. Sacks of grain, lime, cement. Tanks of milk, oil, gasoline, and acid. Dump cars of sand, stone, scrap iron, and coal. These and many, many more all followed by a swaying, creaking caboose, with wisps of smoke from its peaked smoke stack and a friendly face and a waving hand from one of the trainmen as it terminates our passing parade.

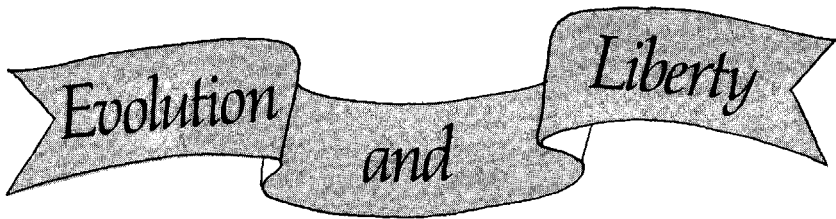
Is all this to you just a noisy interlude of annoyance and inconvenience? Have you joined the ranks of the brainwashed who can no

longer feel goose flesh shoot up and down their spines as the whistles blast, and the bells ring, and the thunder of the rolling wheels become a glorious overture to the wonderous symphony of free and competitive production?

The trains will still roll, the machines will still operate, the fields will still grow, under the heel of an omnipotent government; but the days will be dull and grey, the production will be inadequate, weak, in decay; and a cold, chilling shroud will be drawn over the light and spirit of free man.

Unless we awaken and realize that the festive table of plenty at which we feast is the result of hard-working, frugal, honest, trustworthy, God-fearing, free individuals, we may find our table swept clean and the bright lamp of freedom extinguished. ☉





Evolution and Liberty

RONALD F. COONEY

WHEN, on July 1, 1858, Charles Darwin and Alfred Russel Wallace presented their paper on the origin of species before London's Linnean Society, they could have had but little inkling of the revolution in thought they were fomenting. Of course, a theory of the origin of man outside the accepted religious belief of man as a divine creation was sure to provoke a new clash, in a war centuries old, between science and religion. Then too, the assumptions of science up to that time would have to be modified—or abandoned—to fit the new knowledge. This much Darwin could have divined. But could he have known the effect his theories were to have on fields as distant from biologic science as political philosophy and economics? Could he have known

the uses—or misuses—to which his theories would be put in those fields?

In truth, Darwin's discoveries were very influential in both of these areas. For proof of that, one need look no further than the school of social and political thinkers known to us as the Social Darwinists. To these men, the Darwinian hypothesis was a galvanizing axiom. Darwin had found in the struggle for existence a biological foundation for competition among and between men, and in the survival of the fittest a justification for laissez-faire. Here, felt the libertarian spirits of the Social Darwinists, was the definitive answer to all socialistic and reformist agitators. Lockean liberalism was thereby wedded—as we shall see, not entirely compatibly—to the findings of modern science.

Nowhere were the peculiar

---

Mr. Cooney is a free-lance writer recently graduated from the University of Nevada.

strengths and weaknesses of this union more apparent than in the writings of the chief American Social Darwinist, in many ways *the* Social Darwinist, William Graham Sumner. So thoroughly did Sumner dominate Social Darwinist thinking from the middle 1880's to 1900, so completely did he represent the movement as theoretician, expositor, and publicist, that his work, a few books and numberless essays and newspaper articles, offers a kind of proving ground for the truth or falsity of Social Darwinist doctrine.

#### ***Sociology and the Scientific Study of Society***

Sumner began his adult life as an ordained minister. He had, however, a great interest in sociology, then a fledgling science. After reading Herbert Spencer's *Study of Sociology* and *Principles of Sociology*, he became convinced of the need for studying society as the biologist studied plants, animals, or any other organisms, within the framework of fixed and immutable laws.

The first of these is evolution. The slow and steady process which brings a new species of animal into being is at work all the time in society, working toward a new social organization. Man has no control over the designs of Nature,

nor should he. "Reforms" aimed at "improving" the plan of Nature are doomed to well-deserved failure.

Then comes competition. Animals compete for food or territory, and man competes with man for the necessities of life.

Next comes the survival of the fittest. Certain animals survive because of their superior strength, cunning, or adaptability. They are Nature's favored. So it is too in human society. The fittest are those best qualified by natural aptitude, intelligence, or economic strength to survive the struggle for existence with Nature and with other men. Liberty and laissez-faire are demanded, not because of natural rights, which Sumner scorns as specious, but because they alone allow the free play of evolution and competition, and insure the survival of the fittest.

At times it is difficult to disentangle one thread of Sumner's argument from the other, so interwoven are the two, evolutionary and libertarian. Here he is, for instance, in his book *What Social Classes Owe To Each Other*, speaking on the reasons why state-charity, that popular socialist nostrum, should be disallowed:

Certain ills belong to the hardships of human life. They are natural. They are part of the struggle with

Nature for existence. We cannot blame our fellow-men for our share of these.

As we can see, the evolutionary-naturalistic argument is the dominant one in this passage. Elsewhere though, the libertarian holds sway, as in this excerpt from the same book:

... if his fellow-men, either individually . . . or in a mass, impinge upon him otherwise than to surround him with neutral conditions of security, they must do so under the strictest responsibility to justify themselves. Jealousy and prejudice against all such interferences are high political virtues in a free man. It is not at all the function of the State to make man happy.

Taking these two passages together they seem to say this: Each man must wring from Nature what his capacities and his liberty will permit. To interfere with this struggle and with the dictates of Nature is anti-Nature, anti-liberty, and finally, anti-civilization.

For Sumner sees the end-product of such meddling as nothing less than the destruction of society. The following extract from his essay, "The Challenge of Facts," draws freely on the vocabulary of the evolutionist:

Nature is entirely neutral; she submits to him who most energeti-

cally and resolutely assails her. She grants her rewards to the fittest, therefore, without any regard to other considerations of any kind. If then, there be liberty, men get from her just in proportion to their works . . . If we do not like it, and if we try to amend it, there is only one way in which we can do it. We can take from the better and give to the worse. We can deflect the penalties of those who have done ill and throw them on those who have done better . . . We shall favor the survival of the unfittest, and we shall accomplish this by destroying liberty . . . we cannot go outside of this alternative: liberty, inequality, survival of the fittest; not-liberty, equality, survival of the unfittest.

Few passages in the whole Social Darwinist canon show the unique junction of evolutionary and libertarian concepts as sharply as this one does.

If the struggle for existence proceeds without interference from the State or any other agency, then men will receive from Nature what is their due. Private property, therefore, is simply the reward of the struggle. No impediments may be placed in the way of getting and keeping property. Liberty and property are complimentary. Sumner says:

The condition for the complete and regular action of the force of competition is liberty. Liberty means the security given to each man that,

if he employs his energies to sustain the struggle on behalf of himself and those he cares for, he shall dispose of the product exclusively as he chooses . . . it is the definition of justice that each shall enjoy the fruit of his own labor and self-denial, and of injustice that the idle and industrious, the self-indulgent and the self-denying, shall share equally in the product.

To sum up the main points of Sumnerian Social Darwinism: Evolution determines the social structure. Interference with evolution is presumptuous folly, especially inimical if it includes interference with the law of competition and the struggle for existence. Such interference will favor the worst members of the community at the expense of the better. Eventually, private property will be destroyed, and with it justice, liberty, and civilization.

#### **The Laws of Nature**

Sumner obviously believed that liberty and evolution are synonymous. But are they? Sumner perceived society as being ruled by the laws of Nature. Man remains an animal, subject to the whims of Nature. He may try to avoid his fate, to postpone or deflect it, but in the end he must accept it. Nature is the master, man the servant. No conceivable amount of man-made laws can alter the fact.

No amount of interference will stay the great tide of evolution from rolling on to the goal it has set for itself.

Certainly such a deterministic view comprises a forceful case against hasty legislative meddling, but it also has serious implications for human liberty. If we agree on the inevitability of evolution, we must further agree that all human effort — which is man using his liberty — is useless, unless it is in accord with Nature's plan. But being mere men, we cannot know what that plan is. Nature conceals her intentions.

Suppose, as Marx believed, the arrival-point of history is the socialized state, the so-called "inevitability" of communism. Does this mean we should bow our heads for the yoke of statism because evolution has ordered us to do it? Is it not futile to oppose socialism if evolution wills socialism? Conversely, is it not superfluous to oppose socialistic laws if evolution will destroy them anyway? More, what assurances have we that evolution *will not* bring socialism in spite of our labors? Truthfully, we have none. Yet we can still oppose socialism as destructive of freedom without resorting to the position that it is counter-evolutionary. We can hope evolution moves toward freedom, and we can work to the attainment of that end

through the medium of our free will — something such evolutionary predestination refuses to recognize.

A thoroughgoing determinism has the secondary consequence of rendering moral judgments practically meaningless. Men who are the victims of blind natural forces beyond their control cannot be held answerable for their actions, either good or bad. In fact, words like "good," "bad," "guilty," and "innocent" are drained of all significance. No system of justice or morality is possible unless one supposes a man is accountable for what he may do. The assumption of this is the essence of libertarianism, just as absolving a man of responsibility is the essence of statism.

Determinism makes for inconsistency in one who sees life in the stark moral terms Sumner did. The theological training he received earlier in life colored his thinking long after he had abandoned preaching and taken up the gospel of evolution. He divided society into two halves, each illustrating a moral absolute, both mutually exclusive. The virtuous he identified with the qualities of thrift, honesty, industry, and economic success. The virtueless he identified with the qualities of profligacy, dishonesty, sloth, and economic failure. The virtuous

were the "fittest," the "better" in the struggle for existence. The virtueless were the "unfittest," the "worse" in the struggle for existence. Socialism would interfere with the natural law of competition and maintain the unfit at the expense of the fit. Often, when discussing this question, Sumner would cite the intrusion on individual liberty almost as an afterthought.

#### **An Oversimplification**

One can understand and sympathize with Sumner's strict dichotomy of society while admitting it is rather too simple. Comparisons between the human and animal world can go so far and no farther. By equating "fitness" and virtue with economic success, Sumner has surely gone too far. There is no evidence that the economically successful are the "fittest," and the poor the "unfittest," or that evolution recognizes either as such. We may believe that thrift, industry, and honesty are virtues worthy of praise, but we can never be sure evolution will not favor profligacy, sloth, and dishonesty.


Sumner was curiously pessimistic about man's ability to influence evolution, and curiously optimistic about the result evolution would produce. And optimistic too that the fittest are *necessarily* the sentinels of liberty. One can only

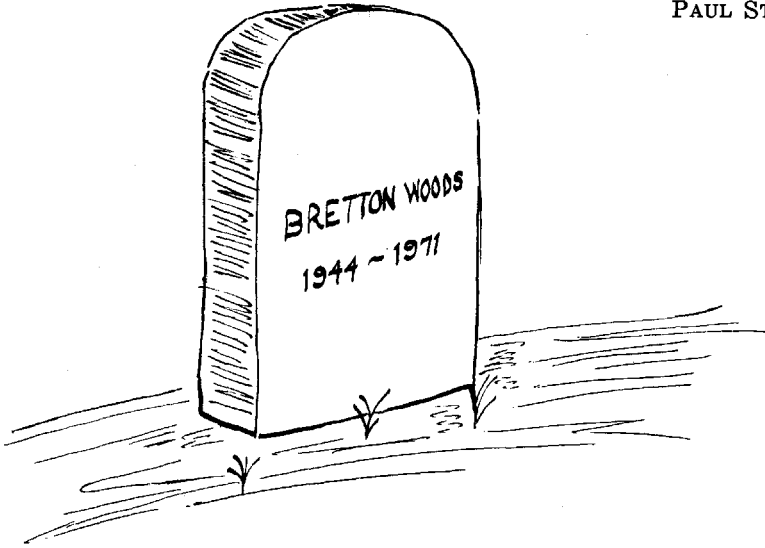
guess at the number of people who wore with ease the mantle of the "fittest" while simultaneously supporting — against Sumner — high tariffs and protectionism.

With competition, Sumner is on firmer ground, although here once again he falls into traps of his own making. Men *do* compete, and so do animals. Except as a metaphor, however, the analogy is of little worth. It ignores the vital part contract plays in the relations between men, the combining of interests for common benefit which is a distinctly human invention and which exists nowhere else in Nature. Sumner is doubtless correct that competition permits a full realization of man's potentialities. Contract, however, keeps competition from being the brutal process, "red in tooth and claw," that it is in Nature.

Socialist attacks on Social Darwinism were common throughout the 1890's and early 1900's. Some of these attacks, it must be admitted, were convincing insofar as they refuted — or tried to refute — the applicability of evolutionary theories to society. Admitting this by no means confirms the validity of socialism, however. Indeed, the refutation of glaring evolutionary presumptions disposes not at all, as some commentators sympa-

thetic to socialism have suggested, of the core of libertarian truth in Social Darwinism. One need not believe, for example, that competition is "natural" to believe that it provides an essential impetus for the improvement of man and society. One need not defend an arbitrary "fittest" to oppose State interferences with the rights of the individual. One need not think it is wrong to meddle with the forces of Nature to support laissez-faire on the conviction that it maximizes freedom.

The mistake the Social Darwinists made was thinking liberty required an external justification, a scientific *apologia*. In this, they conceded the libertarian defense of capitalism, individual rights, and laissez-faire no longer held currency. They built a new foundation upon the irrelevant and highly dubious base of natural science. By so doing, they weakened the very thing they sought to sustain. They ceased being libertarians and began being evolutionists. If we can successfully distinguish evolution from liberty, we can save the Social Darwinists from themselves. Then, perhaps, they will cease being evolutionists and begin again to be libertarians. Liberty will emerge the stronger for it. 



IN 1944, as the world was recovering from the effects of World War II, the heads of state from over 100 countries met in Bretton Woods to create an international monetary system that would unite the western world, insure monetary stability, and facilitate international trade. Over the years since then the system has been plagued by dollar shortages and dollar "gluts"; chronic deficits and chronic surpluses; perpetual parity disequilibria, "hot money" capital flows, and currency depreciation. By 1968, a "two-tier" gold market

Mr. Stevens is a free-lance writer who specializes in the field of economics.

was established in the midst of a gold crisis which, by 1971, culminated in the suspension of dollar convertibility together with a dollar devaluation against multilateral revaluations of most other major foreign currencies.

Bretton Woods is dead and an autopsy is called for to determine the cause of death. If meaningful international monetary reform is to follow, it is necessary to know what went wrong.

**Fixed exchange rates, flexible rules.** . . . Under the rules established by the Bretton Woods agreement, the gold values of a member nation's currency could be altered "as con-



*ditions warranted.*" This distinguishing feature of the Bretton Woods system exposed a drastic ideological departure from the gold standard.

Under the gold standard, no *natural* conditions would ever warrant a change in the gold value of a nation's currency. Under a pure gold standard, all the money in circulation would be either gold or claims to gold. Any paper money would be fully convertible into gold. There would be no difference between claims to gold and gold itself, since, if claims to gold circulated as money, the gold could not.

However, there are *government-made conditions* that could warrant a reduction in the gold value of a nation's currency. If governments have the power to artificially increase the claims to gold (e.g., dollars), they have the power to depreciate the value of the national monetary unit.

Bretton Woods was established with the intention of aiding governments in exercising their powers of inflationary finance. Government leaders knew that the gold standard prevented them from fully pursuing domestic goals that depended on deficit spending and prolonged, artificially induced "booms." They detested the gold standard for its *fixed rules* which brought adverse economic reper-

cussions whenever they refused to adhere to them, and they detested *flexible exchange rates* that exposed the government's policy of currency depreciation.

The political temptations of artificially increasing the money supply in order to "stimulate the economy" prevailed against the gold standard and brought the beginning of a "new era": *fixed exchange rates with flexible rules*, the exact opposite of the gold standard.

No longer would politicians adhere to the discipline of the gold standard. No longer would they have to restrict their deficits or domestic money supplies. Government leaders would make their own rules and fix the nominal value of money by decree. And if "conditions warranted" a reduction in the nominal value of a nation's money, it was agreed that a nation could devalue up to 10 per cent after the formality of obtaining other nations' permission. This was called the "adjustable peg" system.

The great ideological distinction between the gold standard and the Bretton Woods system, then, is that the Bretton Woods system was ostensibly intended to stabilize exchange rates, but at the same time it *anticipated* that governments would *not* defend the value of their currencies. Worse, Bretton

Woods *institutionalized* a method which allowed and condoned future currency depreciation.

**Export or devalue: institutionalizing the devaluation bias.**...Historically (and the Bretton Woods era was no exception) nations have seen fit to pursue a basically mercantilistic trade policy, i.e., a policy which maintains various regulations intended to produce more exports than imports.

The mercantilistic case is not a realistic one. For example, it would be impossible to develop a logical case advocating that all individuals should sell products and services at the same time. Obviously, some individuals must be consumers if there is to be a market for sellers.

There is no difference when it comes to nations trading in a world market. This is simply to say that not all nations can run trade surpluses at the same time.

An equally difficult case would be to try to convince some individuals that most of the money they receive from the sale of goods and services should be saved rather than spent on the consumption of goods. Yet this is the intent underlying all government policies that aim at increasing exports (sales) and restricting imports (consumption).

There is no logical reason why individuals should not be allowed

to reduce their cash balances by buying goods from other nations if they believe it is to their benefit; that is what their cash balances are for. To penalize men or discourage them from importing by imposing licensing restrictions, capital controls, tariffs, or "import surcharges," only serves to limit the variety of their economic choices. This in turn only serves to reduce their standard of living.

A nation's drive for export surpluses, together with its "protectionist" policies of restricting imports, leads to an increase in the domestic money supply. This influx of money, together with the money that governments feel they must artificially create in order to "stimulate the economy," leads to higher domestic wages and prices as more money chases fewer goods. These higher wages and prices create an *illusion* of prosperity, which explains the popularity of mercantilist-inflationist policies.

But higher domestic wages and prices lead to a *dwindling* trade surplus as a nation's goods become less competitive in world markets, and a dwindling trade surplus, unless corrected, eventually deteriorates into a trade deficit. This is the dilemma facing all governments that pursue the contradictory and self-defeating policies of mercantilism and inflationary finance.

Under a gold standard there is only one way to resolve this dilemma: stop artificially creating money, stop preventing money from leaving the country. The result would be a normal, self-correcting deflation — i.e., a contraction of the domestic money supply — which would lead to a *fall* in domestic prices and to equilibrium in that nation's balance of trade position.

But because governments hold an unwarranted fear of lower prices and favor higher prices that give the illusion of prosperity, the framers of Bretton Woods adopted a mechanism that would allow governments to inflate their currencies yet escape the process of a normal self-correcting deflation. By *devaluing* their currencies, governments could continue to inflate their domestic wages and prices while making their exports less expensive to the world.

The device of devaluation was established to allow nations to regain their competitive edge once their surplus deteriorated into deficit. Devaluation *immediately* lowers the price of a nation's exports, and in this way nations can more actively strive for export surpluses. Thus the framers of Bretton Woods found a way in which nations could continue both their drive for export surpluses and their domestic policies of inflation.

A nation would simply export its goods until its domestic inflation reduced or eliminated its trade surplus, then devalue. In this way the Bretton Woods system established an implicit code of conduct: export or devalue. It *institutionalized a devaluation bias* within the new international monetary system, which led to serious imbalances, ultimately resulting in hundreds of devaluations during the Bretton Woods era.

**"Hot Money Blues."** . . . Because devaluations are completely arbitrary (at best mere guesswork), new problems arose in place of old ones. The problems centered around the pre-devaluation exchange rate: nations were committed to supporting the rate even when it was unrealistic.

Bright investors soon began to realize when a particular currency was overvalued and to shift their money from the weak currency to stronger ones. This caused further pressure on exchange rates and resulted in speculation — i.e., selling short on X currency, buying gold, or buying long on Y currency. Governments intervened in foreign exchange markets in order to preserve their unrealistic exchange rates, by accumulating massive amounts of unwanted weak currencies. But this could not continue for long.

Finally, when a government was

forced to devalue, the action had repercussions on other currencies (particularly if a major currency were involved): it brought all other weak currencies under suspicion. This resulted in further devaluations as investors transferred their money into only the strongest currencies in anticipation of competitive devaluations and major currency realignments. This was called "hot money" and was attributed to speculators — not to currency-depreciating policies of governments.

Finally, under the Bretton Woods agreement, national currencies were not allowed to "float" and seek their own levels. The new "par value" of a currency was arbitrarily set by the IMF — and these were consistently either too high or too low. Like all forms of government price-fixing, the fixed exchange rate system was in perpetual disintegration. This resulted in further "hot money" flurries, further realignments of currencies, and an inherently unstable exchange rate system — the *exact opposite* of the goal intended by the framers of monetary reform at Bretton Woods.

**The role of the dollar under Bretton Woods.** . . . The role of the dollar under the Bretton Woods system was vastly different from that of other currencies. Because of the

United States' economic strength and Europe's economic weakness after World War II, the dollar was used by other governments as a reserve for their currencies. This meant the dollar was pegged to gold and supposedly committed to stability and convertibility. Thus the dollar was supposed to be "as good as gold," and therefore to be treated as a reserve asset *just like gold*.

There are several implications tied to the concept of a paper reserve currency. (1) Gold, the main reserve asset, was considered too limited in quantity to restore world liquidity or to provide sufficient wealth for rebuilding war-torn nations. (2) While gold could not be increased, a paper asset (U.S. dollars) could — consequently the reserves of the western world could be expanded. (3) Inflation could be implemented in a "more equitable" manner by an ever-increasing paper reserve. (4) A paper reserve currency "should not be devalued" yet it should be increased "*as needed*" to meet demand. This last blatant contradiction was the major factor in the disintegration of the IMF in later years.

**Limited gold — unlimited dollars: a formula for disaster.** . . . Since gold was limited, the vast majority of the assets on which foreign currencies were based to finance Europe's

recovery was not gold but U.S. dollars — the second primary reserve asset. The demand for dollars came in two forms: (1) demand for foreign exchange to be used for importing goods, and (2) demand for reserve liquidity and replenishment.

The U.S. satisfied the demand for foreign exchange by inflating its currency and extending loans and gifts to Europe. These gifts and loans were used almost entirely to import goods from the U.S. Therefore, many of these dollars returned to the U.S. However, the demand for reserve liquidity and replenishment was met by continuing U.S. deficits that led to European “stockpiling” of dollars in the form of interest-bearing notes and demand deposit accounts. Demand for dollars between 1950 and 1957 continued and an excess of dollars began to build up in foreign central banks.

After 1957, and to this day, the foreign banks have been obliged to continue to take in dollars that were neither intended for imports nor needed for liquidity. This era has become known as the era of the dollar “glut.”

**Confidence versus liquidity — a two-tier tale. . .** During the 1960’s the progressive supply and accumulation of dollars mounted and world central bankers found themselves

confronted with a government-made monetary dilemma: the more dollar reserves they acquired, the more likely was the chance that their dollar surplus would depreciate in value. To state the problem another way, the more *liquidity* central bankers enjoyed, the less *confidence* they had in their most liquid asset — the dollar.

Gresham’s Law prevailed and in 1968 central bankers and private speculators began to convert their dollars into gold. A gold crisis developed: the U.S. could not hope to convert the amount of dollars outstanding against its gold stock. A “two tier” gold market was set up to avert a dollar devaluation and the break-up of the International Monetary Fund (IMF), i.e., one free market for speculators and industrial users who would buy gold at the free market price, and an official market where governments would transact dealings at the pegged price of \$35 per ounce. Finally in 1971, in a wave of “hot money” speculation, the U.S. was forced to devalue the dollar against gold and to suspend its convertibility.

**Gold’s limitations: a blessing in disguise. . .** The demise of Bretton Woods can be traced directly to an excessive supply of dollars. The anti-gold principles of inflationary finance practiced diligently under

the Bretton Woods era, turned into a give-and-take fiasco: the U.S. became a faucet of wealth, supplying dollars on request to every corner of the world, while over a hundred countries drained the U.S. in the name of world liquidity and "reparations."

The result was a flood of dollars that swept over the world producing world inflation, numerous recessions, hundreds of currency realignments, disruptive trade, a gold crisis, and the final international monetary crisis that has left the world precariously groping for stop-gap measures to resume monetary and trade transactions.

Clearly the Bretton Woods vision of a stable and ever-expanding reserve currency was doomed from the onset. Had the governments limited their reserves to gold, the kind of monetary and credit expansion under Bretton Woods — and all of its disastrous consequences — could never have occurred. Gold places objective limits on monetary and credit expansion, and this in itself was enough for the framers of Bretton Woods to condemn it.

It is no accident that the kinds of limitations gold imposes on the extension of money, credit, and reserves is just what the world is crying for today in light of the "dollar glut." As a reserve currency, the dollar was supposed to be as good as gold. But monetary authorities

never stopped to ask "what makes gold so good?" The answer is that gold is limited — the very point for which it was condemned.

The refusal of government leaders to adhere to the rules of the gold standard and their desire to create a monetary system based on their own arbitrary rules of whim and decree, failed as it has always failed. Once again, history has proved that a mixture of government whim with the laws of economics is not a prescription to cure world problems: it has always been and will always be a formula for world chaos.

#### ***U.S. balance of payments problems....***

U.S. balance of payments deficits began in the early 1950's and have not ceased to this day. The cause of these incessant deficits can be traced to monetary and trade decisions made at the inception of Bretton Woods and reinforced throughout its existence.

***The first straw.*** . . . When it was decided that the U.S. was to act as world banker and benefactor to those countries in need of help after World War II, it is doubtful that anyone really believed the U.S. would profit as world banker. On the contrary, the consensus was that war-torn nations needed more money than they could afford to pay back. It was argued that the

U.S. could afford to (and therefore *should*) extend foreign aid (gifts), loans at below market rates of interest (gifts), and military protection (gifts), to those countries in need.

What must be remembered is the precedent for this decision: the U.S. was committed to protect and finance the western world by virtue of its great strength and an ever-expanding stream of dollars.

It was assumed that this money would return to the U.S. via import demand, and in fact, during the years 1946 to 1949 most of it did, resulting in fantastic U.S. surpluses.

***On selling one's cake and wanting it too.*** . . . But during the years 1950 to 1957, a turn of events took place. Europe by design curtailed its already abundant imports and concentrated on replenishing its national reserves. With conscious intent, the U.S. continued to supply the world with dollars through deliberate balance of payments deficits to accommodate Europe's demand for reserve replenishment. The refusal of the foreign governments to allow their citizens to use their constantly rising dollar surpluses for U.S. goods (by imposing trade restrictions) led to the dollar glut of the 1960's.

The blame for the chronic surpluses of foreign governments and

chronic deficits of the U.S. must be shared. While the U.S. can be blamed for financial irresponsibility, the surplus countries must be blamed for economic irresponsibility. The U.S. could have stopped its deficits, but surplus-ridden countries could have stopped penalizing their citizens and discouraging them from importing. Instead, they decided to increase dollar reserves (dollars that for the most part were given or loaned to them) and to either exchange them for gold or hold them in the form of interest-bearing notes and accounts.

By accumulating excessive amounts of dollars that they refused to use, surplus countries helped foster U.S. deficits: some nations' chronic surpluses must mean that other nations are running deficits. The irony of the decision to run an intentional chronic surplus is that the purpose of selling goods is to gain satisfaction as an eventual consumer. The drive for both surplus reserves and surplus exports, and the refusal to consume goods with the money received, implies that a nation expects to sell a good and somehow derive satisfaction from it after it's gone.

***The illusion of the last straw.*** . . . The increasing demand for dollars led the U.S. government and the Fed-

eral Reserve System to increase the amount of dollars and thus to depreciate the purchasing power of the dollar. As confidence disappeared in the dollar's ability to continue its role as a reserve currency, "hot money" flurries soon appeared. Thus, by the late 60's and early 70's, an enormous amount of dollars accumulated against a dwindling supply of U.S. gold. This caused both "runs" on the U.S. gold stock and "flights" from the dollar into stronger or undervalued currencies.

This speculative capital outflow caused the U.S. balance of payments deficit to increase in a pyramiding fashion. Finally, the conspicuously low amount of U.S. gold reserves, the disparity between currencies and interest rates, and a dwindling U.S. trade surplus, aroused a well-founded suspicion that the dollar might be devalued — and that other, stronger currencies might appreciate in value.

This justifiable suspicion then caused even greater U.S. capital outflows which led to even greater U.S. deficits. This was the "straw that broke the camel's back." But it was the haystack of straws before it, beginning with the first straw — i.e., the first U.S. inflation-financed gift abroad — that inexorably led to the progression of U.S. balance of payments deficits, international monetary chaos, and the

disintegration of the Bretton Woods system.

**The high price of gifts.** . . . When the U.S. embarked on a policy of inflation-financed world loans and gifts, it surrendered all hopes of attaining a balance of payments equilibrium for itself or for the world. Between the years 1946 and 1969, the U.S. as world banker extended some \$83 billion in grants and loans. Since 1958 some \$95 billion has left the country. Most of these dollars were non-market transactions motivated by political and military considerations.

While many economists believe it is necessary for the U.S. to run trade surpluses to correct its balance of payments deficits, to expect normal exports to rise to the level of these abnormal capital outflows only makes sense if one stands on one's head — it is not a logical position to take.

These grants should never have been given to foreign nations. It was an economically unsound move and the grants were extended at the expense of the American taxpayers. Further, any *additional* loans and gifts made by the U.S. to satisfy nations who demand "free" military protection, such as Europe and Japan have been demanding for years, or "reparations" such as those now being demanded by North and South Vietnam, will



only lead to further capital outflows . . . and this at a time when the world is plagued by depreciating dollar reserves and continuing U.S. deficits — the very cause of the international monetary crises which led to the demise of Bretton Woods.

Those who argue that the U.S. balance of payments deficits were caused by insufficient trade surpluses blind themselves to the fact that the U.S. has been running continuous trade surpluses for almost a century. They refuse to place the blame for U.S. balance of payments deficits where it belongs: on the U.S. government's inflationary policies of give-away finance.

***On domestic dreams and international nightmares.*** . . . The notion that governments can divorce domestic inflation from international economics is fallacious. There is no domestic-international dichotomy in economic theory. There is a causal relationship between all economic activity, thus there can be no international immunity from unsound domestic policies and no domestic immunity from unsound international policies.

To the degree that nations practice sound domestic economic and monetary policies, the result will be stable economic progress in both the domestic and international

economies. To the degree that domestic policies are unsound, distortions will occur that will be destabilizing and inhibit economic progress both domestically and internationally — the results being counter-productive in both areas.

Bretton Woods was set up to accommodate various nations' domestic dreams. The dreams of post-war prosperity were financed by inflationary schemes that were incompatible with any sound international monetary standard. The Bretton Woods agreement established the contradictory system of fixed exchange rates with a built-in devaluation mechanism, in order to avert the monetary repercussions of not adhering to the exchange rates they fixed. The framers of Bretton Woods knew that governments had no intention of preserving the value of their currencies, that, in fact, they planned to deficit spend and inflate in order to pay for their domestic economic programs.

No international monetary system — not the gold standard nor any form of standardless fiat system, nor any combination thereof — can insure stability given unsound domestic policies. The fundamental economic issue today is not the kind of international monetary system that will replace the Bretton Woods system, but whether the domestic policies of the nations in-

volved will permit any international monetary system to last. The pre-condition of any lasting monetary system is that it has integrity.

A monetary system that has integrity means a monetary system that is protected from government-created inflation, i.e., arbitrary and artificial increases in the supply of money and credit.

It is a moral indictment against today's political leaders and the public at large that the chances for a monetary system that has integrity are almost non-existent. For before a nation can have a monetary system of integrity, it must end all policies of inflationary finance. And this means that all those dreams a nation cannot afford must end.


The public has bought the politician's claim that they can get something for nothing; that all a gov-

ernment need do is print up money to pay for programs that satisfy national dreams. But there is no such thing as a free lunch — someone must inevitably pay the price of that lunch.

And so it is with domestic dreams.

The price for indulging in domestic dreams through government "something for nothing" programs is domestic inflation and international monetary crises with all their tragic and disruptive consequences.

If domestic dreams of nations today are pursued by resorting to the insidious schemes of inflationary finance, they will inevitably become the international nightmares of tomorrow.

This was the lesson learned from the Bretton Woods system. May it rest in peace! 

### *Unstable Currencies*

WHEN NATIONS are on a gold standard a fixed rate of exchange is both possible and desirable. When each currency is anchored to gold, all currencies are necessarily anchored to each other. Each currency unit can then be expressed as a precise ratio of another. It can be freely and safely converted into it. But when each country is on its own paper standard its currency can have no fixed value in relation to other currencies. It can be given the appearance of such a fixed value only by making it a crime to buy or sell it at any other rate. But this attempt to maintain by coercion the appearance of stability where no stability exists merely makes the economic consequences incomparably worse.

IDEAS ON



LIBERTY



# SEEDS OF OPPRESSION

---

INSTEAD of my reaching directly into your pocket for some worthy cause of my choice, suppose I first muster a majority to gain legal sanction for my ambitions. Thus are clearly criminal acts draped in a mantle of benevolence.

Such is essentially the process involved whenever government is allowed to concern itself with redistribution of wealth programs such as welfare, subsidized housing, job training, ad infinitum. The will of some must be subjugated to the will of the majority and their property expropriated to satisfy the whims of that majority.

This, by some rather irrational semantical juggling, has come to be known as *Progressive* legislation. If our goal is to be a totalitarian socialist state then it is indeed progressive in the literal sense of the word, but to the best

of my knowledge we are still at least paying lip service to freedom in this country.

“Well surely,” comes the rejoinder, “government has a responsibility to care for those who are truly in need — if only we could stop the abuses.” In a free society government does not have that responsibility, and never did; and as long as it involves itself in so-called social legislation there will be abuses and there will be waste and overstaffing. These problems are an inherent and inexorable part of its involvement.

Before you conjure up visions of the sick and elderly dropping in the streets and public works trucks making the rounds each morning to pick up the bodies and deposit them in common paupers’ graves, please remind yourself that almost all of this “progressive” legislation has evolved only in very recent years. Prior to our “enlightenment” we depended on private

---

The Honorable Robert E. Hood of Laconia is a member of the New Hampshire House of Representatives.

charities and on individual responsibility, and we still do in many areas that have not as yet come under the benevolent eye of bureaucrats. How far would I get if I took my tin cup in hand today and went door to door in an attempt to raise money for AFDC mothers? However, if government was not involved in this area, I am certain that no children would starve or want for clothing. Churches and private charities would readily fill the gap and there would be no abuse.


What a terribly malevolent view of mankind one must have to assume that the coercive power of government must be applied in order to alleviate human suffering.

### *Democratic Illusions*

How has this sovereign status of the majority come about? Perhaps the main reason could be that many of us are under the impression that America is a democracy. Had the founding fathers established a pure democracy, the history of this country would have been relegated to a rather tempestuous and brief period at the close of the eighteenth century. Pure democracy — mob rule, in simpler terms — is perhaps the least stable form of government ever devised.

America is a constitutional republic and it is the Constitution

which draws the line on democracy. We might be described as a representative democracy but only within the limits provided by our Constitution. Thomas Jefferson is often quoted in defense of a sovereign majority as saying, "The will of the majority is in all cases to prevail." He did indeed say it but the statement is taken out of context. Jefferson immediately added, "— that will, to be rightful, must be reasonable; the minority possess their equal rights, which equal laws must protect, and to violate would be oppression."

So it would seem that the rights of majorities must be severely limited if a free society is to endure; sovereignty lies with each individual rather than in any collective form. It is the sovereign right of each individual to life, liberty, and property that must indeed be inalienable. It necessarily follows then that no individual, no mob, no collective, and no government has a moral claim against the property of anyone, no matter how lofty the intent. The proper function of government in a free society is limited to the defense and protection of the inalienable rights of each citizen; governments may be instituted for no other purpose without inevitably becoming oppressive. 

**Editor's Note:** Elsewhere in this issue, the Right Honorable J. Enoch Powell, Member of Parliament in Britain, discusses the political implications of "the common market." Not only in Britain and other European countries but in the United States as well, the growth of state welfarism and debt-backed inflation is building into a tidal wave of protectionism.

There have been such waves before, as in the France of 1847 when Frederic Bastiat was doing his best to build the case for free trade. The following explanation, based upon Defoe's story of Robinson Crusoe, is excerpted from *Economic Sophisms* by Bastiat. It is well worth reading and pondering in 1973.

## —SOMETHING ELSE—

FREDERIC BASTIAT

"Explain to me the functioning and the effects of protectionism."

"That is not so easy. Before considering the more complicated cases, one should study the simpler ones."

"Take the simplest case you wish."

"You remember how Robinson Crusoe managed to make a board when he had no saw?"

"Yes. He cut down a tree; then, by trimming the trunk, first on one side and then on the other, with his axe, he reduced it to the thickness of a plank."

"And that cost him a great deal of labor?"

"Two full weeks."

"And what did he live on during that time?"

"On his provisions."

"And what happened to the axe?"

"It became very dull as a result."

"Quite right. But perhaps you do not know this: just as he was about to strike the first blow with his axe, Robinson Crusoe noticed a plank cast up on the beach by the waves."

"Oh, what a lucky accident! He ran to pick it up?"

"That was his first impulse; but then he stopped and reasoned as follows:

"If I go to get that plank, it will cost me only the exertion of carrying it, and the time needed to go down to the beach and climb back up the cliff.

"But if I make a plank with my axe, first of all, I shall be assuring myself two weeks' labor; then, my axe will become dull, which will provide me with the job of sharpening it; and I shall consume my provisions, making a third source of employment, since I shall have to replace them. Now, *labor is wealth*. It is clear that I shall only be hurting my own interests if I go down to the beach to pick up that piece of driftwood. It is vital for me to protect my *personal labor*, and, now that I think of it, I can even create additional labor for myself by going down and kicking that plank right back into the sea!"

"What an absurd line of reasoning!"

"That may be. It is nonetheless the same line of reasoning that is adopted by every nation that *protects* itself by interdicting the entry of foreign goods. It kicks back the plank that is offered it in exchange for a little labor, in order to give itself more labor. There is no labor, even including that of the customs official, in which it does not see some profit. It is represented by the pains Robinson Crusoe took to return to the sea the present it was offering him. Consider the nation as a collective entity, and you will not find an iota of difference between its line of reasoning and that of Robinson Crusoe."

"Did he not see that he could devote the time he could have saved to making *something else*?"

"What *else*?"

"As long as a person has wants to satisfy and time at his

disposal, he always has *something* to do. I am not obliged to specify the kind of work he could undertake to do."

"I can certainly specify precisely the kind that probably escaped his attention."

"And I maintain, for my part, that, with incredible blindness, he confused labor with its result, the end with the means, and I am going to prove it to you. . . ."

"You do not have to. The fact still remains that this is an illustration of the system of restriction or interdiction in its simplest form. If it seems absurd to you in this form, it is because the two functions of producer and consumer are here combined in the same individual."

"Let us therefore proceed to a more complicated case."

"Gladly. Some time later, after Robinson had met Friday, they pooled their resources and began to co-operate in common enterprises. In the morning, they hunted for six hours and brought back four baskets of game. In the evening, they worked in the garden for six hours and obtained four baskets of vegetables.

"One day a longboat landed on the Isle of Despair. A handsome foreigner disembarked and was admitted to the table of our two recluses. He tasted and highly praised the products of the garden, and, before taking leave of his hosts, he addressed them in these words :

"'Generous islanders, I dwell in a land where game is much more plentiful than it is here, but where horticulture is unknown. It will be easy for me to bring you four baskets of game every evening if you will give me in exchange only two baskets of vegetables.'

"At these words, Robinson and Friday withdrew to confer, and the debate they had is too interesting for me not to report it here in full.

"Friday : Friend, what do you think of it ?

"Robinson : If we accept, we are ruined.

"F. : Are you quite sure of that ? Let us reckon up what it comes to.

"R. : It has all been reckoned up, and there can be no doubt about the outcome. This competition will simply mean the end of our hunting industry.

"F. : What difference does that make if we have the game ?

"R. : You are just theorizing ! It will no longer be the product of our labor.

"F.: No matter, since in order to get it we shall have to part with some vegetables!

"R.: Then what shall we gain?

"F.: The four baskets of game cost us six hours of labor. The foreigner gives them to us in exchange for two baskets of vegetables, which take us only three hours to produce. Therefore, this puts three hours at our disposal.

"R.: You ought rather to say that they are subtracted from our productive activity. That is the exact amount of our loss. *Labor is wealth*, and if we lose one-fourth of our working time, we shall be one-fourth less wealthy.

"F.: Friend, you are making an enormous mistake. We shall have the same amount of game, the same quantity of vegetables, and — into the bargain — three more hours at our disposal. That is what I call progress, or there is no such thing in this world.

"R.: You are talking in generalities! What shall we do with these three hours?

"F.: We shall do *something else*.

"R.: Ah! I have you there. You are unable to mention anything in particular. *Something else, something else* — that is very easy to say.

"F.: We can fish; we can decorate our cabin; we can read the Bible.

"R.: Utopia! Who knows which of these things we shall do, or whether we shall do any of them?

"F.: Well, if we have no wants to satisfy, we shall take a rest. Is not rest good for something?

"R.: But when people lie around doing nothing, they die of hunger.

"F.: My friend, you are caught in a vicious circle. I am talking about a kind of rest that will subtract nothing from our supply of game and vegetables. You keep forgetting that by means of our foreign trade, nine hours of labor will provide us with as much food as twelve do today.

"R.: It is very clear that you were not brought up in Europe. Had you ever read the *Moniteur industriel*, it would have taught you this: 'All time saved is a dead loss. What counts is not consumption, but production. All that we consume, if it is not the direct product of our labor, counts for nothing. Do you want to know whether you are rich? Do not measure the extent of your satisfactions, but of your exer-



tion.' This is what the *Moniteur industriel* would have taught you. As for myself, being no theorist, all I see is the loss of our hunting.

"F.: What an extraordinary inversion of ideas! But. . .

"R.: But me no buts. Moreover, there are political reasons for rejecting the selfish offers of the perfidious foreigner.

"F.: Political reasons!

"R.: Yes. First, he is making us these offers only because they are advantageous to him.

"F.: So much the better, since they are so for us too.

"R.: Then, by this traffic, we shall make ourselves dependent upon him.

"F.: And he will make himself dependent on us. We shall have need of his game; and he, of our vegetables; and we shall all live in great friendship.

"R.: You are just following some abstract system! Do you want me to shut you up for good?

"F.: Go on and try. I am still waiting for a good reason.

"R.: Suppose the foreigner learns to cultivate a garden, and that his island is more fertile than ours. Do you see the consequence?

"F.: Yes. Our relations with the foreigner will be severed. He will no longer take our vegetables, since he will have them at home with less labor. He will no longer bring us game, since we shall have nothing to give him in exchange, and we shall then be in precisely the same situation that you want us to be in today.

"R.: Improvident savage! You do not see that after destroying our hunting industry by flooding us with game, he will destroy our gardening industry by flooding us with vegetables.

"F.: But this will happen only so long as we shall be in a position to give him *something else*, that is to say, so long as we shall be able to find *something else* to produce with a saving in labor for ourselves.

"R.: *Something else, something else!* You always come back to that. You are up in the clouds, my friend; there is nothing practical in your ideas.

"The dispute went on for a long time and left each one, as often happens, unchanged in his convictions. However, since Robinson had great influence over Friday, he made his view prevail; and when the foreigner came to learn how his offer had been received, Robinson said to him:

“ ‘Foreigner, in order for us to accept your proposal, we must be very sure about two things :

“ ‘First, that game is not more plentiful on your island than on ours ; for we want to fight *on equal terms*.

“ ‘Second, that you will lose by this bargain. For, as in every exchange there is necessarily a gainer and a loser, we should be victimized if you were not the loser. What do you say?’

“ ‘Nothing,’ said the foreigner. And, bursting into laughter, he re-embarked in his longboat.”

---

For further discussion of the Bastiat philosophy of free trade see:

**The Tariff Idea**

by W. M. Curtiss

80 pages \$1.00

Also, for a better understanding of the close relationship between protectionism and inflation, see:

**What You Should Know About Inflation**

by Henry Hazlitt

152 pages \$.95

**What Has Government Done to Our Money?**

by Murray N. Rothbard

49 pages \$1.25

All available from

THE FOUNDATION FOR ECONOMIC EDUCATION

Irvington-on-Hudson, New York 10533

## ***How to Start Your Own School***

Way back at the beginning of the Sixties, before the U.S. started its descent into the maelstrom, I did a series on education for the *Wall Street Journal*. I considered myself a good anti-Statist then, but I made an exception (Leonard Read would call it philosophical "leaking") for the institution of the public school. This country had accepted "free" public education ever since the Eighteen Forties, and the idea seemed inextricably imbedded in our strangely mixed culture. I kept saying to myself that lots of good people had come out of the public high school and that was all right as long as there were a few private schools around to provide competition.

In the course of writing my series I encountered Carl Hansen, head of the Washington, D.C., public school system. He had a grand educational revolution — in reality, a counter-revolution — going. Chil-

dren in his schools were getting their reading by phonics. Spanish was taught in the third grade. Instructors could come into the Hansen system without taking the full complement of those ridiculous "methodology" courses that the teachers' colleges considered necessary to "progressive" education. Hansen had one school — the Amidon School — that was a jewel. Anyone, whether black or white, could enroll in it if transportation could be worked out and if he or she could keep grades up to snuff. Needless to say, Hansen believed in a "track" system that would permit bright students to go ahead at their own swifter pace.

Hansen convinced me at the time that a good man could do much to purge the public school system of the "progressive" malaise. But Robert Love out in Wichita, Kansas, knew better. At about the time I was seeing a savior in Carl Han-

sen, Mr. Love was taking his three children, Randy, Robert, and Rebecca, out of the public schools of Wichita. The kids, as he says, weren't learning anything, and Randy, the oldest, had become terribly confused when his fourth grade teacher made an example of him because he chose to exempt himself from a "voluntary" program. Mr. Love and a few other disgusted parents had to pioneer their own private school, which is now known as the Wichita Collegiate School. Between 1967 and 1970 Wichita Collegiate graduated fifty students, forty-eight of whom were in college as of the Spring of 1971. Fifteen of those graduates were semi-finalists in the National Merit Scholarship competition, and three of them were finalists.

Meanwhile, Carl Hansen had long since departed from Washington. The "track" system had been abolished in D.C. schools, and mediocrity had returned. The fault was not Carl Hansen's; he was and is a first-rate educator. The point is that running a counter-revolution in the public school system is bound to come to grief. The bureaucrats don't want it, and they are in control.

### **The Story of Wichita Collegiate**

For the benefit of parents who are fed up with all the things that afflict public education, from bus-

ing to the "look-say" method of teaching reading, Mr. Love has put the story of Wichita Collegiate into a fascinating "do it yourself" book called *How To Start Your Own School* (Macmillan, \$5.95). Wichita Collegiate has never received a penny of public tax money, and it does not rely on fund-raising campaigns or special donations. Its philosophy is "full cost," meaning that it charges enough in tuition to pay its bills. It doesn't believe in hiring a lot of "coordinators" and trouble shooters; the headmaster is the administration, and if the parents don't like the instruction they complain directly to the teachers. There is no tenure at Wichita Collegiate; if a teacher can't satisfy the students, the parents, and the people who do the grading on the college boards, he either has to improve his record or go. Collegiate's idea is to hire fewer faculty members at higher salaries to do more work, which runs 180 degrees counter to Parkinson's Law. The teachers are not required to have "methodology" certificates from schools of education; as long as they know their own subjects, and have the ability to interest their students, they can command top salaries.

To get the most out of its plant, Collegiate has gone over to the trimester system. Some faculty members work for the school year-round, doing carpentry, painting,

landscaping and repair work in July and August, in addition to teaching summer school.

### **Full-Cost Athletics**

There is an athletic program at Collegiate, but the parents pay for it. It costs \$30 to be on the football squad. The school shares its Olympic swimming pool (it has an inexpensive plastic bubble top) with a local swim club. The father of a boy who scores the winning basket in a close basketball game "has to buy the next set of bleachers." The baseball diamonds are used jointly with the Wichita YMCA. Collegiate has good teams, but, as Mr. Love puts it, "the parents who really want team sports will support the program and let the school get on with education."

In return for scholarship assistance Collegiate expects students — and "in some cases the parents" — to do work around the school. Mothers drive the buses. Collegiate once had a professional librarian, but it discovered that mothers of children on scholarships could do a perfectly competent job of running the library. So the money the school once paid out as a librarian's salary now goes, indirectly, into scholarships.

Mr. Love's book sticks mainly to the Collegiate story, and it is the better for that. But it offers some generalized advice to parents who

may be thinking of starting private schools in other towns. Any two teachers, says Mr. Love, can set up a preschool and kindergarten. If the business goes well, and six more willing teachers and a secretary can be found, it is not difficult to expand the school to one carrying on through the sixth grade. The need for a headmaster does not arise until the school adds upper grades. As for finances, the parents will have to cover the costs in tuition fees if they can't find benefactors. One way of raising capital for buildings is to sell shares to the parents, who can resell them after their children have graduated. In any case, the costs do not have to be exorbitant if the Collegiate tight-budget practices are followed.

### **New Private Schools**

Samuel L. Blumenfeld's *How To Start Your Own Private School — And Why You Need One* (Arlington, \$9.95) offers a wide-ranging corroboration of everything Mr. Love has to say. Mr. Blumenfeld makes the point that Horace Mann, who saddled the U.S. with "free" compulsory public education, got his idea from the schools of Prussia. Horace Mann considered State-run schools to be "democratic." He also believed in phrenology. He didn't live long enough to see what Prussian "democracy" did to Europe in World War I (the Kaiser's

war) and World War II (Hitler's holocaust).

Much of Mr. Blumenfeld's book is devoted to a survey of the new private schools that are springing up in the South. Despite the widespread feeling in the North that such schools as Prince Edward Academy in Farmville, Virginia, and Montgomery Academy in Montgomery, Alabama, are "segregation schools," these new private ventures are, in Mr. Blumenfeld's opinion, legitimate efforts on the part of southern parents to save their children from getting inferior educations. Busing, says Mr. Blumenfeld, may turn out to be a great blessing; it has rehabilitated the idea of a free market in education as nothing else could.



WHAT YOU CAN DO by Lemuel R. Boulware (San Diego, Calif. 92109, Box 9622: Loeffler & Co., Inc., 1973) 192 pp., single copies \$1.35. (Discounts on quantities.)

*Reviewed by Henry Hazlitt*

THE FULL TITLE of this book is *What You Can Do About Inflation, Unemployment, Productivity, Profit, and Collective Bargaining.*

It lives up to that title. It is a clarion call to action. It reminds

the reader that he is not merely someone with a seat in the spectator stands; that what is being done daily by officeholders in Washington and in the labor unions vitally affects his interests; that in some respects economic conditions in this country are getting worse almost daily; that one of the chief reasons for this is that most of us do not realize that it is *our* ox that is being gored; that the majority of business leaders have themselves to blame for either not understanding what is going on, or for lacking the initiative or courage to speak out in their own defense.

Mr. Boulware begins by pointing out that all 200 million of us, whether we realize it or not, have a direct or an indirect stake in the continuous prosperity of American business. First, he estimates, even allowing for duplication there must be at least 50,000,000 of us who are direct or indirect owners of our 1,500,000 businesses. There are 31,000,000 known owners of stock in corporations listed on the exchanges, and obviously more than 10,000,000 owners of our 10,000,000 unincorporated businesses. There are 25,000,000 savings accounts, millions more depositors in checking accounts, 28,000,000 participants in private pension funds; 130,000,000 insurance policy holders, and so on, all

of which are at least indirect investors in American business.

Finally, of course, there are some 87,000,000 men and women in the civilian labor force, whose pay and continued employment are directly dependent on the continued prosperity and profits of business.

Yet here we come to an incredible paradox. While the whole economy depends on the continuance of profit, while profits are the driving force to production and creation, politically "profit" has become a dirty word.

Sometimes the necessity of profit is reluctantly conceded. But only of an undefined "fair" profit. And from the daily denunciations of politicians and labor leaders we are left to gather that profits are chronically *not* fair but "excessive" and "exorbitant."

The public is appallingly ignorant of the facts. A survey conducted by McGraw-Hill's Opinion Research Corporation found that the median guess of the American people is that even after taxes manufacturing companies make 28 cents on every dollar of sales. This is seven times the actual figure. In 1970, American companies made an average after-tax profit of just 4 cents on every dollar of sales.

The thinness of this margin is illustrated in another way. Of the amount available for distribution

as between the employees of the corporations and the owners, the workers, year in and year out, get about seven-eighths and the owners only one-eighth. In 1970, the employees of the corporations got nine-tenths and the owners one-tenth. This is just the opposite of what most Americans believe the average distribution to be. Moreover, about half this profit is not paid out in dividends but is reinvested in the business to increase productivity, employment, and real wage-rates.


The greater part of Mr. Boulware's book is devoted to educating the average citizen in the economic facts of today's world. He points out that our chronic inflation is caused solely by the government's own policy in printing more paper money faster than matching goods and values can be produced. He shows that unemployment is created whenever union-pressure forces wage-rates above what productivity can justify or the market can support. This in turn brings more pressure on the government to print more money to raise prices to make the higher wage-rates payable.

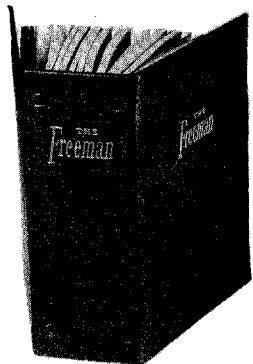
As the former vice-president in charge of labor relations for General Electric, Mr. Boulware writes, of course, with special authority on so-called collective bargaining. This he finds today to have become

"not free, not collective and, in fact, too one-sided to be any real bargaining at all."

Why do all these destructive practices and policies prevail? Because they are *politically* the most acceptable. Mr. Boulware uses the word "political" throughout his book in the narrow sense of "what is bad for, but will look good to, the constituents involved." Bad policies look good to them because

they are ignorant and confused. It is Mr. Boulware's driving passion to remove this ignorance and confusion, and to give those businessmen and economists who do know better the courage to speak out.

This is a what-to and a how-to handbook. I know of no more useful or necessary pamphlet in our present political and economic crisis. 



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 6 • JUNE 1973

- Liberty and Public Opinion** **Perry E. Gresham** 323  
How to stem the modern tide of interest-group interventionism and recover the liberty and virtue of the capitalist public philosophy that characterized the flowering of America.
- Free Enterprise: a Definition** **Earl Zarbin** 334  
Not what the government obliges us to do, but what happens if government is properly limited—and man is free.
- Can We Keep Free Enterprise?** **Henry Hazlitt** 339  
An expert on the nature and practice of freedom outlines the most important challenge of our lives.
- "Permissiveness" or Liberty?** **Robert C. Wilson** 349  
Unless men are wards of the State, government has no power to be "permissive."
- Competition — What and When** **W. A. Paton** 353  
Concerning the nature of competition and the fallacies and misunderstandings that gathered around it.
- Sisyphus** **Leonard E. Read** 366  
A sisyphist: anyone who deliberately magnifies the effort required for a desired result.
- The Reformation and Economic Development Today** **Edward Coleson** 368  
A study of the record of industrial development from a Christian point of view.
- Book Reviews:** 377  
"The Conquest of Poverty" by Henry Hazlitt  
"The Foundations of Morality" by Henry Hazlitt

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "The Reformation and Economic Development Today."



# Liberty



## and Public Opinion

PERRY E. GRESHAM

THE PUBLIC PHILOSOPHY which characterized America during its most creative period had many diverse and varied sources and tributaries. When Thomas Jefferson presented to an assembly of his countrymen those memorable words: "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," he was borrowing from John Locke. Jefferson had taken certain liberties, for Locke said—"Life, liberty, and property." This was somewhat more precise. "Property" is an essential and integral element of the American Dream, the concept and institution which allowed the dream to be formulated into a

compelling capitalistic public philosophy. Individual liberty was tempered by inner moral responsibilities which inspired free men and women to swear allegiance to God and country, and then proceed to implement these oaths by sacrifice of "life, fortune, or sacred honor" if necessary. Both liberty and virtue undergirded the capitalistic public philosophy which characterized the flowering of America.

While the founding fathers and succeeding generations differed among themselves to the point of heat, fire, and occasional violence, an underlying common purpose gave a sense of direction and a vision of destiny which powered the Western expansion and developed a "Nation under God with liberty and Justice" for most everybody. This *Weltanschauung* derived from remote times and places. John Milton's *Areopagitica*

---

Dr. Gresham is President Emeritus and Chairman of the Board, Bethany College, Bethany, West Virginia.

was basic to the right to publish; Adam Smith's *Wealth of Nations* contributed such fundamental ideas as the division of labor and the free market; John Locke and the French Encyclopedists contributed to the politics and government which issued therefrom; Mandeville's *The Grumbling Hive* was modified by the more cautious and systematic John Stuart Mill to form the concept of the free individual as the unit of society; John Calvin and the Puritans had witnessed to the Apostles and Prophets so eloquently that their echos were still heard in Boston, Richmond, and Philadelphia.

### **Life, Liberty, Property**

The right to life meant more than mere survival; it implied that each person is manager of his own life and is, therefore, the slave of neither the state nor of any other person or collection thereof. As a unique and autonomous individual, each could realize his best self in proportion to his ability, his aspirations, and his diligence. The basic unit of society was an individual person who could feel joy and sorrow, wonder at the universe around him, think about the nature and destiny of man on this little planet, and freely participate in the government to which he gave his consent.

The right to liberty carried

overtones of the Graeco-Roman concept of free men in contradistinction to bond men. The American free man was no slave of the state, the trade union, the association, nor of any man or group of men. That glorious free spirit was perfectly illustrated by a wise Texas pioneer named Ligon who said, "I am a member of the Democratic party, but I don't belong to it." Individual and private judgment is one of man's most cherished values — unless he has been beguiled into the faceless collectivist crowd.

Freedom to choose his own way of life and to exercise his own utility schedule were as much the right of each founding father as was his celebrated right to create a new form of government free from foreign domination. The Yankee did not tell the Virginian what he could buy, sell, or wear, and the Planter knew better than to attempt any thought control over the New Englander. Liberty meant freedom to initiate, acquire, sell, enter into contracts, and to exercise his right to freedom of speech, press, or assembly. He felt free to hire, fire, change jobs, leave the country, or grow a long and beautiful beard at will.

The right to property implied a free market. A free man could trade, work, manufacture, buy or sell at will as long as force or

fraud was not involved. He could save some of his money to buy tools, land, hire help or build a plant and thereby extend the power of his productive capacities as well as those of his fellows. This opened the way to the miraculous division of labor whereby each in his own way could contribute toward the development of a vast network of communication and transportation which, in turn, made this nation possible. New cities developed — not blighted and fearful jungles, but beautiful cities wherein each did his own thing without recourse to the hatred and violence which now threaten each urban dweller and leave the lonely streets deserted because of fear.

Differences there were, and laws were necessary, but the common sense of decency and fair play obtained in sufficient strength to restrain the greed and aggressiveness of man. The strength of public approval for industry, honesty, frugality, and moral rectitude joined with the universal public disapproval of rapacity, lawlessness, violence, and misbehavior to save us from the gross evils which now threaten our very existence as a nation. Even the outlaws of the Old West soon yielded to that supreme control of human behavior called public opinion.

The concept of property became, with the benefit of its religious heritage, a doctrine of stewardship wherein the owner was really acting as a trustee for the Creator. The Vanderbilts, Carnegies, and Goulds felt responsible to man and God for the administration of wealth for the good of man. Charity was born, not of the Welfare State which destroys charity by reliance on coercion but of the thrust of obligation which derives from freedom and from a sense of property held in trust.

#### ***A National Interest***

I have mentioned that the capitalist philosophy assumed certain common ends and purposes for the people of our nascent nation. The Constitution opens with the declaration of a free people seeking to establish justice, preserve freedom, provide for the common defense, insure domestic tranquility, and promote the general welfare. Honest, but differing, men contended valiantly over State's rights, public improvements, international involvements, and hard money, but the overarching loyalty to the country was never in question. Free men were free to be wrong as well as right; and the best interest of each citizen turned out to be the best interest of every citizen. In rare cases, public opinion, and, occasionally, the law in-

tervened in such matters as the defense of the realm.

The prevailing public philosophy, however, was not without fault. From the standpoint of successful operation, history shows no more effective framework for progress, yet that very idea of progress marked the period with Utopian expectations that were beyond the realm of possible achievement. The perfectibility of man was assumed in the face of historical evidence to the contrary. Education was regarded as the touchstone that could transform stupidity into knowledge and ignorant immorality into informed virtue. Only in recent times have we faced up to the facts of human limitation and the illusion of progress in morality, intelligence, and art. The obvious progress in technology, together with our astonishing success in achieving affluence, misled our fathers into great expectations which history could only deny.

### **The Current Public Philosophy**

We lack a coherent and workable public philosophy in America today. Such as we have can best be described as Interest-Group Interventionism. The individual has lost his identity to his interest group. We speak now of the minorities, the unions, the business and trade associations, the par-

ties, the South, the intellectuals, the hard hats, the professions, but not of the individual people who are endowed with the rights to life, liberty, and property. This groupism has been internalized with the result that a person will vote against his own interest or his own judgment in order to belong to the group. The groups have learned the art of discipline, and such pejorative words as "Scab", "Uncle Tom", "Reactionary", or "Chauvinist" soon bring the errant member back into the interest group.

Those who defend Interest-Group Interventionism assume that countervailing group power will bring about an appropriate balance so that the public will be served even though each group is out for itself alone. Adam Smith saw what he called "an invisible hand" that caused good to redound to society while each individual sought his own ends. This appeared to work as long as there was an overarching public philosophy which enabled the free market to perform its miraculous function. To posit, however, "an invisible hand" that would derive public good from interest-group power is wishful fiction. The interest group with the most clout predominates, and the public be damned. Consider, for example, the ignored claims of the public

on striking teachers, or the public need for access when a militant youth group mounts a paralyzing demonstration.

### **The Road to Violence**

The loudly proclaimed objective of equality turns out to be rhetoric when the group interest is involved. Group against opposing group is a kind of warfare which can resort to violence. Consider, for example, the radical racists — both black and white — or the radical union and the goon squads of the recent past. The human group is of such a nature that it leads its constituent members into fantastic expectations and unreasonable demands. An otherwise thoughtful and sensible group member may be blind to the nature of his interest group action. Casey Stengel, with more than usual insight and candor said: "All I want is a fair advantage." This is the attitude of the average interest group.

So pervasive is this chummy philosophy that our laws are written for interest groups and our government administers the laws with the interest group in mind. The Department of Labor, for instance, has become a servant of the unions, the Department of Agriculture works for the agricultural interests, and the Department of Commerce represents the

trade associations. The net effect of the interest-group philosophy is contempt for law which dares to oppose the group interest.

Radical youth have no reluctance to violate the laws they dislike. The violator who burns his draft card or burns an ROTC building is more hero than law-breaker to his crowd. Looting, rioting, even killing are justified and praised by the gang. Unions who feel their interests are violated feel free to break laws, or heads if necessary, to gain their ends. The radical blacks have come to regard policemen as pigs and many laws of the land as racist. Those who resisted the war in Indochina gloried in stealing documents, aiding the enemy, evading the draft, and disrupting society. The agencies which mirror public opinion such as the media, the academic people, and the public figures including some government officials have, on occasion, condoned and even praised such contempt for the law.

### **War Against Business**

Interest-Group Interventionism has mounted the most amazing war against business. From quite different backgrounds, Mises and Schumpeter predicted the assault. Many business leaders have capitulated and thereby contributed to the predicament. The politicians

have ganged up on the business community for the obvious reason that there are more votes with the opposition; the young have called business a rat race and concluded that even if you win it you are still a rat; the consumerists are often more interested in punitive action against business than in public protection; radical ecologists care less for clean air, water, and unspoiled nature than they care for aggression against the business community; even the unions whose very life depends on successful companies are out to destroy, with political help, the very industries which sustain them.

Businessmen have lost the self-esteem that makes the risks and hardships of business and financial responsibility worth the candle. The president of a vast corporation must slink into his barricaded office from the back way and say as little as possible about his work and his interests lest the ubiquitous enemy find new opportunities for attack. Some executives have joined the assault and are lined up with the enemy in order to buy a little public favor with the leftwing establishment and, perhaps, to pick up a few bucks at the expense of their more valiant colleagues.

The worker stands to lose even more by the Interest-Group war

against business. Absenteeism, a major threat to the American economy, is a greater threat to the true interest of the worker even though his group folklore prompts him to think of it as his own right and a good way to get back at the company. Shoddy products and the loss of markets, both foreign and domestic, can only mean disaster for labor. The peer group which once ostracized an irresponsible worker now defends him and even applauds his disregard of schedules and assignments. Pride in workmanship, once a major satisfaction to an employee, is now held in cynical contempt by some who carp of exploitation and alienation.

#### ***The Worker's True Interest***

The true interest of a worker is a prosperous company of which he can be proud, one which can afford to pay him well and treat him with considerable respect as an essential colleague. Such a worker is proud of his product which can compete with anything in the world. Yet the gang philosophy has threatened his job security by ill-conceived laws. It has taught him to think of work as a necessary evil, his company as an enemy, his job as a right of access to fabulous pay — with no responsibility for quality and quantity in production.

The American worker is exploited by the public philosophy



and not so much by the corporation or by capital as he has been led to believe. The New Left ridicules him as a dope to believe in his country, and the left-leaning young call him a "Hard Hat" with supercilious contempt. The politicians offer him anything to buy his vote, and then give him only bad legislation which worsens his predicament. The strong and independent American worker seems unaware of the Interest-Group philosophy that is socializing his property, curtailing his liberty, and destroying his dignity.

The current public philosophy tends toward socialist economics, collectivist and egalitarian politics, government intervention, feeling rather than reason in the arts and public concerns, change rather than stability, sentimental identity with the underprivileged at home and abroad, sympathy for the left, and antipathy for the right.

### ***The Class Struggle***

The Utopian expectations inspired by the going viewpoint are quite beyond human possibility — if we can trust history. No civilization has ever achieved equality; but even if it were possible it would not be satisfactory, for those who feel disadvantaged seek domination rather than equal status. Not everyone can belong to the ruling class, for position and pref-

erence require the obverse — subordination. Gilbert and Sullivan effectively lampooned the pretensions of such Utopian expectations with the humorous failure of an attempt to make the butler into the Lord High Butler and the coachman into the Lord High Coachman. The consequence of a successful revolution would not be the "classless society" but a new and different ruling class, with inferior status and subordination for the rest. Much of the joy of the new ruling class would be the opportunity to beat up and put down the old ruling class. Envy, hate, and aggression are the psychological matrix of the class struggle.

Interest-Group Interventionism is not working and will not work because it is based on too many false assumptions. It lacks the common purpose and teamwork essential to a going and coherent society. Socializing the industries tends to reduce, rather than enhance, the standard of living. No country can defend itself without patriotism. No society can survive unless its people can become inured to the fact that many must accept and enjoy subordinate positions. Without reasonable equality of opportunity and equal justice under the law, no country can survive. No interest group can arrogate to itself control of the body politic without the dissolution of the

country — unless that group becomes the government as happened in Russia and China. Even then, freedom is lost for all but the ruling clique.

***Toward the Recovery of a Workable Public Philosophy***

The ancient ideal of the rule of law rather than the rule of men is still valid even though the rush to pass interest-group legislation has perverted the concept. The rule of law as conceived by Plato, Solon, and Edward Coke implied that laws should be minimal rather than endlessly proliferating as they are today. The laws, moreover, must be enforceable and enforced or they are not laws at all. The ridiculous attempts at the prohibition of alcoholic beverages as conceived by Volstead and passed by the Congress are examples. Any law, moreover, should be written precisely so that interpretation is easy and negotiation unnecessary. Good laws are even-handed and fair to everybody, and should be enforced on all parties alike. The wheeling and dealing of government regulatory agencies who strive for consent decrees through muddled and ambiguous legislation is a travesty on justice and an invitation to fraud.

Our system appears to suffer from excessive special interest-group legislation. This results in a

hopeless jungle of class-oriented laws, vaguely written, subject to administrative bargaining and dealing, rather than simple clarity and enforcement. We have laws for the veterans, the farmers, the unions, the builders, the railroads, the motor companies, the colleges, and almost any other interest group that comes to the mind and attention of some eager legislator.

The country would be better served by legislative sessions dedicated to the repeal of the superlative laws rather than the relentless creation of new ones. It is the shame of our age that a legislature takes pride in the number of bills it has passed to clutter the books and reduce human freedom. Laws to protect life, liberty, property, and laws to provide for the security and defense of the realm are essential and few. The legal corpus, like university catalogues, needs a thorough wringing out.

***Avoid Needless Laws***

In our charming little college town, we once had a bright and scholarly mayor who persuaded the town council to pass a law that no dog should bark or make any menacing noise. The dogs, unfortunately, could not read, and the growls continued. The state and Federal laws are more sophisticated but therefore more threatening to the common interest. A review

of the special-interest legislation passed in the last decade would suggest real danger to the Republic. Such laws are intended to bring advantage to a few at the expense of many, and are, moreover, frequently unenforceable on a just and equitable basis. The result is administrative law with reliance on negotiation and compromise; nobody knows what is truly legitimate and nobody feels secure.

Such problems as obtained in our jury system and in our courts are beyond the scope of this paper, but the laws of the land can be effective only to the extent that they are accepted and obeyed. Society could not operate if force were required against many persons to compel obedience. The glory of Britain at the peak of her influence was the respect for law which was apparent in each citizen, along with the atmosphere of public expectations which inspired this respect. Centuries earlier, Plato had Socrates expound this very principle and epitomize it in the maxim: "The kingly man is a living law." Enforcement is essential, but it is for the few offenders. The vast majority must love and live the law.

### ***Be An Individual***

An honorable and effective public philosophy can be recovered if enough people think, care, and join

in the affirmation of a systematic public opinion which honors life, liberty, and property.

Be an individual, and the group loses a pawn.

The collective mind obtains only when the individual mind abdicates.

Be free in thought, feeling, and action, and a one-man counter-revolution begins.

A noble capitalist is the best argument against communism.

Thomas Carlyle was on target when he said: "Be honest, and there will be one less scoundrel in the world."

Philosophy, public or private, begins in wonder and continues in the love of wisdom. It soon develops into a formulation of a viewpoint. Clearing the muddle out of one's head and thinking for oneself is a delight worthy to be prized.

A review of the American past seems to one old philosophy teacher to indicate that we have been blessed by the most effective and defensible public philosophy known to man. Our experiments in socialism, interventionism, statism, and interest-group legislation, with astonishing disregard for the most reliable and convincing evidence, have almost destroyed the goals, teamwork, and safety of our cherished land. Those of us who prize the rights to life, liberty, and prop-

erty need to get our facts together and our theory organized so that we can make a case for the capitalist public philosophy before it is too late. America need not decline and fall just because Rome did. Each and every informed and articulate exponent of freedom is a vote for "a new birth of freedom."

I have been amazed at how convincing and unanswerable are the arguments for liberty in human affairs. I have heard Mises, Friedman, Rogge, Wright, and Hayek stand before throngs of students and faculty members with the challenge for anyone to name a period in world history in which the people enjoyed a high standard of living under any except a free market economy. Never have I heard a successful refutation of liberty, nor even a convincing example to the contrary. Beyond economics, however, the case for the initiative of free people is even more impressive.

With truth and history on the side of freedom, argument in its behalf is pleasant and rewarding. As a lifelong student of ideas, I am perplexed and troubled by my academic colleagues who are enthralled by the specious but superficially plausible arguments of the socialists. The patent mistakes of the Marxian Utopian expectation of a classless society, along with the mistaken assumption that cor-

rupting power rests with private ownership rather than with the commissariat, are illustrative.

Become an expert in freedom philosophy, and have fun!


***The Ideal Is Practical,  
Despite Problems***

The problems of society are never solved; they are only resolved. No system ever works as well as its proponents claim. Even the halcyon days of American capitalism were fraught with occasions of license, rapacity, greed, envy, and fraud. If my case for Peoples' Capitalism seems too good to be true, you can rest assured that the faults of the system made it at home in the real world of people. When the late Will Rogers was asked, "What is wrong with the world?" he answered — "Mostly just folks!" You cannot have a perfect society with imperfect people. But a tolerable society it was, and that society could be recovered. Our present predicament has become almost intolerable, with urban jungles, greedy and unfair demands, superarrogations of power in the hands of the State, widespread nihilism, recourse to violence, contempt for law, and public approval of uncivil and even criminal behavior. We call not for Utopia, but only for a public philosophy which can release the free spirit, restrain the evil in man,

and allow private interest to rebound to public benefit.

If I am charged with describing the public philosophy in terms of the ideal, I accept the charge, but only in part. I have described it, rather, in terms of the possible. I feel warm identity with my delightful philosopher colleague, the late T. V. Smith, who said: "Don't let the best become the enemy of the good!" Plato defended his ideal city state in the *Republic* as not in actual existence, but "a pat-

tern laid up in heaven." The possible public philosophy I have proposed has existed in the history of this country, and it could be recovered with many improvements if enough of us think, speak, write, and act with the persuasive eloquence and example of our courageous founding fathers.

Liberty is difficult to achieve, difficult to maintain, and difficult to recover, but the pursuit of it is the first responsibility of an informed American citizen. 

### *My Creed*

I DO NOT CHOOSE to be a common man. It is my right to be uncommon — if I can. I seek opportunity — not security. I do not wish to be a kept citizen, humbled and dulled by having the state look after me. I want to take the calculated risk; to dream and to build, to fail and to succeed. I refuse to barter incentive for a dole. I prefer the challenges of life to the guaranteed existence; the thrill of fulfilment to the stale calm of utopia.

I will not trade freedom for beneficence nor my dignity for a handout. I will never cower before any master nor bend to any threat. It is my heritage to stand erect, proud and unafraid; to think and act for myself, enjoy the benefit of my creations and to face the world boldly and say, this I have done.

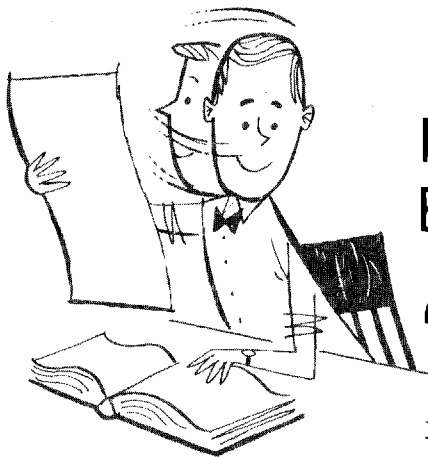
All this is what it means to be an American.

DEAN ALFANGE

IDEAS ON



LIBERTY



# FREE ENTERPRISE: *a definition*

EARL ZARBIN

MY BELIEF as a newspaperman is that freedom of the press, along with all of the other freedoms we are supposed to enjoy, cannot exist permanently in anything other than a society whose economic system is based on freedom. This means I support free enterprise.

But what is free enterprise? *Webster's Seventh New Collegiate Dictionary* says free enterprise is "freedom of private business to organize and operate for profit in a competitive system without interference by government beyond regulation necessary to protect public interest and keep the national economy in balance."

---

Mr. Zarbin is an assistant city editor at the *Arizona Republic* in Phoenix, Arizona.

I disagree with the definition. It says that private business should be regulated for two reasons. The first of these is "to protect public interest" and the second is to keep "the national economy in balance."

What is meant by the "public interest"? If the public interest means that government should make its presence known so that robbers, thieves, burglars, and other cheats won't interfere with the peaceful activities of people as they go about their business, then I'm all for government. If the public interest means that government should bring about the peaceful settlement of contractual disputes in a court system, again I'm for government.

But if it means, as it has come to mean, that government should determine the wages that should be paid workers, that government should determine the prices of goods and services, that government should set profits, that government should create and enforce special favors for certain businesses, industries, and other groups, then I'm totally opposed to government involvement in the "public interest." Yet, that's what the public interest has come to mean today.

The public interest now means whatever the men in power and authority want it to mean. One day in January it was in the public interest to regulate almost all wages, prices, and profits; the next day it was in the public interest to abandon almost all of these controls. Who can say what the politicians in Washington will decide is in the public interest tomorrow? And four years from now, if the Democratic Party succeeds to the presidency, will the public interest be different than it is with a president from the Republican Party?

### ***The Freedom to Choose***

You'll notice, I hope, that the things I believe are in the public interest—protecting people from any who would steal from them and resolving disagreements in

the courts—are intended to preserve the freedom of everyone to act peaceably in his own behalf.

On the other hand, the things of which I disapprove—government regulation of wages, prices, and profits—interfere with the freedom of peaceful people to decide their own business. Individual choices and judgments have been replaced by people in government who think they are better able to make such decisions. Of course, I reject such notions, because no one is better able to decide what is best for each of us than is the individual himself.

The second reason why private business should be regulated, according to Webster's definition, is to "keep the national economy in balance." By what authority was the Federal government given the job of keeping the national economy in balance? Is there some statement to this effect in the Constitution? Of course not. And what does "balance" mean? If the economy is in balance today, will it not be in balance tomorrow when a new set of politicians come to power?

Government has no more moral or legal authority to "keep the national economy in balance" than it has to act in the "public interest," beyond protecting life, liberty, and property. Keeping the national economy in balance and

determining the public interest, beyond protecting peaceable citizens, are assumptions of authority never intended for the Federal government by the men who founded this nation.

So far as I am concerned, the intention of the Founding Fathers was to provide an opportunity for maximum individual freedom and enterprise through protecting life, liberty, and property. It was left to each person to decide for himself how he was to use his freedom, the sole restraint being that he not harm anyone else. That, I assume, includes not polluting the air we breathe, the water we drink, or the food we eat.

### ***In a Competitive System?***

Now let's take a look at the first part of *Webster's* definition, that part which says that free enterprise is "freedom of private business to organize and operate for profit in a competitive system..."

I don't like the way that is stated. The use of the word "in" — '*in a competitive system*' — suggests to me that someone specifically designed "a competitive system" in which everyone must operate. It can be said that the writers of the Constitution did establish "a competitive system" by their failure to give government a role in the organization of production and the distribution of

goods and services. But what I think the Constitution does, instead, is to establish the conditions for personal freedom — which includes economic freedom.

The Constitution does not decree the manner in which business is to be conducted. The Constitution does not decree a competitive system as such. Rather, the Constitution allows the people to make their own choices about how they will employ their labor. And a competitive system evolved out of their freedom of choice to compete with one another.

If the people wanted, it would have been their right, as it is today, to organize their agricultural and industrial activities on a communal basis. They need not have engaged in competition at all. They might have decided that being their brother's keeper — that dividing what they produced into equal shares for all, regardless of their efforts — is what they wanted. Some few of them even tried this, just as we have some few trying it today. But they tried it in freedom. They tried it as a matter of the right to decide for themselves. Those who decided against the communal existence had to accept the challenge of the only available alternative: competing in the market place against all others who go there.

That's why I can't accept that



free enterprise is "freedom of private business to organize and operate for profit in a competitive system . . ." If the people, in their freedom, had chosen not to compete, they didn't have to. If the people, in their freedom, had chosen to divide equally what they produced, the word profit might convey a meaning different than it does today. If the people, in their freedom, had chosen not to compete, we might think today more in terms of communal business than of private business.

#### ***Forced into Socialism***

Perhaps there are exceptions, but for most people I doubt that they voluntarily go into communal or socialist businesses. In countries like Russia, China, Cuba, and Czechoslovakia, the people are forced into socialist enterprises by their governments. If these peoples were given their freedom, I have no doubt that they would quickly return to private business and that the productivity of their nations would quicken. They would return to private business and competition, because this is the way of human nature. Given their freedom, people will work to improve their personal situations. In doing this, so long as what they do is peaceful, they cannot help at the same time improving the conditions of everyone else.

Competition, or a competitive system, is the result of freedom; no government has to decree it. It evolves of its own accord in the nature of men and women and what they do when they feel secure in their lives, their liberty, and their property.

Now I am ready to offer my own definition of free enterprise. I believe free enterprise is the name given to an economic system that developed naturally out of the freedom of individuals to decide for themselves how to use their time and resources. In that economic system, the means of financing, designing, producing, exchanging, delivering, and servicing products are always subject to change, with the character of any change depending solely upon the ingenuity of the owners of the means of production. In free enterprise, government's role should be limited to policing the market place. Entry into the market place should be unrestricted. Government should not be in the business of granting favors to anyone, such as tax breaks, subsidies, tariffs, franchises, and monopolies.

#### ***A Hodgepodge of Intervention***

From what I have said, it should be very plain that we do not have free enterprise in these United States. Our economic sys-

tem is a hodgepodge of government rules and regulations which benefit some people at the expense of others.

If government regulates our economic life, there is nothing to prevent it from regulating every other area of our existence. Economic activity, basically, consists of the things that people do to stay alive. Economic freedom means the right that each of us should have to decide how he is going to earn his daily bread. The only restriction, as I said before, is that one not interfere with the rights of others.


If our economic system is not based on freedom, if we are restrained in our economic activities to what government directs or permits us to do, then we are not free. If we criticize, government might one day cut off our job, or we might be sent to a mental institution for rehabilitation, or we might be sentenced to a slave-labor camp.

In these United States government has come to control, through the passage of laws and through the decrees of various regulatory bodies, the economic decisions that

should be left to the owners of private property. Besides this, through the power to tax, government can destroy any business or enterprise.

### ***The Press Is Vulnerable***

Freedom of the press is especially vulnerable. No publisher can exist unless he is a successful businessman, or unless someone is subsidizing him. In either case, he can publish only as long as he pleases the people paying the bills. Free speech is more difficult to destroy or deny, because speech is just that. But press freedom depends upon the printed word, which means paper, ink, and printing presses. All of these are products of economic activity and, as a consequence, so is freedom of the press.

If our economic system were based on freedom, which means free enterprise, we could be certain that we always would have freedom of the press. But if we persist in making government our master, the day will come when government will control us in everything except our private thoughts. 

### ***James Madison***

IDEAS ON



LIBERTY

MEASURES are too often decided, not according to the rules of justice and the rights of the minor party, but by the superior force of an interested and over-bearing majority.

Can We Keep



FREE ENTERPRISE?

NINE-TENTHS of what is written today on economic questions is either an implied or explicit attack on capitalism. The attacks are occasionally answered. But none of the answers, even when they are heard, are ever accepted as conclusive. The attacks keep coming, keep multiplying. You cannot pick up your daily newspaper without encountering half a dozen. The sporadic answers are lost in the torrent of accusation. The charges or implied charges outnumber the rebuttals ten to one.

What is wrong? Does capitalism, after all, have an indefensible case? Have its champions been not only hopelessly outnum-

bered but hopelessly outargued? We can hardly think so if we recall only a few of the great minds that have undertaken the task of defense, directly or indirectly, in the past — Hume, Adam Smith, Ricardo, Malthus, Bastiat, Senior, Boehm-Bawerk, John Bates Clark; or of the fine minds that have undertaken it in our day — Ludwig von Mises, F. A. Hayek, Milton Friedman, Murray Rothbard, Hans Sennholz, Israel Kirzner, David McCord Wright, and so many others.

What, then, is wrong? I venture to suggest that no defense of capitalism is well known to *Freeman* readers as economist, author, columnist, editor, lecturer, and practitioner of freedom.

italism, no matter how brilliant or thorough, will ever be generally accepted as definitive. The attacks on capitalism stem from at least five main impulses or propensities, all of which will probably be with us permanently, because they seem to be inherent in our nature. They are: (1) genuine compassion at the sight of individual misfortune; (2) impatience for a cure; (3) envy; (4) the propensity to think only of the intended or immediate results of any proposed government intervention and to overlook the secondary or long-term results; and (5) the propensity to compare any actual state of affairs, and its inevitable defects, with some hypothetical ideal.

These five drives or tendencies blend and overlap. Let us look at them in order, beginning with compassion. Most of us, at the sight of extreme poverty, are moved to want to do something to relieve it — or to get others to relieve it. And we are so impatient to see the poverty relieved as soon as possible that, no matter how forbidding the dimensions of the problem, we are tempted to think it will yield to some simple, direct, and easy solution.

### **The Role of Envy**

Let us look now at the role of envy. Few of us are completely free from it. It seems to be part of

man's nature never to be satisfied as long as he sees other people better off than himself. Few of us, moreover, are willing to accept the better fortune of others as the result of greater effort or gifts on their part. We are more likely to attribute it at best to "luck" if not to "the system." In any case, the pressure to pull down the rich seems stronger and more persistent in most democracies than the prompting to raise the poor.

Envy reveals itself daily in political speeches and in our laws. It plays a definite role in the popularity of the graduated income tax, which is firmly established in nearly every country today, though it violates every canon of equity. As J. R. McCulloch put it in the 1830's: "The moment you abandon the cardinal principle of exacting from all individuals the *same proportion of their income or of their property*, you are at sea without rudder or compass, and there is no amount of injustice or folly you may not commit."

McCulloch's prediction has been borne out by events. Historically, almost every time there has been a revision of income-tax rates the progression has become steeper. When the graduated income tax was first adopted in the United States in 1913, the top rate was 7 per cent. Some thirty years later it had risen to 91 per cent. In

Great Britain the top rate went from  $8\frac{1}{4}$  to  $97\frac{1}{2}$  per cent in a similar period. It has been repeatedly demonstrated<sup>1</sup> that these confiscatory rates yield negligible revenues. The reduction of real income that they cause is certainly greater than the revenue they yield. In brief, they have hurt even the taxpayers in the lower brackets.

Yet envy has played a crucial role in keeping the progressive income tax. The bulk of the taxpayers accept far higher rates of taxation than they would if the rates were uniform; for the taxpayers in each tax bracket console themselves with the thought that their wealthier neighbors must be paying a far higher rate. Thus though about two-thirds (65.5 per cent) of the income tax is paid (1969) by those with adjusted gross incomes of \$20,000 or less, there is an almost universal illusion that the real burden of the tax is falling on the very rich.

But perhaps the greatest reason why governments again and again abandon the principles of free enterprise is mere shortsightedness. They attempt to cure some supposed economic evil directly by some simple measure, and completely fail to foresee or even to ask what the secondary or long-term consequences of that measure will be.

### ***Tampering with Money***

From time immemorial, whenever governments have felt that their country was insufficiently wealthy, or when trade was stagnant or unemployment rife, the theory has arisen that the fundamental trouble was a "shortage of money." After the invention of the printing press, when a government could stamp a slip of paper with any denomination or issue notes without limit, any imaginable increase in the money supply became possible.

What was not understood was that any stimulative effect was temporary, and purchased at excessive cost. If the boom was obtained by an overexpansion of bank credit, it was bound to be followed by a recession or crisis when the new credit was paid off. If the boom was obtained by printing more government fiat money, it temporarily made some people richer only at the cost of making other people (in real terms) poorer.

When the supply of money is increased the purchasing power of each unit must correspondingly fall. In the long run, nothing whatever is gained by increasing the issuance of paper money. Prices of goods tend, other things equal, to rise proportionately with the increase in money supply. If the stock of money is doubled, it can in the long run purchase no

more goods and services than the smaller stock of money would have done.

And yet the government of nearly every country in the world today is busily increasing the issuance of paper money, partly if not entirely because of its belief that it is "relieving the shortage of money" and "promoting faster economic growth." This illusion is intensified by the habit of counting the currency unit as if its purchasing power were constant. In 1971 there was a great outburst of hurrahs because the GNP (gross national product) had at last surpassed the magic figure of a trillion dollars. (It reached \$1,046 billion.) It was forgotten that if the putative GNP of 1971 had been stated in terms of dollars at their purchasing power in 1958 this 1971 GNP would have come to only \$740 billion, and if stated in terms of the dollar's purchasing power in 1939 would have come to only \$320 billion.

Yet monetary expansion is everywhere today — in every country and in the International Monetary Fund with its SDR's — the official policy. Its inevitable effect is rising prices. But rising prices are not popular. Therefore governments forbid prices to rise.

And this price control has the enormous political advantage of deflecting attention away from the

government's own responsibility for creating inflation, and by implication puts the blame for rising prices on the greed of producers and sellers.

### **Price Control**

The record of price controls goes as far back as human history. They were imposed by the Pharaohs of ancient Egypt. They were decreed by Hammurabi, king of Babylon, in the eighteenth century B. C. They were tried in ancient Athens.

In 301 A. D., the Roman Emperor Diocletian issued his famous edict fixing prices for nearly eight hundred different items, and punishing violation with death. Out of fear, nothing was offered for sale and the scarcity grew far worse. After a dozen years and many executions, the law was repealed.

In Britain, Henry III tried to regulate the price of wheat and bread in 1202. Antwerp enacted price-fixing in 1585, a measure which some historians believe brought about its downfall. Price-fixing laws enforced by the guillotine were also imposed during the French Revolution, though the soaring prices were caused by the revolutionary government's own policy in issuing enormous amounts of paper currency.

Yet from all this dismal his-

tory the governments of today have learned absolutely nothing. They continue to overissue paper money to stimulate employment and "economic growth"; and then they vainly try to prevent the inevitable soaring prices with ukases ordering everybody to hold prices down.

### **Harmful Intervention**

But though price-fixing laws are always futile, this does not mean that they are harmless. They can do immensely more economic damage than the inflation itself. They are harmful in proportion as the legal price-ceilings are below what unhampered market prices would be, in proportion to the length of time the price controls remain in effect, and in proportion to the strictness with which they are enforced.

For if the legal price for any commodity, whether it is bread or shoes, is held by edict substantially below what the free market price would be, the low fixed price must overencourage the demand for it, discourage its production, and bring about a shortage. The profit margin in making or selling it will be too small as compared with the profit margin in producing or selling something else.

In addition to causing scarcities of some commodities, and bot-

tlenecks in output, price-control must eventually distort and unbalance the whole structure of production. For not only the absolute quantities, but the proportions in which the tens of thousands of different goods and services are produced, are determined in a free market by the relative supply and demand, the relative money prices, and the relative costs of production of commodities A, B, C, and N. Market prices have work to do. They are signals to both producers and consumers. They tell where the shortages and surpluses are. They tell which commodities are going to be more profitable to produce and which less. To remove or destroy or forbid these signals must discoordinate and discourage production.

### **Selective Controls**

#### **— No Stopping Place**

*General* price controls are comparatively rare. Governments more often prefer to put a ceiling on one particular price. A favorite scapegoat since World War I has been the rent of apartments and houses.

Rent controls, once imposed, are sometimes continued for a generation or more. When they are imposed, as they nearly always are, in a period of inflation, the frozen rents year by year become less and less realistic. The long-

term effect is that the landlords have neither the incentive nor the funds to keep the rental apartments or houses in decent repair, let alone to improve them. Losses often force owners to abandon their properties entirely. Private builders, fearing the same fate, hesitate to erect new rental housing. Slums proliferate, a shortage of housing develops, and the majority of tenants, in whose supposed interest the rent control was imposed in the first place, become worse off than ever.

Perhaps the oldest and most widespread form of price control in the world is control of interest rates. In ancient China, India, and Rome, and nearly everywhere throughout the Middle Ages, all interest was called "usury", and prohibited altogether. This made economic progress all but impossible. Later, the taking of interest was permitted, but fixed legal ceilings were imposed. These held back economic progress but did not, like total prohibition, prevent it entirely.

Yet political hostility to higher-than-customary interest rates never ceases. Today, bureaucrats combat such "exorbitant" rates more often by denunciation than by edict. The favorite government method today for keeping interest rates down is to have the monetary managers flood the market

with new loanable funds. This may succeed for a time, but the long-run effect of overissuance of money and credit is to arouse fears among businessmen that inflation and rising prices will continue. So lenders, to protect themselves against an expected fall in the future purchasing power of their dollars, add a "price premium". This makes the gross market rate of interest higher than ever.

The propensity of politicians to learn nothing about economics is illustrated once again in the laws governing foreign trade. The classical economists of the eighteenth century utterly demolished the arguments for protectionism. They showed that the long-run effect of protective tariffs and other barriers could only be to make production more inefficient, to make consumers pay more and to slow down economic progress. Yet protectionism is nearly as rampant as it was before 1776, when *The Wealth of Nations* was published.

### **The Conquest of Poverty**

In the same way, all the popular political measures to reduce or relieve poverty are more distinguished for their age than for their effectiveness.

The major effect of minimum-wage laws is to create unemployment, chiefly among the unskilled



workers that the law is designed to help. We cannot make a worker's services worth a given amount by making it illegal for anyone to offer him less. We merely deprive him of the right to earn the amount that his abilities and opportunities would permit him to earn, while we deprive the community of the moderate services he is capable of rendering. We drive him on relief.

And by driving more people on relief by minimum-wage laws on the one hand, while on the other hand enticing more and more people to get on relief by constantly increasing the amounts we offer them, we encourage the runaway growth of relief rolls. Now, as a way to "cure" this growth, reformers come forward to propose a guaranteed annual income or a "negative income tax." The distinguishing feature of these handouts is that they are to be given automatically, without a means test, and regardless of whether or not the recipient chooses to work. The result could only be enormously to increase the number of idle, and correspondingly to increase the tax burden on those who work. We can always have as much unemployment as we are willing to pay for.

At bottom, almost every government "anti-poverty" measure in history has consisted of seizing

part of the earnings or savings of Peter to support Paul. Its inevitable long-run result is to undermine the incentives of both Peter and Paul to work or to save.

What is overlooked in all these government interventions is the miracle of the market — the amazing way in which free enterprise maximizes the incentives to production, to work, innovation, efficiency, saving, and investment, and graduates both its penalties and rewards with such accuracy as to tend to bring about the production of the tens of thousands of wanted goods and services in the proportions in which they are most demanded by consumers. Only free private enterprise, in fact, can solve what economists call this problem of economic calculation.

### *The Problem of Calculation*

Socialism is incapable of solving the problem. The bureaucratic managers of nationalized industries may be conscientious, God-fearing men; but as they have no fear of suffering personal losses through error or inefficiency, and no hope of gaining personal profits through cost-cutting or daring innovation, they are bound, at best, to become safe routiners, and to tolerate a torpid inefficiency.

But this is the smallest part of

the problem. For a complete socialism would be without the guide of the market, without the guide of money prices or of costs in terms of money. The bureaucratic managers of the socialist economy would not know which items they were producing at a social profit and which at a social loss. Nor would they know how much to try to produce of each item or service, or how to make sure that the production of tens of thousands of different commodities was synchronized or coordinated. They could, of course (as they sometimes have), assign arbitrary prices to raw materials and to the various finished items. But they would still not know how much or whether the book-keeping profits or losses shown reflected real profits or losses. In short, they would be unable to solve the problem of economic calculation. They would be working in the dark.

The directors of a socialist economy would have to fix wages arbitrarily, and if these did not draw the right number of competent workers into making the various things the directors wanted produced, and in the quantities they wanted them to be produced, they would have to use coercion, forcibly assign workers to particular jobs, and direct the economy from the center, in a military kind of

organization. This militarization and regimentation of work is what, in fact, Cuba, Russia, and Red China have resorted to.

### ***Rising Expectations***

We come finally to the fifth reason that I offered at the beginning for the chronic hostility to free enterprise. This is the tendency to compare any actual state of affairs, and its inevitable defects, with some hypothetical ideal; to compare whatever is with some imagined paradise that might be. In spite of the prodigious and accelerative advances that a dominantly private enterprise economy has made in the last two centuries, and even in the last two decades, these advances can always be shown to have fallen short of some imaginable state of affairs that might be even better.

It may be true, for example, that money wages in the United States have increased fivefold, and even after all allowance has been made for rising living costs, that real wages have more than doubled in the last generation. But why haven't they tripled? It may be true that the number of the "poor", by the Federal bureaucrats' yardstick, fell from 20 per cent of the population in 1962 (when the estimate was first made) to 13 per cent in 1970. But why should there be any poor peo-

ple left at all? It may be true that the employees of the corporations already get seven-eighths of the entire sum available for distribution between them and the stockholders. But why don't the workers get the whole of it? And so on and so on.

The very success of the system has encouraged constantly rising expectations and demands — expectations and demands that keep racing ahead of what even the best imaginable system could achieve.

The struggle to secure what we now know as capitalism — i.e., unhampered markets and private ownership of the means of production — was long and arduous. It has proved an inestimable boon to mankind. Yet if this system is to be saved from willful destruction, the task of the incredibly few who seem to understand how and why it works is endless. They cannot afford to rest their case on any defense of free enterprise, or any exposure of socialism or other false remedies, that they or their predecessors may have made in the past. There have been some magnificent defenses over the past two centuries, from Adam Smith to Bastiat, and from Boehm-Bawerk to Mises and Hayek. But they are not enough. Every day capitalism faces some new accusation, or one that parades as new.

### ***Eternal Vigilance — Truth Needs Repeating***

In brief, ignorance, shortsightedness, envy, impatience, good intentions, and a utopian idealism combine to engender an endless barrage of charges against “the system” — which means against free enterprise. And so the return fire, if free enterprise is to be preserved, must also be endless.

I find I have only been applying to one particular field an exhortation that Goethe once applied to all fields of knowledge. In 1828 he wrote in a letter to Eckermann:

“The truth must be repeated again and again, because error is constantly being preached round about us. And not only by isolated individuals, but by the majority. In the newspapers and encyclopedias, in the schools and universities, everywhere error is dominant, securely and comfortably ensconced in public opinion which is on its side.”


Yet above all in political and economic thought today, the need to keep repeating the truth has assumed an unprecedented urgency. What is under constant and mounting attack is capitalism — which means free enterprise — which means economic freedom — which means, in fact, the whole of human freedom. For as Alexander Hamilton warned: “Power

over a man's subsistence is power over his will."

What is threatened, in fact, is no less than our present civilization itself; for it is capitalism that has made possible the enormous advances not only in providing the necessities and amenities of life, but in science, technology, and knowledge of all kinds, upon which that civilization rests.

All those who understand this have the duty to explain and defend the system. And to do so, if

necessary, over and over again.

This duty does not fall exclusively on professional economists. It falls on each of us who realizes the untold benefits of free enterprise and the present threat of its destruction to expound his convictions within the sphere of his own influence, as well as to support others who are expounding like convictions. Each of us is as free to practice what he preaches as to preach what he practices. The opportunity is as great as the challenge. 

Reprints available in attractive pamphlet:  
4 copies \$1.00; 25 copies or more, 15 cents each.

### *The Elite Under Capitalism*

THERE IS, in a free society, no other means to avoid the evils resulting from one's fellows' bad judgment than to induce them to alter their ways of life voluntarily. Where there is freedom, this is the task incumbent upon the elite.

Men are unequal and the inherent inferiority of the many manifests itself also in the manner in which they enjoy the affluence capitalism bestows upon them. It would be a boon for mankind, say many authors, if the common man would spend less time and money for the satisfaction of vulgar appetites and more for higher and nobler gratifications. But should not the distinguished critics rather blame themselves than the masses? Why did they, whom fate and nature have blessed with moral and intellectual eminence, not better succeed in persuading the masses of inferior people to drop their vulgar tastes and habits? If something is wrong with the behavior of the many, the fault rests no more with the inferiority of the masses than with the inability or unwillingness of the elite to induce all other people to accept their own higher standards of value. The serious crisis of our civilization is caused not only by the shortcomings of the masses. It is no less the effect of a failure of the elite.

IDEAS ON



LIBERTY



# “Permissiveness” or Liberty?



ROBERT C. WILSON

TRADITIONALLY, there has been one principle with which men have been able to judge lawmaking since the advent of liberalism (in the original sense of that word). It was the principle enshrined in the American constitution and emulated, in part or in whole, by all nations seeking to follow America's revolutionary lead. It was the principle that guided men like William Graham Sumner, Stephen J. Field and Herbert Spencer in their respective intellectual arenas. It was a principle simultaneously legal, political and philosophic — the principle of liberty.

Although still the best and only real guide to such subsidiary concepts as justice and legality, liberty is no longer the yardstick against which law is measured. Other concepts have replaced it:

the “public interest,” the “general welfare,” and a range-of-the-moment pragmatism designed to fit such goals. These may seem like esoteric and ethereal changes. But they filter down to — and confuse — the layman in such concepts as “permissiveness.”

Eminent economists have decried the forcing of military and political labels on the market economy — “robber barons,” “trade wars,” and the like. We should similarly object to a spurious analogy with the art of child-rearing (of all things!). Permissiveness and its opposite, discipline, are terms describing a parent-child relationship. They have no place in a discussion of the free market.

They *do* however take on some importance in the economic and legal morass of welfarism, socialism, any breed of statism in proportion to the degree of power it exerts. Why?

---

Mr. Wilson is a student of the freedom philosophy and a free-lance writer in Etobicoke, Ontario.

### "*Parens Patriae*"

Western law treats the state as a protector of liberty and arbiter of justice. But this is not the only conceivable relation of the state to its citizens. "From Roman law comes the idea that in some circumstances the state should relate to the citizens as the parent to his child," a doctrine known as "*parens patriae*."<sup>1</sup>

This is not a liberal or libertarian policy. "Under the doctrine of *parens patriae*, certain types of social relations are excluded from those governed by Anglo-American, democratic principle. Further, it is recognized as legitimate that, in some circumstances, people may be treated as stupid children, and the government as their wise parent. The exemption of *some* men, and *some* governmental functions, from even minimal standards of competence and responsibility threatens to undermine traditional English and American political institutions. Yet, without them, there can be no open society, and no personal liberty. In brief, to whatever extent we bestow the power of *parens patriae* on the government, to that extent we grant it despotic powers. Nor can we expect that such powers, once granted to specific agencies, will

remain localized. On the contrary, the process will spread, and unless halted, will envelop the state."<sup>2</sup>

### Interventionism

Yet it is precisely this *parens patriae* relationship that interventionism creates. When the state seeks to feed, clothe, house or otherwise satisfy the desires of its citizens by legislative fiat — what relationship can it be assuming save that of the prosperous and benevolent parent?

But, as Dr. Szasz notes, with the parental gift comes parental discipline. We may still profess pained amusement when (for instance) the Soviet Union, as it did recently, bans bridge clubs as "immoral" and restricts bridge-playing to "consenting adults in private." We should remember however that this kind of school-teacher mentality is nothing more than *parens patriae* — and that the banning of bridge clubs is a grotesque minor symptom of the disease that bans private enterprise.

*Parens patriae* is a concept that Anglo-American law has not fully accepted. *Parens patriae* and the Constitution are not at all comfortable together. But the ideals and assumptions of laymen have changed to such an extent that "permissiveness" is allowed to become a national issue.

<sup>1</sup> Thomas S. Szasz, *Law, Liberty and Psychiatry* (New York: Macmillan, 1963), p. 151.

<sup>2</sup> *Ibid.*

**Special Privileges**

"Permissiveness" assumes *parents patriae*.

"Permissiveness" can only obtain if the state is an omnipotent granter of permission to its children, the citizens.

One consequence of this particularly universal assumption is that *moral issues* are argued in *legal terms*. The mentality of the bureaucrat has been characterized as a belief that "whatever is not illegal, should be compulsory." We run into variations on this theme practically every day.

"Have you heard about the Amish children," goes a typical question, "taken off to public schools against the wishes of their parents?"

"Yes," the libertarian answers, "and I disapprove."

"Oh? You mean you're against education?"

— and so on. The layman considers it paradoxical to support education but oppose *forced* education, to oppose pornography and censorship simultaneously, to oppose drug abuse vehemently but to advocate repeal of the laws. (I choose these issues simply because they are the ones to which the "permissiveness" question is usually applied, not because they are in any way central to libertarianism.) In short, it is considered paradoxical for the libertarian to

uphold the *freedom to make mistakes*.

This is where "permissiveness" intrudes. The "permissive" lawmaker would sanction such vices as drinking, pornography and the rest of the current issues. The "disciplinary" legislator would do away with those indulgences of which he disapproves. In either case, the *right* of the state to grant permission is considered obvious and *a priori*. Thus the advocate of limited government can be made to sound more libertine than libertarian — as if opposing prohibition and advocating drunkenness were one and the same thing.

Given this confusion of moral and legal values, some might still be prompted to ask: Is the free market *morally* "permissive"? Does it encourage licentiousness and avarice or rather the more traditional values?

**Market Neutrality**

Enemies of the market system attribute its productive power to the petty materialism of producers, and condemn it for catering to the "base" desires of consumers. The answer has been made that, on the contrary, capitalism and the free market "reward" only productive activity and not the unproductive vices. Either way, it should be obvious that capitalism *qua* economic system is based on produc-


ing marketable items, and this marketability depends on the value judgments of the buyers. If there is a market for pornography, it is not the fault of pornographers "coercing" the public. "Mankind does not drink alcohol because there are breweries, distilleries and vineyards; men brew beer, distill spirits, and grow grapes because of the demand for alcoholic drinks. The capitalist who owns shares in breweries and distilleries would have preferred shares in publishing firms for devotional books, had the demand been for spiritual and not spiritous sustenance."<sup>3</sup> Since the free market may only serve and does not dictate personal values — since it can in no way duplicate the legal state of affairs we call *parens patriae* — then not even in this realm can the word "permissiveness" have any application.

### **Misplaced Faith**

Perhaps we should have more confidence in mankind and less faith in the benevolence of omnipotent legislators. Free men may make mistakes, and bear the brunt of the consequences, but this is no mark against them. Free men have also been competent to build the huge and complex industrial civili-

zation that bureaucrats seek to control. The truth is that individual men are much better able to judge their own interests than lawmakers, whose decrees must be tailored to fit everyone equally. "Laissez-faire means: let the individual citizen, the much talked-about common man, choose and act and do not force him to yield to a dictator."<sup>4</sup> If we consider a given man's actions immoral (and so long as he is not initiating force or fraud) we may tell him so; we should not consider it our duty to "protect" him or his customers at the point of a gun. Perhaps the best way for a libertarian to illustrate moral virtues is by *living* them.

At any rate, it would be poor policy to accept the implicit doctrine of *parens patriae*. The free market is not "permissive" because it has no permission to grant; sovereignty is in the hands of the individual. Questions of moral judgment do not become matters of government policy.

We are either free men or wards of the Parent State, one or the other. The two are not compatible. But if we must choose, let us do so openly; not under the smuggled implications of a word like "permissiveness." 

<sup>3</sup> Ludwig von Mises, *Socialism* (London: Jonathan Cape, New Edition, 1951), p. 446.

<sup>4</sup> Ludwig von Mises, *Planning for Freedom* (South Holland, Illinois: Libertarian Press, 1962), p. 49.



# COMPETITION

## What<sup>and</sup> When

W. A. PATON

AN ECONOMY dominated by individual initiative and private enterprise, as opposed to one controlled and directed by some form of government, may be characterized broadly as a tripod, with supporting legs or pillars as follows:

1. Sound money mechanism.
2. Flow of risk capital.
3. Competitive markets.

And the structure will collapse if any one of these basic props is cut down, eliminated, either by a single stroke or by being rotted away. Lenin is reputed to have said that a sure way to destroy capitalism, without firing a shot, is to debauch the currency. He might equally well have pointed out that one way to establish so-

cialism is to create a climate which discourages private capital formation, especially the crucial layer of risk or venture funds. It may also be insisted that private enterprise will topple, will be transformed into some form of statism, if the condition of effective competition in the market network is not maintained.

This statement, of course, does nothing more than suggest some fundamental features of the "free", noncollectivist, economic order, but this will suffice for my limited purpose. The objective here is to discuss briefly the third leg of the stool, the factor of competition, particularly with a view to punching some holes in the curtain of confusion and misunderstanding shrouding the subject — a condition rampant among the rank-and-file, scarcely less in evidence in managerial and financial circles, and by no means absent

---

W. A. Paton is Professor Emeritus of Accounting and of Economics, University of Michigan. He is author (or co-author) of a score of books and many articles, largely in the field of accounting. Since his retirement at Michigan, he has continued his writing and lecturing activities and has done part-time teaching at a dozen colleges and universities, in ten states.

from the textbooks of the professors of economics and the expressed views of other groups supposed to be well informed.

**Competition Defined —  
Catering to Customers**

To begin with I'll attempt to define market competition in a broad sense. *Competition is the pressure present in the market which induces producers — all along the economic pipeline, from the initial stages to delivery of the ultimate commodity or service — to endeavor to meet the expressed needs and desires of customers, and as efficiently as possible.* Put a bit more tersely: *Competition is the force responsible for the urge to serve customers well.*

In explaining and applying this definition the first step is to note the use of the terms "pressure" and "force" and the absence of any reference to price. This omission is not intended to belittle the price-making process and the importance of competition in this process. But in my view the underlying factor, the primal condition, is an active desire to attract business, a recognition of the need to cater to customers to maintain — and expand — the volume of output, whatever that may be. And there is widespread failure, notably among critics of market ac-

tivities and results, to appreciate this point.

The urge to serve customers well is not confined to price levels and movements as such, as is so often assumed. Changes in the physical characteristics of the product, modifications of delivery and post-delivery services, improvement in personal qualities and behavior of producer's staff, particularly at points of order-taking and sale, variations in arrangements regarding payment by the buyer — these are all avenues of influence to customer attitude and behavior. In the retail market, for example, many persons may prefer a clean, orderly store, with pleasant and accommodating personnel, to a dingy discount loft, with an indifferent attendant, even if the physical product desired, and available at both places, is a standard make and model of an electric shaver. Some buyers may even enjoy walking on a carpet with a heavy nap, as they move about examining the available merchandise.

Beyond doubt, pleasing and convenient packaging and attractive display of goods have an important impact on customers. And why not? Some people object to efforts such as those mentioned to "lure" patrons, but I don't go along with the idea that there is anything wrong with catering to

the buyer's inherent desires and inclinations. The fact that the waitresses are carefully selected and well trained, and provide exceptionally courteous and efficient service, is one of the reasons why I usually take my away-from-home meals at Bill Knapp's.

In short, in private enterprise it should be acknowledged that the customer is *king*.

### **Product Description**

Another way of indicating the nature and importance of the tendency to cater to customers is via careful identification and classification of economic goods. A particular product, even in the case of commodities, is not merely an arrangement of molecules; it is rather an overall package of physical content and related conditions. Thus a pound of coffee on the retail market, for example, is not just a pound of coffee. The economic product involved varies with the raw materials used, the methods of treatment or manufacture, the package employed, the circumstances of delivery, and other associated conditions. To push the point a little further, a jar of coffee of a particular brand and size, selected by the housewife from a shelf in the supermarket, paid for in cash after standing in line for a varying time, and transported by the

buyer to her home, is not the same economic good as a physically equivalent jar left on her doorstep at a satisfactory hour and for which payment is made after receiving the monthly statement from the grocery store.

Closely defined as suggested, the array of distinctive economic goods available on the market, especially at the final consumer level, constitutes an almost endless list. This fact is widely neglected in discussions of the state of competitive pressure, especially among those calling for more government interference in the market process.

### **Effective Competition**

I particularly want to stress in this piece the need to recognize that effective competition is imperfect competition. Even in sophisticated discussions of the nature of competitive pressure, and its impact on the market, this point is often neglected or inadequately presented. There is no such thing as instantaneous, atomistic, "perfect" competition in any market, and we can be thankful for this.

In the first place may be noted the matter of practical details with respect to products and prices. It presumably costs more to transport a Hershey chocolate bar from Pennsylvania to Cali-

fornia than it does to ship it to New York, but it doesn't follow that it would be good sense to try to establish a different price in each of these market areas. There is more material in a large-size pair of socks than in a small-size pair of the same style and quality, but I've never heard of a customer complaining because all the sizes have the same selling price. In contrast the price of the package of corn flakes or other cereal will vary with the amount of the contents and the price of a carton of "large" eggs is more than that of the "medium" size. In general, it is safe to say, practices such as these are not objectionable, and do not indicate absence of adequate competitive pressure. It may also be urged that customer reaction can be relied upon to bring about prompt modification of unreasonable pricing procedures and schedules.

Much more significant is the necessity for time lags in the processes of product improvement, price adjustments, and other changes. It is a blessing, rather than something to be deplored, that making even small changes in business operating methods can't be effected instantaneously throughout the whole structure of production and distribution. If the person or firm with a new discovery or idea,

major or minor, knew that the instant the improvement was introduced on the market, or preparations to introduce it were begun, everyone else in the field, including newcomers, would immediately match such action, the incentive to change, development, advance, would largely or entirely disappear. It is the hope of getting a head-start, gaining an advantage with buyers, at least temporarily, that provides the principal spur to the ingenious, the resourceful, the innovative. And, to repeat, this is a blessing, not a bane; it deserves to be encouraged, not curbed.

The condition essential to technological progress, and greater output of economic goods, is a climate that provides rewards for the go-getters, the hustlers, the sprinkling of those with new ideas about methods and an urge to promote more efficient operation and improved utilization of available resources. When there is no such climate, when interference with initiative, drive, and yearning for improvement reaches the saturation point, the march to greater production per capita, to higher living standards, will grind to a halt. One of the major weaknesses in prevailing attitudes is preoccupation with the condition of the weakling, the underdog, and increasing forgetfulness of

the important role of the talented, the energetic, the inventive. Coddling the inefficient and curbing the hustlers is the sure road to a stifling of progress, and an improved economic condition for all hands, and especially those for whom there is currently such great concern.

### **Rivalry Among Producers**

In the above observations no specific reference has been made to rivalry among producers for customer favor. This condition is generally regarded as the very heart of competitive pressure — the primary factor that induces sellers to try to serve customers well, either through price adjustment or in some other manner. I go along with this to a degree. Beyond doubt the presence of other sellers in the market place, actively seeking customer orders, is a major ingredient in the mix of conditions impelling product modification and improvement (in the broad sense already explained), and efficient operation as a means to matching or beating the prices at which rivals are offering comparable goods.

In this connection the pressure of the *potential* competitor should not be overlooked. Where a producer is temporarily without active rivals, but there are no serious obstacles to the entry of

others into the field, the welfare of the customer — with respect to product quality, price, and so on — may continue to be the dominating consideration.

It is perhaps somewhat objectionable to stretch the term “competition” to cover other influences than market rivalry that provide protection to customers, that encourage seller subservience to the buyer. But that there are such influences can be readily demonstrated, although there is a widespread tendency to forget this side of the coin. In other words, in a free market the urge to serve the customer well is not *solely* the result of pressure exerted by either active or potential rivals. This aspect of market activity may be regarded as a supplement to competition in the narrower sense, of substantial significance, and deserving more attention than it receives in discussions of price-making and seller-buyer relationships and behavior.

### **Single-Producer Situation — Demand Elasticity**

That the producer will be sensitive to customer needs and attitudes even in the absence of both active and potential rivals in his specific field can be made clear by postulating a situation of this type. Such a producer must still

face the fact that the demand for his particular product will almost certainly be elastic. Especially nowadays, with markets loaded with a tremendous range of goods with minor variations in serviceability, the customer can reduce or discontinue his purchases of a particular product without great hardship or even inconvenience. Thus he is protected from bad treatment by the ease with which he can modify his buying practices — and the typical producer of some distinctive commodity or service is very much aware of this possibility, and acts accordingly.

Just try to think of a product at the ultimate consumer level that is so essential to the buyer's welfare that he must have it regardless of price or attendant conditions. It is difficult to find good examples, especially if we confine attention to the output of private enterprise. Even in the case of the public utilities, so-called, such as telephone service and electric power, the customer is by no means helpless, aside from the efforts of regulatory agencies. The householder or other consumer of energy, for example, can readily shift from electricity to gas or vice versa, (to say nothing of oil and coal), for at least a portion of his needs.

Where elasticity of demand depends entirely on the possibility

of substitution it is not unreasonable to say that the producer finds himself confronted by rivals for the customer's buying power, even if rivals are not at the moment offering an identical product on the market. However, it is important to note that demand for most specific products is inherently elastic to a degree. If plane fares soar the customer may decide to do less traveling, by air or otherwise. If the price of telephone service advances sharply the householder with two or more phones may decide to curtail his expenditures for such service by having one or more instruments removed, and he also may restrict the number and duration of long-distance calls to children, grandchildren, and others. The buyer of electric illumination may also readily contract his use of this product by turning off some lights and using smaller bulbs. The plain fact is that we don't have to consume a particular level — to say nothing of an expanding amount — of most of the array of specific goods and services making up the present-day standard of living. In the absence of actual coercion by some government agency, or a gang of thugs or racketeers, the customer still is sovereign — and without need of aid from government, or consumer advocates and other busybodies.

### **What About Monopoly?**

Those favoring increasing interference by government agencies with the activities of sellers and buyers, throughout the economy, and especially in the area of consumer goods and the retail market, will of course reject the position that the customer is usually able to protect himself from exploitation, assuming that he is not subject to intimidation or downright dictation. They allege that producers will enter into agreements and combine forces to build monopolistic market positions, and that action by government is essential to resist such developments, and break up trusts and other combinations, including huge corporations formed through mergers. They point to the long history of Federal antimonopoly legislation, and enforcement procedure through the courts and other arms of government, and assume that without these efforts an unbearable structure of monopolistic control of the market apparatus would have been achieved. In short, the position is taken that a healthy state of market competition is impossible without government intervention.

This is a big subject, and must be dealt with here very briefly. In my judgment a careful examination of the historical picture and the current state of affairs

will disclose that the most deadly influence tending to destroy the effectiveness of the market, and stifle the pressures and factors that afford protection to the buyer, at all market levels, is *government interference*. Indeed, there is good reason for regarding government as the major culprit, the villain in the woodpile, in fostering, directly or indirectly, monopolistic conditions that have been sustained and seriously harmful.

On the current scene, many will agree, the tremendous power wielded by labor unions in the market for personal services, rests in large part on enactments of Congress and the procedures of enforcing agencies, plus failure of the police power to curb intimidation and violence, including wanton property destruction and physical injury — and even death — to individuals with the temerity to resist the labor bosses.

It may also be urged that the tide of intervention that has been flowing over our markets like lava, all in the name of protecting buyers and preserving competition, has discouraged producers from catering to customer desires and making prompt modifications and changes in technology and products in response to changing conditions. In the case of the railroad industry, certainly, now flat on its back, stupid and slow regula-

tory action has been an important factor in checking or preventing timely modernization of plant and equipment, prompt price adjustments, downward as well as upward, and changes in service schedules and operating methods. Then, more recently, came the crippling impact of vast expenditures on highway construction, at taxpayers' expense, to facilitate the growth of transportation by motor vehicles.

Close scrutiny of the course of "antitrust" legislation and enforcement efforts shows that this continuing crusade to preserve and strengthen competitive pressure in the market structure has not been a success, viewed as a whole. Courts and other enforcement agencies have shown little awareness of the meaning of competition, and the related market conditions that serve to keep producers on their toes in the effort to attract customers and expand volume of output. There has been a tendency to assume that uniform prices in a given market area indicate a noncompetitive condition, despite the fact that such pricing will surely result from keen and persistent competitive pressure. That it may not be practicable to change prices every day, or even every week or month in some fields, is often overlooked. There has been little evidence of

an understanding of the plain truth that rivalry among a few large producers can be as vigorous, and as conducive to customer welfare, as the competitive pressure engendered in a field where many are contending for buyer favor. There has been an appalling lack of understanding of the relation of the operating cost of a particular producer to the competitive market price of the product.

The impact of the long delays in reaching and implementing legal decisions has been harassing and stifling. And decisions in many cases have been impractical to the point of absurdity. For example, when a court orders that company X must "divest itself" of company Y five or six years after the operations and financial structures of the two concerns have been integrated, the decision is hardly short of outlandish in its neglect of economic reality and damaging consequences. Such decisions are on the same level as would be an annulment of a marriage after several children have been born to the couple.

In sum, there is reasonable ground for concluding that if government would follow a hands-off policy, stop the persistent and increasing intervention in the market processes, there would be little need to worry about mono-



polistic tendencies. Left alone, a free market will discipline itself, provide corrective measures in the normal reactions of buyers and sellers. The proper function of government is to prevent intimidation and violence, to protect participants in the economic process from racketeers, mobsters, and thugs, not to take control away from the producers and consumers, the buyers and sellers.

#### ***Mistaken Views of Market Rivalry***

The belief that unless the condition of competition is enforced by government the market structure will become monopolistic is not the only mistaken conception that is widely held. Frequently encountered is the notion that market rivalry is inherently bad, cruel, destructive. The history of the free market, it is pointed out, is littered with the wreckage of business firms—especially the “little fellows”—that have failed in the struggle for survival against their strong and ruthless rivals. This attitude is understandable; most of us have in our bones a bit of sympathy for the weak and inefficient. But calling for abatement of rivalry in the economic process is to argue against increasing output of economic goods and a higher standard of living.

Market rivalry is rugged, but

it is not destructive when broadly considered. The pressure of rivalry is a major spur to efficiency, to improvement, in serving the consumer—the ultimate goal of all economic activity. True, there are likely to be losers in the competition for the customer’s favor, but there is the offsetting factor that laggards are often greatly stimulated by the performance of the front runners. Examples of this abound in business experience. The management of a particular enterprise, indeed, often has reason to be thankful for the pressure toward improvement in methods and products required to meet competition.

The view that the free market is a chaotic and noncooperative activity may also be mentioned. Actually the truly free and keenly competitive market is a model of sensitive adaptation, automatically, to the ebb and flow of the attitudes, needs, and varying circumstances of the participants. It is anything but chaotic. And its intricate maze of relationships between producers and customers presents the most remarkable example of cooperation, without coercive direction or control, to be found in human affairs.

#### ***Consumerism — Harmful Products***

Earlier in these comments I’ve stressed the importance of cus-

tomer reaction on the market place as a factor in pressuring the producer, the seller, in the direction of serving the customer well, even in the extreme case of the absence of a condition of immediate or potential rivalry for the buyer's favor. And in line with this position I've expressed concern over the rising tide of intervention in the consumer's conduct, ostensibly in his behalf. This "consumerism" movement deserves some further attention, as it represents a serious threat to the maintenance of a competitive market structure, especially when it takes the form of a great expansion of governmental regulation and interference.

The very essence of a free economy, with effective markets, is the right of both buyers and sellers to make decisions, to choose courses of action. The degree to which this right is impaired, is restricted, measures the distance an economy has moved into the socialist morass. Socialism is nothing more nor less than a system under which the state makes the choices rather than the individual participants in the economic process, at both the producing and consuming levels. By the term "state" in this connection I have in mind government in all its manifestations — boards, bureaus, commissions, and so on

— including cases where the ultimate power rests in a single despot, or a small coterie.

I reject outright the conception that the customer — including the ultimate consumer — is a boob, incapable of deciding what to do with his income or other available funds. True, many of us may make careless and unwise decisions at times. If, for example, a particular individual impulsively buys a silk shirt for himself when his children are badly in need of more milk the neighbors may regard this action unfavorably — and their critical attitude may be amply justified. But what is the alternative to letting the individual buyer assume responsibility? Is there good ground for expecting that a government board or other agency, with coercive power, will do better than the typical market participant? An arm of government is made up of human beings, very likely not superior in wisdom and foresight to the average member of the governed group — even if good intentions and lack of political motivation are assumed. Moreover, to come to a decision having substantial merit in the particular case the coercive agency must become familiar with the specific circumstances — and this takes time.

Both historical and current experience indicate plainly that the

individual participant in the economic process can generally be assumed to be more fully acquainted with his economic needs and circumstances than an outside agency can be, even after thorough investigation. Moreover, the individual can act promptly before conditions are modified, whereas there is certain to be delay in reaching and implementing a determination by a governmental body. The case for substituting government decision-making for consumer sovereignty has no solid foundation.

There remains the question of how to deal with harmful products. As we all know, producers may cater to the desire of some individuals to consume dangerous drugs, for example, and may even undertake to stimulate the volume of demand for such drugs. In this connection I think it should be admitted that there is a role for the policeman in the economic process, even where the free market is dominant. But it is a strictly limited role. If it were possible for the adult alcoholic or the drug addict to go off in a corner and destroy himself at his own gait without trespassing on the rights of dependents or anyone else, I would personally be quite willing to see him take such action. But this is far from the actual case. Take a look, for example, at the

frightful carnage on the highways that careful studies show to be attributable to drinking drivers. Here is a clear need for the intervention of some coercive power, and it is rather astonishing that so little is being done about this outrage.

On the other hand, I am very skeptical of the merit of much of the interference with the market by the Food and Drug Administration. Of course nearly every natural or manufactured product is toxic to somebody in some circumstances. I've known several people who couldn't tolerate strawberries but this would hardly warrant putting into effect a maze of regulations regarding the growing, marketing, and use of such berries. Rivalry among sellers and the reactions of customers are in general a better market regulator than any government agency.

#### **Two Other Misunderstandings — Regarding Labor**

To conclude these reflections I want to call attention to two other areas where lack of clear thinking is — unfortunately — widespread and damaging.

A serious misunderstanding is partly responsible for the development of monopolistic, noncompetitive conditions in the labor market. Human beings, so the story goes, should not be regarded as

commodities, to be priced on the market place like sacks of potatoes. Instead, there must be established a structure of protection for workers composed of strong union organizations on the one hand (to implement collective bargaining, and with power to strike and shut down plants and entire enterprises), and government legislation and enforcement agencies on the other (to provide minimum wage laws, set safety standards, prevent collusion among employers, insure the rights of unions to call strikes and set up picket lines, and so on).

All those who don't approve of slavery will of course go along with the view that people are not marketable commodities, but it must be insisted that personal services of all kinds that are required in the productive process are economic goods, subject to demand and supply influences.


It may also be urged that an important underlying force in preventing worker exploitation is *rivalry among buyers for the service he is able to furnish*. Buyers of services are no less keen in their bidding for a particular kind of service than they are in bidding for a desired physical commodity. There is much evidence that this force still operates with substantial effect in labor markets, with respect to all grades

and types of personal service, despite governmental interference and the coercions represented in prevailing union tactics. In saying this I'm not forgetting the case of the community with only one manufacturing plant and the need for worker mobility.

Another major misunderstanding, widespread in industry, is the notion that workers (people furnishing personal service, from the top brass to the men on the assembly line) and the capital furnishers (those providing the funds to endow the enterprise with the necessary plant facilities and other resources) have conflicting interests, are rivals in sharing the fruits of the economic process. Actually the welfare of the employees of a business is closely linked with and dependent upon that of the owners or other investors. Viewed broadly, as has often been pointed out, wage rates tend to vary with the supply of "tools" (capital facilities of all kinds) per man; in other words wages will be high where capital is plentiful and technology advanced, and relatively low where there is plenty of labor but equipment is primitive and limited. As a general truth this can hardly be challenged.

Put somewhat differently, this means that the workers (the personal service suppliers) should

favor a climate fostering saving and capital accumulation, and hence a level of earning rates for those furnishing funds that will be attractive. The individual worker is in competition, in a sense, with his fellow workers, and thus may well be in favor of a low birth rate and restricted immigration, while at the same time supporting the view that capital should command as high a return as the forces of a free, competitive market will afford. The workers and the capital furnishers are not in contention, or opposition, but are joining hands, so to speak, to make the wheels of business turn rapidly and efficiently. This does not, of course, gainsay the fact that technological development and advance may cause inconvenience and need for retraining on the part of particular groups and classes of those supplying personal services. It also does not deny that the result for investors will vary from losses to occasional exceptional rewards for particular business entities in varying circumstances and intervals of time.

In my classes I was fond of illustrating this point by imagining that the president of a small company, sitting in his office one morning, hears a timid knock on his door. The caller is one of the lowest ranking employees in the factory, and he stands hesitatingly in the doorway, twirling his cap in embarrassment. "Come in, Joe," said the president heartily, "What can I do for you?" Joe was still nervous but finally came out with it. "Sir, I saw in the paper last night that our directors have decided to cut the quarterly dividend to the stockholders, and it worried me. Are you sure, sir, that this is necessary? Are we doing all we can for our investors?" Without letting my imagination carry me further, I might note that probably the president of any company would be so startled by such an experience that he would be in danger of a heart attack. But I submit that Joe was on the right track, and behaving in a rational manner, in accordance with the basic self-interest of a worker out in the company plant. 

IDEAS ON

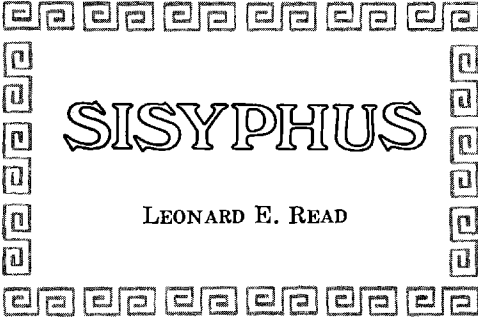


LIBERTY

### *Reflections on the Revolution in France*

THEY have found their punishment in their success. Laws overturned; tribunals subverted; industry without vigor; commerce expiring; the revenue unpaid; yet the people impoverished.

EDMUND BURKE



# SISYPHUS

LEONARD E. READ

SISYPHUS in Greek mythology was condemned, as a punishment for his wickedness in this life, to roll a stone from the bottom to the top of a hill. Whenever the stone reached the top it rolled down again. Thus, his task was never-ending.

The wickedness of Sisyphus was not a case of politico-economic intrigue. But Frederic Bastiat, the eminent French economist, philosopher, and statesman of well over a century ago, dubbed all people *sisyphists* who, by restrictive measures, tend to make the tasks of life unending.

Let us peek into the nature and extent of present-day *sisyphists* if only to create a desire among ourselves to reread some of the works of the great Bastiat and again to profit by his clarity of thought and simplicity of expres-

sion.<sup>1</sup> His fascinating parables could hardly have been more appropriate in his time than in ours.

The progress of human beings from a state of general impoverishment toward one of relative abundance is impeded by a series of *obstacles*. People who really serve society contribute to the overcoming of these obstacles, thereby creating abundance. Is it not precisely this kind of service whereby we may judge whether a business or a labor union or a government policy or official is social or antisocial?

People who perpetuate obstacles in order to maintain conditions of scarcity in their own line of pro-

<sup>1</sup> See especially *The Law, Economic Sophisms, Economic Harmonies and Selected Essays on Political Economy* by Frederic Bastiat (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc.).

duction, thus keeping their efforts profitable at the expense of others, and who make the task of achieving abundance an endless one are, in Bastiat's estimation, *sisyphists*.

"There isn't work enough in our line for all you fellows wanting in. Keep out! By closed shops, closed unions, and closed associations we can create prosperity for ourselves and make our tasks in these enterprises unending." Selfish *sisyphists!*

"Slow down on this job, fellows, and take more vacations, so our work will last longer." Lazy *sisyphists!*

"Competition is ruining our business. Let's put a stop to it and keep prices up by embargoes and trade barriers. If these don't work we have political power enough to get legislation that will impose discriminatory taxes on our competitors. And failing this we can always command a government subsidy for ourselves." Power-crazed *sisyphists!*


"Let's have Federal aid for

projects to which we are unwilling to devote our own resources." Wasteful *sisyphists!*

"Let us have national unemployment compensation so, even if we do no work, we can get paid anyway." Money-mad *sisyphists!*

"Let us have wage, price, production, and exchange controls — eliminate market pricing as a guide to production and consumption — so that all may labor forever at posts assigned by government." Slavish *sisyphists!*

Enough of this. Each of us should make it his game to spot these persons who would magnify the effort required for a given result. They are to be found everywhere — on the farms, in pulpits and classrooms, in labor unions, in private offices, in governments and, alas, too often in the mirror. They are the friends of scarcity and the enemies of abundance. Antisocial *sisyphists!*

Let's make *sisyphism* a part of our mythology instead of our national policy! 

### **To Each, His Own**

IDEAS ON



LIBERTY

MY FAITH in the proposition that each man should do precisely as he pleases with all which is exclusively his own lies at the foundation of the sense of justice there is in me. I extend the principle to communities of men as well as to individuals. I so extend it because it is politically wise, as well as naturally just: politically wise in saving us from broils about matters which do not concern us.

ABRAHAM LINCOLN  
Speech at Peoria, Ill., Oct. 16, 1854

# The Reformation and Economic Development Today

EDWARD COLESON

In 1943 Bengal and Calcutta suffered another ghastly famine, just as they have for millennia. One report stated: "All over the province rice was dear and life was cheap."<sup>1</sup> The starving collapsed and died in the streets, while the bloated dogs feasted on their corpses and dragged their bones about the city. Certainly the age-old problem of too many people and too little food was aggravated by the fact that there "was a war on" just beyond their borders in Burma, the Japanese invasion of Southeast Asia. However, the chronic problem of human need in India which had become acute in this hour of crisis pro-

vided a startling contrast with another nation also on the doorstep of war, Switzerland, that oasis of peace and prosperity in the midst of a devastated and impoverished Europe. It is customary to imagine that India must have many times more people per unit of area than almost any other country on earth but, according to the 1946 edition of Goode's *Atlas*, Switzerland in that year had about 268 people per square mile and India a mere 215.<sup>2</sup>

An even more startling contrast grows out of a comparison between West Germany and India over the last quarter century. By May of 1945 Germany had been utterly defeated in a total war — "unconditional surrender" — and her cities were deserts of ashes and rubble. Germany was no doubt poorer than India in the

---

Dr. Coleson is Professor of Social Science at Spring Arbor College in Michigan. This article is reprinted by permission from the Spring 1972 volume of *Fides et Historia*, journal of The Conference on Faith and History, and copyright by them.



spring of 1945 and had twice the population density, 433 per square mile. Yet the Germans rather quickly recovered — the startling “Economic Miracle” — and India has remained poor. Unless one insists that “East is East and West is West” and hence no comparisons or explanations are possible, he is haunted by the question why some starve and others prosper, or at least survive, in the midst of adversity.

#### **Conquering Starvation — A Recent Accomplishment**

Actually, the startling difference in living standards between the “haves” and “have-nots” is a rather recent phenomenon. Europe once had its famines, and bad ones too. According to one authority, the British Isles had 201 famines between A. D. 10 and 1846.<sup>3</sup> A recent writer has even suggested that in certain French parishes which he studied in detail, the death rate was proportional to the price of grain back nearly three centuries ago.<sup>4</sup> Yet, there have been no great famines in the West since the Irish Potato Famine except in Russia in the 1920’s and 30’s and during the wars. Even in the midst of the Great Depression the “Arkies” and the “Okies” did not leave a trail of bones from the “Dust Bowl” to California as might have

happened in some parts of the world even today.

Still, the tide has turned in the favor of the Western World quite recently. In 1770 a bushel of wheat cost a British laborer the equivalent of five days’ pay.<sup>5</sup> It came as a surprise to me to learn in West Africa a few years ago that a bushel of rice cost the natives about a week’s wages. They were still at the stage my ancestors were two centuries ago. The Africans also have a “hungry season,” that time of short rations after the seed is planted and before the new crop is ready for harvest. When the Psalmist speaks of the sower going forth weeping, “bearing precious seed” (*Psalms* 126:6), it is so much rhetoric to us, but still harsh reality to multiplied millions around the earth; these people are quite literally planting what they need for supper. For some reason, the economies of the West have been able, at least temporarily, to supply the masses with an unbelievably high standard of living as compared with the rest of the world and our own ancestors too. One of the most urgent tasks today is to try to understand why this has happened and whether prosperity can be exported to the “have-nots” around the world. This needs to be done for humanitarian reasons as well as for self-protection.

### **The Weber Thesis of Western Development**

Among the theories which have been suggested to explain the recent good fortune of Western man, probably none has attained the popularity of the so-called "Weber thesis." As everyone knows, Weber considered Western progress to be a sort of economic by-product of the Reformation, particularly the teachings of John Calvin. While I have been deeply interested in this problem for a long time, perhaps in part as a result of having lived in a bush village in a daub-and-wattle house with a thatched roof, surrounded by abject poverty, and also in part as a result of having done an economic development study for my doctorate, I must confess that part of the Weber controversy annoys me.

While I have read a considerable amount on both sides of the question, I must admit that I do not care if Weber dotted all his "i's" and crossed all his "t's" correctly or not. Nor am I concerned if it can be proven that Roman Catholics also exhibited those economic virtues and followed those policies which are supposed to be uniquely Calvinist. I am not even deeply disturbed if some unkind writer suggests that the Reformers became popular preachers because they told the people to do what they had been doing and

would continue to do, with or without ecclesiastical sanction. I am deeply concerned with keeping our facts straight, to the extent that we are able, because I do feel that history has real value as a guide in decision-making today. I have felt, however, that the investment in the Weber controversy has passed the point of diminishing returns, as the economist would say, some while ago.

### **The Conditions of Progress**

The need is to proceed to the larger question of what conditions are necessary for prosperity and what, if anything, religion has to contribute toward making progress possible. While there has been a strong reaction against Western materialism, if one takes the loud protests of the recent past at all seriously, still there is value in studying how to promote prosperity — if eating is better than going hungry. The fact that Americans in their blindness and greed have overdone a "good thing" too often, does not prove that the opposite extreme is any better. Furthermore, it seems to me that the Reformers could provide wisdom that would help Christians regain a sane point of view in the midst of affluence and global need, if they will but listen.

Those who have visited the backward areas, where beggars

pursue the tourist relentlessly and where multitudes are perpetually on the verge of starvation, quickly learn that things are quite different from the way they are back home. One of the most obvious differences is the attitude toward work. This is more than natural laziness or the apathy that comes from malnutrition and a superabundance of body parasites. The aversion to work is deeply ingrained in the native culture and is most difficult to dislodge. Consequently, modern attempts at economic development often intensify problems. For instance, an educational report of the British Colonial Office a few years ago quoted an "enlightened" chief as saying: "If universal primary education were introduced at once, Sierra Leone would be dead in a year — we would starve."<sup>6</sup> Even a modicum of book learning takes the recipient thereof out of the laboring class without qualifying him for any type of professional work.

Closely related to the antipathy toward work which is tied to status is the familiar guild or union pressure on workmen to do less than their best. Weber mentions this as the principal cause of the persecution of Methodist laborers a couple of centuries ago.<sup>7</sup> One can concede that employers have driven their workers

shamefully when they had them at their mercy without condoning peer pressure for inefficiency, evidently common then and now.

### ***Slow Accumulation of Tools***

Anyone familiar with the history of the Industrial Revolution knows the long and seemingly hopeless struggle to perfect better tools in the face of bitter worker opposition. Evidently the Western nations came quite close to remaining in their poverty and wretchedness even as large numbers in the backward areas still are today. When I view the hungry multitudes across the world today, do I say that "but for the grace of God, there go I"? Needless to say, the "have-nots" could use some of the Western attitude toward work, whether it is Calvinist, Catholic or cultural in origin. Of course, the Japanese have a "work ethic" of considerable antiquity, a point Kurt Samuelson makes good use of in his "Critique of Max Weber."<sup>8</sup> Needless to say, this must be without benefit of Calvin.

It is hard for us, coming from the West, to understand how completely "backwardness" is built into some native cultures. J. S. Fenton, an authority on Sierra Leone native law, wrote several years ago how the enterprising individual was repressed and ev-

everyone was kept at the same dead level of grinding poverty. Said Fenton:

The enterprise and success of a person causes him to be envied and it is whispered that he must have "boa medicine," the "medicine" of success, but also a medicine which can injure his neighbors. A noise . . . is heard from time to time, and perhaps one or two children die. The prospering man is then informed against as possessing boa medicine. . . . Once he has been called a boa-man he might as well leave the chiefdom. . . .<sup>9</sup>

It is interesting to note in this connection that Andrei Amalrik, who questions whether the Soviet Union will survive until 1984, remarks that the Russian peasant wants no one living better than he does although "the fact that many live worse is willingly accepted."<sup>10</sup> Whatever the problem of the Russians, the West Africans have another deterrent to capital accumulation: if an enterprising farmer grows an extra bushel of rice to tide his family over the "hungry season," his relatives will all move in on him when their meager stock of food is depleted. After a few days of feasting, they can then go hungry together. Little wonder that those who hope to accomplish something frequently "get lost" and start over so far from home that their

relatives cannot find them. Needless to say, the "haves" frequently do no better than the "have-nots," once they manage to accumulate a fortune. They usually "consume it upon their own lusts" or hide it in a secret account in a Swiss bank. In the meantime, their nation is starved for capital. In view of the instability of their countries, the urge to live it up—"to eat and drink for tomorrow we die"—or "squirrel it away" in some country they hope they can trust, is understandable but regrettable. It certainly does not make for progress at home. Obviously, what has been called the "Protestant Ethic" would be a great asset to these people.

### ***The Case of Country X***

Take some backward country, on the doorstep of the U.S. or halfway around the world, and see what could be done to promote prosperity. Nation X is incredibly poor. It may be a "beggar sitting on a bench of gold" or just a beggar squatting in the dust; the resource base, while helpful, seems not to insure prosperity. Switzerland has little and has done well; many other countries seem to have great potential, but remain poor and backward. In country X the average annual income is less than a hundred dollars — not a hundred a week but for a full year. The

people are poor beyond our imagination, they are malnourished, and their health services are exceedingly meager. The country has stagnated and will no doubt continue to remain so.

Now, suppose some great prophet should arise and capture the hearts and loyalties of the people. Suppose in addition to getting them to repent of their sins and live a life of moral rectitude, that he should convince them that they should do a good day's work, whether anyone was watching or not (because, of course, God sees everywhere and He will not excuse the slothful worker). Suppose men of means within the country began to feel responsible for the proper use of their material blessings (Christian stewardship) and began investing wisely and well in business ventures at home rather than squandering their money or exporting their wealth to places that do not really need it. Suppose the government became more stable, and honest too, so men could begin to count on tomorrow and even decades hence.

### ***A Climate of Growth***

Now, if I had a million dollars, I would go and invest it in X as would a host of others. If the foreign investors were Christian or even had good sense, they would

try to do the right thing by the people, knowing that while one can get by with exploitation in the short run, that in the long run the policy is self-defeating. Also if Americans just happened to want to do something to help them and themselves, they might let their bargain goods into the U.S. and sell them machine tools. With such a combination — a diligent and honest people, a responsible business community and government, a ready foreign market close at hand and abundant capital — progress would be explosive, another economic miracle.

Actually, of course, X is not like this and, barring a miracle of grace, it will not become so. The mass of the people are lazy thieves, the government is run by a bunch of thugs and whatever business exists there is out to "get" everyone else before others get them. Weber was right: capitalists did not invent greed, but tamed this destructive impulse.<sup>11</sup> No foreigner in his right mind would invest there because the government would nationalize his business as soon as it became profitable.

It is a tragedy that international investment has become such a problem in the modern era. A recent writer, much frustrated with the poverty and malnutrition so prevalent over too much of the

earth today, complained that the wealthy nations were only investing \$6 billion a year in the development of their poor neighbors while they should be putting in at least \$15 billion.<sup>12</sup> According to Richard Nixon, writing more than a dozen years ago, the United States would have invested \$30 billion abroad in 1958 instead of the trifling \$4 billion we did lend, if we had been investing at the rate proportionately that the British did in 1910.<sup>13</sup> As long as the British invested wisely, this was a revolving fund that could continue over the years. Think what a similar American program could do today to hasten economic development across the earth and create jobs at home too.

### ***Back to the Moral Problem***

Unfortunately, there are few decent places in the world to invest anymore—which brings us right back to the moral question again. If we could just get the man straightened out—his morals, his thinking and his institutions—progress would be possible. Piety is no substitute for technology, but we can handle the engineering details today if the moral conditions are favorable. This has always been an important factor. It is well to remember that Calvin and the reformers were not promoting economic development

schemes. They sought first the Kingdom, and the economic fringe benefits were added unto them.

Perhaps the most hotly debated subject in Christian circles today in this country is whether capitalism or the welfare state is the embodiment of virtue, the ethical and moral system. The controversy has produced a sizable and growing literature. It is interesting to note in this connection that some writers trace Christian socialism,<sup>14</sup> not capitalism, back to John Calvin, which alters the Weber thesis considerably. Of course, Calvin is accused of promoting both democracy and totalitarianism also.<sup>15</sup> Perhaps he did not consciously promote any of these systems.

With all due respect to Calvin, a more important question is what the Bible teaches. It seems to me that the Word of God does not specifically endorse any human system or give a "blueprint" for any political arrangement, but it does lay down fundamental principles by which men and nations will be judged. These God-given principles necessarily have far-reaching social, political, and economic implications. But with Emil Brunner I would insist that all we can hope for is the "best makeshift" by which we may attempt to approximate the Christian ideal.<sup>16</sup>

Let us explore one of these "makeshifts." An Austrian writer who classifies himself as a socialist, Karl Polanyi, praises the nineteenth century with its "Hundred Years' Peace" in Europe (1815-1914).<sup>17</sup> He then tells us that the civilization of that era was based on the balance of power, the gold standard, the market economy, and limited government. After telling us that these arrangements produced a century of peace, "a phenomenon unheard of in the annals of Western civilization" and also "an unheard of material welfare," he concludes that the "self-adjusting market . . . would have physically destroyed man and transformed his surroundings into a wilderness."

It is unfortunate that a "make-shift" so attractive in the short run should have such dire long-range consequences. Perhaps a second look is needed. Obviously, Polanyi is describing anarchy, a system without rational or moral checks on human excesses — not Calvin or even Adam Smith, but Darwin and the "survival of the fittest." It is possible to assume that accounting is epistemology (what is profitable is good), but the Reformers did not hold this view nor did the founders of economics. In 1765 Blackstone wrote that the laws of men should conform to that Higher Law, "dic-

tated by God Himself;"<sup>18</sup> and in 1776 Adam Smith concluded that just as long as a man "does not violate the laws of justice, [he] is left perfectly free to pursue his own interest in his own way..."<sup>19</sup> This means, for example, that I have a God-given right to grow all the wheat, corn and cows I can on my farm but not poppies for opium.

### **Mistaken Practices**

I would not care to try to defend the American Farm Program of the last generation before the Judge of all the earth. Would you? L. Dudley Stamp, a distinguished British land-use expert who delivered a series of lectures at Indiana University several years ago, chided Americans on their low agricultural productivity and suggested that the world could support ten billion people or about three times the present total, if we just did as well as we now know.<sup>20</sup> Another Englishman, Colin Clark, places the capacity of the earth at twenty-eight billion, assuming present technology and the efficiency of the people of the Netherlands.<sup>21</sup> If everyone did half as well as the Dutch or even a quarter, it should be possible to feed earth's peoples and still stabilize populations short of disaster. Of course, both are assuming full production and open mar-

kets, a policy quite familiar to the Victorians but well-nigh forgotten today.

While I would not care to attempt to defend all the old capitalists did either, they did a few things right, as the following quotation from the *Spectator*, published in 1882, suggests:

Britain as a whole was never more tranquil and happy. No class is at war with society or the government; there is no disaffection anywhere, the Treasury is fairly full, the accumulations of capital are vast.<sup>22</sup>

Just as an interesting experiment, substitute "today" and "the U.S.A." for "1882" and "Britain" in the above quotation. Perhaps the capitalist "makeshift" was not so bad after all. ☉

#### • FOOTNOTES •

1 John Frederick Muehl, "Famine Is Like This," *Reader's Digest* (April, 1946), pp. 19-21.

2 J. Paul Goode, *School Atlas* (Chicago: Rand McNally, 1946), p. 175.

3 Warren S. Thompson, *Population Problems* (New York: McGraw-Hill, 1942), p. 51.

4 E. A. Wrigley, *Population and History* (New York: McGraw-Hill, 1969), p. 66.

5 John Chamberlain, *The Roots of Capitalism* (Princeton: D. Van Nostrand Company, 1959), p. 123.

6 *African Education: A Study of Edu-*

*catational Policy and Practice in British Tropical Africa, the Nuffield Foundation and the Colonial Office* (Oxford: Oxford University Press, 1953), p. 24.

7 Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons (New York: Scribner's, 1958), p. 63.

8 Kurt Samuelson, *Religion and Economic Action* (New York: Harper and Row, 1961), p. vii.

9 J. S. Fenton, *Outline of Sierra Leone Native Law* (Freetown: Government Printer, 1933), p. 17.

10 Andrei Amalrik, *Will the Soviet Union Survive Until 1984?* (New York: Harper and Row, 1971), p. 81.

11 Weber, pp. 17, 56-57.

12 José de Castro, *The Black Book of Hunger* (Boston: Beacon Press, 1967), p. 49.

13 Richard M. Nixon, *The Challenges We Face* (New York: McGraw-Hill, 1960), p. 73.

14 Robert W. Green, ed., *Protestantism and Capitalism* (Boston: D. C. Heath, 1959), pp. 26, 44.

15 Robert M. Kingdon and Robert D. Linder, eds., *Calvin and Calvinism: Sources of Democracy?* (Lexington, Mass.: D. C. Heath, 1970), pp. 1-15.

16 Emil Brunner, *Christianity and Civilization* (London: Nisbet and Company, 1949), II, 95.

17 Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944), pp. 3-5.

18 William Blackstone, *Commentaries on the Laws of England* (Philadelphia: Rees Welsh and Company, Lewis' edition, 1902), I, 31.

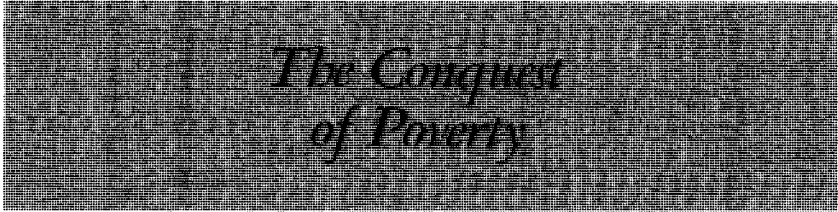
19 Adam Smith, *The Wealth of Nations* (Modern Library Edition), p. 651.

20 L. Dudley Stamp, *Land for Tomorrow* (Bloomington: Indiana University Press, 1952), pp. 214-219.

21 Arthur McCormack, ed., *Christian Responsibility and World Poverty* (London: Burns and Oats, 1963), p. 135.

22 Albert H. Hobbs, "Welfarism and Orwell's Reversal," *Intercollegiate Review* (Spring, 1970), p. 107.





## *The Conquest of Poverty*

The message of Henry Hazlitt's *The Conquest of Poverty* (Arlington House, \$8.95) is that his subject could have been dealt with in the past tense if it weren't for the pernicious doctrine that "the State knows best." Alas! the tendency to hand problems of income "distribution" over to politicians whose only real skill is the accumulation of votes has prevented the West from utilizing the great productive strength that is to be found in the principle of voluntary association. So the "cure" for poverty is still in the future.

Just how far are we from getting "government" off our backs? Mr. Hazlitt is not a total pessimist; he believes in the power of "education." Mere verbal demonstration, however, is not an infallible schoolteacher; the collaboration of events is needed to make "education" effective. Fortunately, events are coming to Mr.

Hazlitt's aid; what he was saying twenty years ago about the fallacies of Statism is becoming hindsight as it is repeated by other and less prescient men who now stand appalled at what inflation, a government-created phenomenon, is doing to compound our troubles.

Since poverty is a relative thing (some people are always going to be poorer than others), Mr. Hazlitt has had his difficulties with the conventional definitions. Value judgments are involved. It is wrong to define poverty, as one "authority" does, as the condition affecting "any family with an income less than one-half that of the median family." If such a definition were to be accepted it would mean that the percentage of "the poor" would never decrease until all incomes were equalized. The bottom "fourth" of a nation might be sufficiently fed

to remain healthy and still be candidates for soaring relief if any such definition were to be perpetuated. What Mr. Hazlitt proposes is that the "subsistence level" must provide our working definition of the poverty line. Any attempt to provide relief for able-bodied adults beyond subsistence must take money away from production and so render society poorer on the whole.

Capitalism, in league with technological ingenuity, is what delivered the "West" from the spectre of Malthusian doom. Before the industrial revolution, soaring populations pressed inexorably on the means of subsistence. But when the Manchester factories in England began to soak up the idled poor from the countryside and make the importation of cheap wheat a possibility, Malthus was discredited as a prophet for his own Britain. As things turned out, the ingenuity that capitalism unleashed was reflected in the birth statistics: "middle class" people who did not need big families in order to provide themselves with field hands found ways of limiting their children. The combination of smaller families and a more skillful application of science to agriculture itself ended the problem of famine in the "West." We were on our way toward limiting poverty to the chronically inca-

pacitated without saddling the productive system with high taxes and the inefficiency that always follows from government interference or takeover.

Combing through the records of antiquity, Mr. Hazlitt notes what "the New Deal in Old Rome" did to enervate our first great universal empire. Between State-supported slavery, high taxes, the multiplying relief of "bread and circuses," and the final imposition of price controls, Roman productive efficiency simply vanished. In Britain, there was a saving realism about the original application of the "poor laws." But in 1795 the Berkshire magistrates, meeting at Speenhamland, decided to supplement wages in accordance with the price of bread. This placed everybody in the countryside on a "guaranteed minimum." The rise in the cost of relief was geometric. In order to put people back to work and unleash the industrial revolution Britain had to amend the poor law in 1834. Pity for the pauper had to be reconciled with pity for the laborer, the investor and the tax-payer, as Nassau Senior pointed out. So England came to accept the workhouse, a place that would guarantee a pauper enough to live on without making idleness sufficiently attractive to undermine such desirable characteristics as

frugality, industry and ambition.

The rise of affluence, however, dulled the common sense of the British people, and the Speenhamland mentality returned as the sentimentalists, following the recommendations of the radicals (Beatrice Webb, Prime Minister David Lloyd George), were seduced into accepting the idea of the Welfare State. With the Beveridge Plan (cradle to grave protection), the "difficult problem" raised by Nassau Senior in 1834 posed its dilemma all over again. How, under State Welfarism, can one "afford to the poorer classes adequate relief without material injury to their diligence or their providence."

Mr. Hazlitt rather doubts that the problem can ever be resolved to everybody's satisfaction. He recognizes that it would be "politically impossible" to get the State totally out of the welfare business. But he sees some hope in the educative value of events. Back in the late Forties and early Fifties Mr. Hazlitt warned that if Washington were to extend extravagant relief to other nations in the form of Marshall Plan and "Point Four" give-aways, it would not "save the world." Government-to-government loans, he said at the time, would be squandered by political bureaucracies, and capital for free productive enter-

prise would thereby be diminished. Mr. Hazlitt was considered hard-hearted by the "liberals" of the Fifties and Sixties, but common sense is now coming to his support. The dollars that we have given away for international relief now haunt us as the balance-of-payments statistics turn against us.

Similarly, the inflation that has been caused by "welfare gone wild" is provoking the middle classes, including the blacks who have risen in the world, to cast a cold eye on unbalanced budgets and extravagant programs for such things as urban renewal and various make-work projects. It may take the final "inflation crisis" to bring us to our senses. But Mr. Hazlitt, after waiting some twenty years, may find that it is at last possible to teach people "economics in one lesson," to quote from his best-selling book of that title.

The real solution to the problem of poverty does not lie in any government relief system, or in any endeavor to "redistribute" wealth or income. It lies, says Mr. Hazlitt, in increased production. One increases production by making investments in more efficient tools. The free-swinging enterpriser, using capitalist savings, is the true hero of the "war on poverty."

How long will it be before our "intellectuals" begin to see through fallacies that are as old as the economics of the Emperor Diocletian? I would feel better about the prospects if such books as *The Conquest of Poverty* were to be reviewed on the front page of the *New York Times* Sunday book section. This is not likely to happen tomorrow. But "events" will continue to call the turn. What Mr. Hazlitt has to say about the need to free the producing interests of a nation is bound to take hold as our inflationary crisis deepens.

The politicians are already trying to limit upward revisions of the minimum wage by making special exceptions for job-seeking adolescents. Common sense does break through. And even some of the big unions, the steel union, for example, are now doubting the effectiveness of wage increases that run beyond productivity. If the unions ever get the idea, can the "intellectuals" remain far behind? Mr. Hazlitt may yet become a prophet with honor in his own country.

► **THE FOUNDATIONS OF MORALITY**, 2nd ed. (Los Angeles: Nash Publishing, 1972), 398 pp., \$12.00.

*Reviewer: Bettina Bien Greaves*

THE MANY contradictions among different philosophical theories have caused much confusion over the years. Unfortunately, too few teachers and textbooks explain the basic principles that could help students discriminate intelligently among them and understand the ethical code which fosters freedom, morality and social cooperation. Thus, Henry Hazlitt deserves special credit for bringing logic and clarity to the subject. His book, *The Foundations of Morality*, was first published in 1964. After having been out of print for several years, it is again available thanks to Nash and the Institute for Humane Studies.

The author is primarily an economist, a student of human action. As a result, he is a strong advocate of individual freedom and responsibility. He has long been a close personal friend and associate of Professor Ludwig von Mises, the "dean" of free market economics, to whom he acknowledges a great intellectual indebtedness. With this background, he is well qualified to discuss the ethics of social cooperation. His many years of "apprenticeship" as essayist,



book reviewer and columnist (*New York Times*, *Wall Street Journal*, *Newsweek*, *The Freeman*, *National Review* and many others) prepared him well for explaining complex matters simply. The reader may wish to pause, ponder and reflect from time to time on the ideas and concepts presented, but the author's reasoning is clear, his prose unambiguous and most chapters delightfully short.

Mr. Hazlitt's position is that "the interests of the individual and the interests of society," when "rightly understood" are in harmony, not conflict. His goal in writing this book was "to present a 'unified theory' of law, morals and manners" which could be logically explained and defended in the light of modern economics and the principles of jurisprudence. This reviewer believes most readers will agree that Mr. Hazlitt succeeded. He has marshalled the ideas of many philosophers and analyzed them with careful logic. He has explained many of the contradictions among them, thus disposing of much confusion. He has formulated a consistent moral philosophy based on an understanding of the ethical principles, so frequently ignored in today's "permissive" climate, which promote peaceful social cooperation and free enterprise production.

Mr. Hazlitt points out that our

complex market economy requires peaceful and voluntary social cooperation. The preservation of the market is essential for large scale production and thus for the very survival of most of us. Therefore, social cooperation is the very most important *means* available to individuals for attaining their various personal ends. This means that social cooperation is also at the same time a well worthwhile *goal*. Let Mr. Hazlitt speak for himself.

For each of us social cooperation is of course not the ultimate end but a means. . . . But it is a means so central, so universal, so indispensable to the realization of practically all our other ends, that there is little harm in regarding it as an end-in-itself, and even in treating it as if it were *the goal* of ethics. In fact, precisely because none of us knows *exactly* what would give most satisfaction or happiness to others, the best test of our actions or rules of action is the extent to which they promote a social cooperation that best enables each of us to pursue *his own* ends.

Without social cooperation modern man could not achieve the barest fraction of the ends and satisfactions that he has achieved with it. The very subsistence of the immense majority of us depends upon it.

The system of philosophy outlined in the book is a form of utilitarianism, "insofar as it holds that actions or rules of action are

to be judged by their consequences and their tendency to promote human happiness." However, Mr. Hazlitt prefers a shorter term, "utilism," or perhaps "rule utilism" to stress the importance of adhering consistently to *general* rules. He suggests also two other possible names — "mutualism" or "cooperatism" — which he thinks more adequately reflect the central role of social cooperation in the ethical system described.

The criterion for judging the consistency or inconsistency of a specific rule or action with this ethical system is always whether or not it promotes social cooperation. Mr. Hazlitt reasons from the thesis that social cooperation is of benefit to everyone. Even those who might at times like to lie, cheat, rob or kill for personal short-run gain can usually be persuaded of the longer-run advantages of social cooperation, i.e., of refraining from lying, cheating, robbing or stealing.

Even the most self-centered individual, in fact, needing not only to be protected against the aggression of others, but wanting the active cooperation of others, finds it to his interest to defend and uphold a set of moral (as well as legal) rules that forbid breaking promises, cheating, stealing, assault, and murder, and in addition a set of moral rules that enjoin cooperation, helpfulness, and kindness. . . .

The predominant moral code in a society is compared with language or "common law." Society does not impose a moral code on the individual. It is a set of rules, hammered out bit by bit over many centuries:

[O]ur moral rules are continuously framed and modified. They are not framed by some abstract and disembodied collectivity called "society" and then imposed on an "individual" who is in some way separate from society. We impose them (by praise and censure, approbation and disapprobation, promise and warning, reward and punishment) on each other, and most of us consciously or unconsciously accept them for ourselves. . . .

This moral code grew up spontaneously, like language, religion, manners, law. It is the product of the experience of immemorial generations, of the interrelations of millions of people and the interplay of millions of minds. The morality of common sense is a sort of common law, with an indefinitely wider jurisdiction than ordinary common law, and based on a practically infinite number of particular cases. . . . [T]he traditional moral rules . . . crystallize the experience and moral wisdom of the race.

But what about religion, you say? Doesn't a moral code have to rest on a religious basis? The fundamental thesis of this book,

as noted, is that reason and logic are sufficient to explain and defend the code of ethics which fosters and preserves social cooperation. Yet, the author does not ignore religion. He calls attention to similarities among the world's great religions and the contradictions in some of them. Religion and morality reinforce one another very often, he says, although not always and not necessarily. Here is his description of their relationship:

In human history religion and morality are like two streams that sometimes run parallel, sometimes merge, sometimes separate, sometimes seem independent and sometimes interdependent. But morality is older than any living religion and probably older than all religion. . . . [W]hile religious faith is not indispensable [to the moral code] . . . , it must be recognized in the present state of civilization as a powerful force in securing the observance that exists. . . .

The most powerful religious belief supporting morality, however, seems to me . . . the belief in a God who sees and knows our every action, our every impulse and our every thought, who judges us with exact justice, and who, whether or not He rewards us for our good deeds and punishes us for our evil ones, approves of our good deeds and disapproves of our evil ones. . . .

Yet it is not the function of the

moral philosopher, as such, to proclaim the truth of this religious faith or to try to maintain it. His function is, rather, to insist on the rational basis of all morality, to point out that it does not need any supernatural assumptions, and to show that the rules of morality are or ought to be those rules of conduct that tend most to increase human cooperation, happiness and well-being in this our present life.


Mr. Hazlitt discusses many perplexing ideas and concepts such as natural rights, natural law, justice, selfishness, altruism, right, wrong, truth, honesty, duty, moral obligation, free will vs. determinism, politeness, "white lies." Anyone who has speculated on these problems without reaching satisfactory conclusions, as has this reviewer, will no doubt find his analyses and comments both stimulating and enlightening.

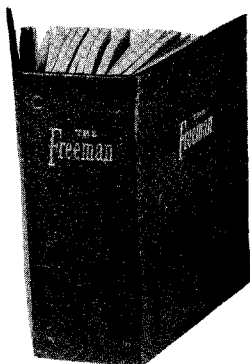
The book contains numerous quotations from the works of early and recent philosophers, which the author always analyzes for their consistency with social cooperation. Except for a few technical philosophical terms — such as *tautology* (repetition of the same idea in different words), *eudaemonism* (the doctrine that happiness is the final goal of all human action) and *teleotic* (an adjective derived from the Greek meaning end, design, purpose or final cause) — readers should not

find anything in the book really difficult to understand. As they follow the author's line of thought, they will discover that reason and logic come to the defense of morality; order and a common sense ethical code evolve from philosophical chaos.

Mr. Hazlitt has long been a noted free market economist—one of the very best. His introductory *Economics In One Lesson* is a long-time best seller. *The Failure of the "New Economics,"* a careful critique of Keynes, is a real contribution to economic theory. With the publication of *The Foundations of Morality* in 1964, he added another very important feather to his cap as a moral philosopher. It is good to have it in print again.

To summarize, the author explains again and again, in the course of the book under review,

that the rules of ethics are neither arbitrary nor illogical. They are not mere matters of opinion. They are workable, acceptable, moral rules developed over long periods of time. They must be adhered to consistently and may not be willfully violated without detriment to social cooperation. In this age of permissiveness, when everyone is encouraged "to do his own thing" and few see any urgency in respecting the rights of others, it is a rare philosopher who recognizes that the consistent adherence to a set of ethical rules promotes social cooperation and benefits everyone in society. Perhaps a free market economist, whose very field of study encompasses the role of social cooperation, is the most appropriate person to explain the logic of this position. This book should live through the centuries. 



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM:

THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 7 • JULY 1973

- American Revolution Unique** • **Vincent A. Drosdik, III** 387  
Not the fighting, but the idea of personal freedom and limited government, made it unique.
- Inequality Enshrined** **Leonard E. Read** 389  
Concerning the philosophical and economic case for inequality and freedom.
- The Real American Revolution** **George Charles Roche, III** 395  
A faith in free enterprise and free men, a faith based on a fundamental belief in God.
- Our Disordered Lives** **Edmund A. Opitz** 399  
When a nation goes astray, the corrective is to be sought within the individual.
- Socialized Error** **Paul L. Poirot** 407  
Unless we learn to tolerate the minor mistakes men make, we'll be plagued by the major mistake of totalitarian government.
- The Need for Tolerance and Humility** **Donald E. Weast** 411  
An appeal for the restoration of intellectual virtues in academic life.
- Weather Forecast for 1984!** **Andrew V. Santangini** 421  
Government intervention results in terrible weather.
- Giving and Receiving With Respect** **Anne Wortham** 422  
A case study of voluntary charity in a spirit of mutual understanding and respect for life and property.
- The Family** **R. J. Rushdoony** 429  
Strong families are essential to a strong society. Yet, the family is under attack — and a process of erosion is evident.
- Closing the Generation Gap** **V. Orval Watts** 433  
Each individual must learn good conduct. It is not inborn or given to us by others.
- Book Reviews:** 440  
"Union Power and the Public Interest" by Emerson P. Schmidt  
"History of the Canadian National Railways" by G. R. Stevens  
"The Case for American Medicine" by Harry Schwartz  
"The Essential von Mises" by Murray N. Rothbard

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "The Family."



IN CONGRESS July 4, 1776

The unanimous Declaration of the thirteen united States of America

# American Revolution Unique

VINCENT A. DROSDIK, III

THIS YEAR marks the 197th anniversary of the signing of the Declaration of Independence. The War for Independence began officially on July 4, 1776.

The war had been fought for more than a year up to that point. The famous battles at Lexington Green and Concord Bridge, Fort Ticonderoga and Bunker Hill in 1775 preceded the signing of the historic document by the Second Continental Congress in Philadelphia.

The events of 1775-1781 are called the War for Independence, but also the American Revolution. But was it a revolution?

I may be nitpicking, but this is an important point. The real revo-

lution was a long process of change in the ideas and ideals on the part of the American people, the settlers from the Old World. The revolution was this idea: that each person is a sovereign individual, with certain inalienable, God-given rights, and that the purpose of government is not to dispense rights, but to protect them. Government would be the servant, not the master of the people.

Among these rights are those to life, liberty and property. One by one, specific liberties were fought for and secured during the colonial period. The freedom of the press was recognized in the famous Peter Zenger case in New York in 1735. Freedom of religion and conscience was one of the major reasons for the settling of our country, and by the time of the Declaration it was fairly well es-

---

SP4 Vincent A. Drosdik, III is editor of a weekly newspaper published for personnel of the U. S. Army in Berlin, *The Berlin Observer*, in which this editorial first appeared.

tablished. It was formalized in the Bill of Rights and the various states as they ended the practice of official state religious establishments.

Other freedoms and rights were reaffirmed and protected in the years before independence — the rights to bear arms, to own property, to have a fair trial by jury, to representative government, the right to be left alone.


When Parliament and the King stepped beyond their rightful powers, the colonists cried that their rights as Englishmen were being violated. The Navigation Acts, which restricted freedom of trade; the Stamp Act, which imposed a tax on the colonies without their approval or consultation; and other usurpations of power, all enumerated in the Declaration, eventually got to the unbearable point. The Americans then declared independence from tyranny, “appealing to the Supreme Judge of the world in the Rectitude of our Intentions.”

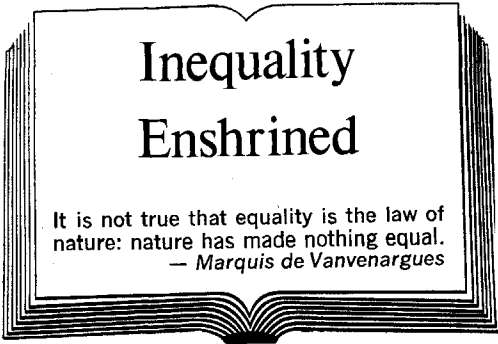
The American “Revolutionary” War was the most famous and sparked many others in the two centuries since then. The French Revolution only 13 years later, while often compared with the American, was different in nature and results. The American founding fathers succeeded in restrict-

ing the War for Independence to simply a revolt against English authority.

But in many revolutions since our own, especially the French Revolution, the course of throwing off the old government led to people throwing off the entire old order, tradition, moral restraints, and so forth — a revolt against everything. This led to anarchy, and then to dictatorship, as people demanded law and order before freedom.

This is the uniqueness of the American Revolution and War for Independence — it did not degenerate into dictatorship and succeeded, after a stormy Articles of Confederation period, in establishing a republic protecting rights to a degree never before attained.

For the American Revolution to be successful and alive today, we must pay the price of “eternal vigilance.” The ideals of the Revolution, as embodied in the Declaration of Independence, must be alive in our hearts for that Revolution to be alive and well. If we sleep and forget our heritage, we will lose our freedoms and liberties, and perhaps even our independence. Because there are those in the world today who are all too eager to enslave us and who are not asleep, the price of liberty is eternal vigilance. 



# Inequality Enshrined

It is not true that equality is the law of nature: nature has made nothing equal.  
— Marquis de Vanvenargues

LEONARD E. READ

BOOKS, speeches, expressed yearnings — past and present — have much to say in favor of equality, and they promote a demand for it. We are equal in the eyes of God, they say; we are equal before the law; we are born equal, have equal rights, are entitled to equal pay, on and on. While numerous philosophers and statesmen have recognized how all-pervading inequality is, few have enshrined it, that is, portrayed inequality as a highly desirable state of affairs. Inequality exists, unfortunately!

I have just had a change of mind: inequality exists, *fortunately!*

In a recent book I wrote:

... the authors of the Declaration took the rational step of seating the Creator as the single point of reference, thereby making all men precisely as *equal* before the civil law as all men are *equal* before the Creator.

We have here a semantic trap in which most of us — myself included — have become ensnared. Once we accept the idea that all men are equal before God, we are more than likely to think of equality as the major purpose of human effort and a condition to be sought, as nearly as possible, in all worldly relationships. This is a dangerous notion, completely at odds with reality.

As I now see it, men are no more equal before God than they are equal in this earthly life. Judas was not the equal of Peter! To contend otherwise is to condemn God as nearsighted. What this affirmation is intended to convey, really, is that all men are subject to the Universal Laws *indiscriminately; there are no favorites; there is a common across-the-board justice*. With this in mind, merely reflect on the distinction between common justice and

equality. They are by no means synonymous.

Inequality prevails among men. One is a teetotaler, another an alcoholic. Joe is a genius at this, Bob at that. This man peers through a telescope to fathom the heavens; another through a microscope to probe the infinitesimal.

As F. A. Hayek has concluded in *The Constitution of Liberty*:

From the fact that people are very different it follows that, if we treat them equally, the result must be inequality in their actual position, and that the only way to place them in an equal position would be to treat them differently. Equality before the law and material equality are therefore not only different but are in conflict with each other; and we can achieve either the one or the other, but not both at the same time.

#### **A Common Justice**

The ideal civil law, like the laws of God or Natural Law, is unbiased as to who or what we are. But we are not equal in the "eyes" of the civil law any more than we are equal in the "eyes" of the Ten Commandments. These laws are blind; they have no eyes to see us. Civil laws, as the Universal Laws — if intelligently drawn — are indiscriminate; they confer no special privilege on anyone; they are but codes — blind to the thousand

and one ways we rank ourselves — their hallmark being a common justice.

If we wish to say that these codes are equally as fair to you as to me, all well and good. This kind of wording, however, merely asserts that we are — one as much as another — beneficiaries of fairness and justice. By employing the right words, we avoid the notior of human equality and the mischievous deductions that grow from such a common, semantic error. I am agreeing with an observation by George Horne:

Among the sources of those innumerable calamities which from age to age have overwhelmed mankind, may be reckoned as one of the principal, *the abuse of words*.

What about the popular claim that we are born equal? We are no more equal at birth than at death; no more equal in the fetus than in the grave. "Nature has made nothing equal," including all forms of nonlife or life, human or otherwise.<sup>1</sup>

We have equal rights! Valid? In a way, provided "rights" are properly defined and circumscribed. Any person, regardless of race, creed, color, or whatever, has

<sup>1</sup> See *You Are Extraordinary* by Roger J. Williams (New York: Random House, 1967).

as much right to life, livelihood, liberty as any other — provided his actions are peaceful, that is, non-coercive. Observe that when thus circumscribed, the equal-rights concept makes no claim on any other person; it is, instead, *an appeal to reason, morality, justice*. It has no more muscle, no more teeth to it, than an aspiration. It is righteous and, for this reason, utterly harmless.

I stress “harmless” simply because most people put no such boundaries on “equal rights.” Blind to the rational limitations of this concept, they are carried away with “equality” and demand equal pay, rights to a job, to “a decent standard of living,” to a “fair” wage or price. They put quotas, embargoes, tariffs on goods, meaning that they think of themselves as having a right to your and my trade. It is impossible to list the instances in which people have slumped so far in their thinking that, today, mere wishes are thought of as rights.<sup>2</sup>

Take note of the fact that all of these demands for equality, beyond the rational boundary, make a claim on others. No longer harmless, they are harmful, de-

structive. They rob selected Peter to pay collective Paul — feathering the nests of some at the expense of others. Noncoercive? To the contrary, each and every one of these rests on raw coercion — the application of police force. Name an exception!

The notion of equality is one of the mistaken features of our folklore, but so much lip service is given to it that the thought of inequality as a desirable condition is, at first blush, shocking. How could any sane person favor inequality! Is it because he has no compassion, no thought for his fellowmen? To the contrary, I would argue.

#### *Inequality in Nature*

Man in his quest for perfection — for a growth in awareness, perception, consciousness — can make headway only to the extent that he perceives and abides by the Universal Laws. Conceded, our awareness of these Laws is infinitesimal; we know but very few of them. There is one, however, about which there can be no question: *inequality!* “Nature has made nothing equal.”

No two atoms, molecules, snowflakes, planets, stars, galaxies are ever identical. No two persons are equal; indeed, no individual in any given moment of time is equal to himself in the previous

<sup>2</sup> See “When Wishes Become Rights” in my book, *Deeper Than You Think* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1967), pp. 98-107.

moment. Imagine — a million new red blood cells every second! All is radiant energy, in one form or another; all is in motion from imperceptible slowness to the speed of light. Is this as it should be? My answer is “yes,” for this is the way it is — like it or not. I like it!

### **None Like Socrates**

A further demonstration that this thesis is a “switch” for me: I recently wrote a brief essay, “How To Be Like Socrates.” One friend wrote, “I don’t want to be like Socrates.” I got a chuckle, but not the point — until later.

Suppose — I thought to myself — everyone *were* like Socrates. We would all be on the street asking each other a series of easily answered questions that inevitably lead the answerer to a logical conclusion foreseen by the questioner. Everybody would be slovenly, ugly, and wise. No one would be raising food, or building homes, or making planes, stoves, pots, pans. Indeed, were all like Socrates, there would not be a person on this earth.

Likeness? Equality? Let us be done with this careless phrasing — this abuse of words — and the destructive thoughts to which it leads!

“Free and equal” is an oft-heard expression, suggesting that

freedom and equality are as inseparable as Siamese twins. Actually, they are mutually antagonistic. The equality idea — equal pay and so on — rests on the antithesis of freedom: raw coercion. It is just as impossible to be free when equality is politically manipulated as it is impossible to be equal.

Free and unequal — freedom and inequality — are what go hand in hand. The essence of individuality is uniqueness: inequality in skills, talents, knowledge, aspirations. This is merely an acknowledgment of a Universal Law. Obviously, we must be free to produce, to exchange, to travel or we perish as surely as if all were like you or me or Socrates.

### **Exploiting Our Differences**

We come, finally, to the economic case for inequality. Not our likenesses, but our differences, give rise to the division of labor and the complex market processes of production and trade. We have already mentioned, and can see all about us, that in a given field of activity one person is more skilled — more productive — than another. So, it is to our advantage to specialize and to trade with other specialists.

This is not to say that each of us must be equally skilled as a specialist in order for him to gain



the advantages of trade. The more skilled one becomes at his specialty, the greater his incentive to hire or trade with others to carry out certain tasks for him, even though he can cook meals or scrub floors better than can the person he hires for such tasks. It is to his comparative advantage to concentrate his efforts on the single skill for which consumers offer him the greatest reward. By thus serving others — and becoming ever more skilled and outstanding (unequal) in the process — he best serves his own interest.

A moment's reflection reveals that this comparative advantage in trading, which rewards the most renowned specialist, also rewards in similar fashion every other party to such trade, down to the very least-skilled participant in the market. This is not to say that their gains would be equal; only that each gains from the trade more goods and services than otherwise would have been his. And what is true here of trade between individuals in a given nation is also true of international trade. However wealthy or poor and skilled or unskilled the respective traders, each finds a comparative advantage in trading — if it is voluntary.

Not only does this blessing of inequality flow from the mental or physical skills of traders; it

also pertains to the capital, the tools of the trade, the savings and investments by individuals. The specialist who saves and develops tools becomes ever more specialized and efficient. And it is to the advantage of every participant in the market to encourage the saver and investor by respecting and protecting his property — even though the result is greater inequality of wealth than before. Otherwise, there soon would be no incentive for anyone to save or invest in the tools of production, the facilities of trade.

So, if a people would avoid falling to a low level of sameness and bare subsistence, the procedure is to cultivate and accentuate their differences in skills and in private ownership and use of property — these being the requisites for a flourishing and beneficial trade. And let us bear in mind that exchange (other than primitive barter) depends on an honest, trustworthy, circulating medium; this is an absolute — money of integrity. Freedom in monetary matters means no political manipulation of our medium of exchange.

That, in brief, is the economic case for inequality.<sup>3</sup> Sadly, the misunderstanding and misappli-

---

<sup>3</sup> A more detailed treatment of these arguments may be found in pages 836-847 of *Human Action* by Ludwig von Mises.

cation of the concept of "equality" affords a major explanation for the leveling programs — egalitarianism — going on in the world today: communism, socialism, state welfarism, interventionism, and the like. So, I take my stand for inequality.

Let us then enshrine inequality

by acknowledging and embracing this fact of Nature — inequality — and, also, its working handmaiden: human freedom. Allow no interference with creative activities, which is to say, permit anyone to do anything he chooses so long as it is peaceful. A fair field and no favor!



### ***Equality versus Liberty***

IT IS *equality of freedom and independence* that gives unto man his opportunity to be rich or poor or to be good or bad. Equality of men leaves no choice, because if all men are equal by nature or inherently, there can be no differences and no distinctions. All have an equal right to stand at the judgment bars of God and man — but all are not entitled to the same judgment. Virtue and depravity are not entitled to the same rewards on earth or in Heaven.

IDEAS ON



LIBERTY

It is inequality that gives enlargement to religion, to intellect, to energy, to virtue, to love, and to wealth. Equality of intellect stabilizes mediocrity. Equality of wealth makes all men poor. Equality of religion destroys all creeds. Equality of energy renders all men sluggards. Equality of virtue suspends all men without the gates of Heaven. Equality of love stultifies every manly passion, destroys every family altar, and mongrelizes the races of men. Equality homogenizes so that cream does not rise to the top. It puts the eagle in the hen house so that he may no longer soar.

R. CARTER FITTMAN



## The Real

## American Revolution

FOR A MOMENT, come with me into the American past, to a period in which our forefathers changed the history of the world. Sometimes we think that 1776 was the starting date for our Revolution; actually the *real* revolution had already been brewing a century and a half before 1776.

Fully 150 years before the American Revolution, our colonial ancestors had enjoyed a large measure of self-government. From the first, the American colonial experience had drawn heavily upon the traditional liberties of the British subject, upon the heritage of Magna Charta and centuries of common law, stressing property rights and the guarantees of individual freedom.

---

Dr. Roche is President of Hillsdale College, Hillsdale, Michigan. This article is from his remarks on April 26, 1973 at the American Patriot Award Ceremony, a First Bicentennial Salute by the Pittsburgh Committee of '76 in Pittsburgh, Pennsylvania.

By the 18th century, however, the British were pursuing a new goal. A new economic idea, mercantilism, had gained dominance in British thinking. King George III and his advisers had accepted the idea of what today would be called the planned economy, the mistaken belief that the individual could not be trusted to discharge his own responsibilities. Large amounts of government planning and control were to be used to regulate society and manipulate the individual.

Today the same idea masquerades under many names: Communism, Socialism, the Welfare State — all systems of coercion having in common a basic distrust of individual freedom and responsibility.

By the concluding third of the 18th century, the American people were running out of patience with

this growing governmental interference in their affairs. In the summer of 1776, a man named Thomas Jefferson retired to the upstairs bedroom of a bricklayer's home in Philadelphia, where he penned a short document which was destined to write a new chapter in human history. In that document, the Declaration of Independence, Americans served notice that they would no longer tolerate governmental interference with their lives and property.

The Declaration charged King George III with various abuses of political power against the colonists. But the document was not merely a bill of indictment against George III — it was serving notice, for 1776, for 1976, and for as long as the American Republic endures, that the American people will never tolerate centralized bureaucratic control of their lives.

#### **A Jurisdiction Foreign to Our Constitution**

Consider for a moment the language of 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. He has combined with others to subject us to a jurisdiction foreign to our constitution and unacknowledged by our laws.

In those ringing words we hear the determination of a nation of free men to protect their heritage of liberty and to fight for that heritage when it is threatened.

Actually, Tom Jefferson and the Declaration of Independence are only one-half of the revolutionary story in that exciting summer of 1776. That same summer, a book was published thousands of miles from the American colonies, a book which was destined to have a profound effect on the *real* American Revolution. The author was a Professor of Moral Philosophy at the University of Glasgow, a man named Adam Smith; and the book was entitled *The Wealth of Nations*. Smith was not an economist. There were no such things as economists in the 18th century. The world was a brighter and happier place.

Smith *was* a moral philosopher. And as a moral philosopher he perceived a truth which escapes all too many of us today. Men must be free to make their own decisions. If they are not, a moral paralysis soon sets in. Free choice is a prerequisite for a working moral framework.

Building on that premise, Adam Smith examined mercantilism in England and discovered that this early form of the planned economy was denying men free choice and thus was dis-

torting British society. Economic harm was also being done by the new system. Scarce capital resources were being channeled into less productive areas; individual creativity and productivity were being stifled. In short, Smith discovered that mercantilism was strangling the very economic growth that the planned economy had set out to achieve.

Smith also speculated that free men, men in charge of their own lives, would be productive and effective, both for themselves and for society as a whole. His book was destined to have a greater impact than he could ever have guessed.

#### ***A Model for Nations***

Eleven years after the publication of the Declaration of Independence and *The Wealth of Nations*, our Founding Fathers met once again, this time to draft a constitution charting the course for a new nation. The resulting document has since served as a model for the entire world. The fifty-five leaders of American society who met to write our Constitution were motivated primarily by two ideas: the Tom Jefferson-limited government idea and the Adam Smith-free enterprise idea.

The Constitution of the United States is in a sense the most revolutionary of all documents. It is

premised upon the truly radical idea that men should be left largely free to pursue their own affairs. For the first time in the history of the world, a major nation was attempting an experiment in freedom.

The *real* American Revolution began at that moment. In freedom, America rushed forward to produce more material wealth than had any previous social order. More important, that wealth found its way into the hands of more common men, more ordinary citizens, than had ever before been the case in the entire history of the world. America became vastly powerful, while the American citizen became the most prosperous and the most free man on the face of the earth.

Freedom worked well for America.

Freedom worked well because free men are more productive than slaves.

Freedom worked well because our Founding Fathers knew that political power must be kept within strict limits. They knew that most of the decisions made in a healthy society must be made by individuals, by families, by voluntary associations of free men.

Above all, our Founding Fathers knew, as the Declaration of Independence announced to the world, that "Men are endowed by


their Creator with certain inalienable rights."

Since men are endowed "by their Creator" with these rights, it follows that God and not government is sovereign, and therefore that government must be without authority to interfere with "certain inalienable rights," such as self-government and sustenance; that is, the right to freedom, and the right to property as a means of making that freedom meaningful.

America has prospered when it followed its faith in free enterprise and free men, a faith based upon a fundamental belief in God. Today we are beset with problems on every hand, problems caused in large part because our faith in free men sometimes falters. All too often we seem to believe today that we can turn our problems

over to government, that we can find someone else to deal with our responsibilities.

America is not going to fail. There are no vast, impersonal forces of history about to engulf us. This nation of courageous individuals, this nation of free men, has always been able to handle the problems which arise. We can do so again — *if* we are true to ourselves, true to our magnificent heritage, true to the basic American faith in free men and the faith in God which is the ultimate cornerstone of our system.

I ask you to join with me in asking God to grant this nation the continued blessing of individual liberty and the courage to fulfill our individual responsibilities as free men and loyal American citizens. 

### ***Self-Government***

I COULD NOT OMIT to urge on every man to remember that self-government politically can only be successful if it is accompanied by self-government personally; that there must be government somewhere; and that, if indeed the people are to be the sovereigns, they must exercise their sovereignty over themselves individually, as well as over themselves in the aggregate — regulating their own lives, resisting their own temptations, subduing their own passions, and voluntarily imposing upon themselves some measure of that restraint and discipline which, under other systems, is supplied from armories of arbitrary power.

IDEAS ON



LIBERTY



## OUR DISORDERED LIVES

THE COLONISTS had won a war and, desiring to set up a republican form of government, they installed a Constitution designed to limit the public authority and thus maximize personal liberty.

Now that they were free, what did these early Americans do with their newly won liberty? For one thing, they worked. They had to provide their own food, clothing and shelter, so work was a necessity of survival. Moreover, these people remembered the poverty en-

duced by their ancestors in Europe and how life was demeaned thereby. Now that these Americans were free to enjoy the fruits of their toil they became more productive, and with the gradual increase of wealth came a new sense of human dignity which accompanies modest economic success. The Puritan Ethic was sound when it endorsed work, thrift and frugality. This ethic fitted in well with the burgeoning interest in the new science of economics, masterfully set forth in 1776 by Adam Smith. It is significant that more than twenty five hundred copies of *Wealth of Nations* were sold in this country within five years of its appearance. Obviously,

---

The Reverend Mr. Opitz is a member of the staff of the Foundation for Economic Education, a seminar lecturer, and author of the book, *Religion and Capitalism: Allies Not Enemies*.

the book addressed itself to a real need.

Economic activity is fundamental to human existence. A Robinson Crusoe could get along without politicking, but if he did not work he would die of hunger and exposure. Emerging from economic activity are the concepts of rights to property and claims to service around which many political battles are fought. Economics, on the surface, deals with prices, production, and the operations of the market as determined by the buying habits of every one of us. In reality, however, economics is concerned with the conservation and stewardship of the earth's scarce goods; human energy, time, material resources and natural forces.

These goods-in-short-supply are our birthright as creatures of this planet. Use them wisely, as natural piety dictates and common sense confirms — that is providently and economically — and human well-being is the result. Ignore the realities in this area, as we have done in our time, and a host of evils follow. We might be able to live with economic ills if we didn't think we could cure them with political nostrums, but our political efforts aimed at mopping up the consequences of economic mistakes head us in the direction of the Total State. Every collectivist ideology — from the welfare state idea to to-

talitarian communism — is strung on a framework of economic error. People are prisoners of their beliefs, and so long as they cherish a wrong understanding of economics they will be appealed to by one form of collectivism or another. But when they embrace sound economics, collectivism will cease to be a menace.

### **Man's Nature**

All creatures take the world pretty much as they find it, save man. Man alone has the gifts which enable him to entertain an idea and then transform his environment in accordance with it. He is equipped with needs which the world as it is cannot satisfy. Thus he is compelled to alter and rearrange the natural order by employing his energy on raw materials so as to put them into consumable form. Before he can do much of anything else, man must manufacture, grow, and transport. His creaturely needs man shares with the animals, but he alone employs economic means to satisfy them. This is an enormous leap upward, for by relying on the economic means man becomes so efficient at satisfying his bodily hungers that he gains a measure of independence from them. And when they are assuaged, he feels the tug of hungers no animal ever feels: for truth, for beauty, for meaning, for God.



Whatever may be man's capacities in the upper reaches of his nature — to think, dream, pray, or create — it is certain that he will attain to none of these unless he survives. And he cannot survive for long unless he engages in economic activity. At the lowest level, economic action achieves merely economic ends: food, clothing, and shelter. But when these matters are efficiently in hand, economic action is a means to all our ends, not only to more refined economic goods but to the highest goods of the mind and spirit. Add flying buttresses and spires to four walls and a roof, and a mere shelter for the body develops into a cathedral to house the spirit of man. Economics is not one means among many, Hayek has pointed out, it is the means to all our ends.

### ***Material Progress***

The freer a nation's economy the more prosperous are its citizens. The wealth of Uncle Sam became the envy of the world. America's greatness is not, of course, to be measured by monetary income and material well-being; but it is interesting to note how well Americans have done economically with the resources available to them.

The United States is only one-sixteenth of the land surface of the world, and Americans are only about one-fifteenth of the world's

population. Nevertheless, Americans own three-quarters of all the television sets. Americans consume about two-thirds of all the petroleum products in the world, one-half of all the coffee, two-thirds of all the silk. An American factory worker can buy four suits of clothes with a month's wages; his counterpart in a totalitarian country can buy half a suit with a month's wages. An American can buy six pairs of shoes with the results of a week's work; his totalitarian counterpart can buy one shoe. These figures prove only one thing. They demonstrate with what dramatic success Americans have waged the great war on poverty.

There was general progress during the nineteenth century; the American Dream appeared to be in the process of realization. The War Between the States shed brothers' blood and dealt the nation a staggering blow, but the country's spiritual and political leadership had enough vitality to begin the long job of putting the pieces together again. There were several periods of economic dislocation during the nineteenth century, but the masses of Americans tightened their belts and took the hardships in stride. The prevailing mood, as the nation entered the twentieth century was optimistic, but this mood was badly shaken by World War I. There was a lot of cynicism

in the literature of the twenties and a few voices began to propagandize for the Planned State. Then came the shattering experience of the Great Depression and large numbers of Americans lost faith in themselves and in their institutions. They felt powerless before the forces leading them toward the war they entered in 1941.

Given their "druthers," most people choose freedom; they would have settled — anytime during the 1929-1941 period — for a resumption of the old ways and the prospect of a steady job. But there was almost no one to tell them that economic stagnation and war are not market place phenomena; these are consequences of political interference with the free market. The economy which collapsed in 1929 and continued stricken during the thirties was a politically rigged economy; it bore little resemblance to the classical model of the free market!

### ***The Voice of Socialism***

This message was drowned out in the thirties by the confident, strident voices of Socialists, Communists and Social Planners. The prescriptions of these folk were heeded, in large measure, and their remedies applied. The welfare state was given carte blanche in the nineteen-thirties and has had the field virtually to itself for the past

forty years. What are the consequences? Examine any sector of the nation you choose and the survey turns up a shambles. Dissension tears apart our churches; influential church bodies support revolution; churchmen embrace one weird theology after another. On the campuses there is not only a breakdown of educational theory, there are student riots, burnings and bombings. Never have Americans been so divided against each other; never has America stood so low in the eyes of the world.

It is an ominous portent for a nation when significant numbers of its people carry the political dialogue out into the street, forsaking the painstaking, two-way process of argumentation and discussion for the more spectacular device of demonstration. Thus the marches, the sit-ins, kneel-ins, pray-ins, wade-ins, and the like. Public order exists only because the overwhelming majority of people voluntarily obey the rules of the game. The law does not create public order; law is the creature of that order. Order creates an instrument, the law, to punish those occasional breaches of propriety which occur because men are not angels. No society comes into existence, nor can a society endure, unless most of the people can be trusted most of the time to play fair and deal justly with their fellows.

Every free society develops its customary style of political life as a reflection of its peculiar ethos and, according to its own lights, gives to every faction in the society a voice to match its merits. A free society devises political machinery for the orderly succession in office, and cannot long endure chaos in this sphere.

### ***Not a Tyrant's Rule***

Our situation in 1973 is not like that of a conquered country, pinned down by a tyrant's heel. A suppressed people is denied access to the political levers by which orderly changes in society are effected. They cannot plead their case across the abyss which separates them from their conquerors, and thus they are impelled to protest by actions which smack of guerrilla warfare. How different here! The channels of political communication in the United States were never more open than today, but never has the country witnessed more protest marches, demonstrations, and riots. The ends the demonstrators hope to accomplish by taking to the streets—recognition, economic improvement—were not being thwarted by the strongest political currents flowing during the past generation; to the contrary, new ground was being gained with each passing year, and the trend was continuing. There

was undeniable progress, but it was not being accomplished fast enough by regular political means, seconded by moral and educational movements; so they took to the streets to speed up the action.

Then there are the cop-outs, the denizens of the counter-culture, the drug people, the vagabonds, the experimenters with new life styles.

What went wrong? What will bring us back into the mainstream of the American tradition?

### ***The Decline of Religion***

The past two centuries—the period during which the American experiment got started, rose to heights of prosperity, then lost its sense of direction—coincides with the general decline of religious belief. The decline I refer to is not something to be gleaned from statistics. There are millions of people who attend church every Sunday; there are a great many devout Christians and pious Jews in Europe and America; there are philosophers who can demonstrate by close reasoning that God is; and there is in the average man a sense that he is taking part in events of a more than mundane significance. But the God reached at the conclusion of a chain of reasoning is not the same God as The One in Whom our being is rooted—although it is with the philosopher's God that the recovery of religious faith must be

gin. Hold fast to that which can be proved; then faith, when it comes, is a gift of grace.

While religion has gotten onto rather shaky ground in modern times, the philosophy of Materialism has gained ascendancy almost everywhere. It is the typical faith of the laboratory and the market place. Science has taken on a magic radiance during the past two centuries, appearing to deliver what religion had only promised; and the world view dictated by science was widely assumed to be Materialism. Scientists, for the purposes of their work, visualized the universe as an intricate, interlocking piece of clockwork. Every event is the effect of a mechanical cause, and a thing is "understood" when broken down and analyzed into its antecedents. Science takes on messianic significance in what Karl Marx referred to as his "Scientific Socialism," and the philosophy of dialectic Materialism on which communism is based rigorously excludes God and regards religion as the enemy.

Religion was a compelling force in the formation of American ideals and institutions. From the religious heritage of Christendom came our understanding of human nature and destiny — the belief that God has called men to His service while in the body to perform their duties as citizens, their tasks as

employers and employees, as well as in their homes, their churches, and their play. The central doctrine of our political theory is the idea that each person possesses inherent, God-given rights, whose protection is government's primary job.

But if man is not a created being, if man instead is simply the end product of material and social forces — as the strict environmentalists believe — then there is not a spark of the divine within him. If there is no God there are no God-given rights in a person, which all other persons are bound to respect. And if there are no rights natural to man as such, then men will not strive to limit government to the public domain. To the contrary, the powers and functions of government will be extended and some men will come to regard other men simply as objects to be manipulated: "We who wield power will create the environment to mould men to our specifications and thus bring a new humanity into being." At the first Creation God made man in His own image; the second Creation proposes to improve on the first!

The philosophy of Materialism cannot allow the idea of inherent rights, nor does it countenance the idea of a soul, or mind, as a genuine reality. Materialism is the theory that bits of matter alone are ulti-

mately real, and when one reflects on this position it is evident that Materialism is self-refuting. If only matter is real, the *theory* that only matter is unreal is fanciful! A theory, or an idea, or a belief is certainly nonmaterial; and the fact that we can have an idea of matter demonstrates that there is more to the universe than matter!

### ***The Reality of Ideas***

Ideas are real! An idea does not occupy space, nor is it in time; it will not submit to chemical analysis, nor can it be weighed or measured. But it begs the question to assume that these are the only tests for genuine reality. If we deny reality to an idea or a thought, then neither can we vouch for the truth of an idea or thought. The Materialist actually denies the validity of thought when he doubts the reality of an idea; and, to be candid, he must admit that he cannot trust the reasoning which purports to lead him to Materialism!

The tragedy is that religion has weakly succumbed to this ideology, and the idea of rights derived from the Creator has been replaced by the notion of privileges granted by the State. This has had a profoundly disturbing effect on American political institutions.

The second ill consequence following upon the decay of religious belief affects the individual person

by diminishing his life goals. It is the Christian position that man is made to serve a transcendent end, in other words, to seek first the Kingdom. The ancient promise is that if we put this first thing in first place the other necessary things will come in sequence. But under the rule of Materialism men are limited to the pursuit of earthly goals which, in practice, boil down to two; the pursuit of power and the pursuit of wealth.

The relentless pursuit of power destroys the idea of limited, Constitutional government; the ruthless pursuit of wealth destroys the market economy. If a people acknowledge the Ten Commandments, seek freedom and justice, practice love of God and of neighbor, and then employ a modicum of intelligence in their economic and political arrangements, they will restrain government and release productive energy; they will have a free and productive commonwealth on these terms, and on no others. For it is almost a truism that disorder in society is but a reflection of disorder in the souls of men. Earmarks of today's inner disorder are widespread uncertainty about the meaning of life, loss of proper goals, confusion as to what it all signifies, a loss of hope, and an enfeeblement of resolution.

As the religious man understands the universe, this natural

world is grounded in a spiritual reality, which we cannot sense, but whose reality may be corroborated by intuition, reason, or revelation. When man loses contact with this divine order he will transfer his loyalty to worldly objects, and a part of him will be crippled as a result. The full embodiment of the Gospel vision is beyond the capacity of any generation of men. But the City of Man may be a proving ground for the City of God, and a portion of that vision has worked its way into the law, customs and conventions of Christendom. This ideal once inspired our free institutions, and its original inspiration can be rekindled. Until that rekindling occurs the promise of America remains unfulfilled.

### ***What Is Life's Meaning?***

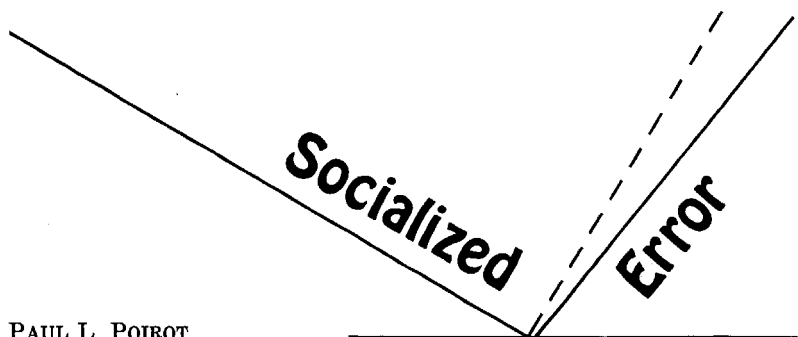
Each of us is thrust into life and saddled with the task of discovering what this life of ours is all about. The first thing we discover is that the life-meaning we seek is not something which will simply drift toward us while we passively wait; we have to work for it. It is only as active participants in life that we begin to discover clues as to the meaning of our earthly pilgrimage.

The full meaning is, of course, denied us. Mortal man, with his finite understanding, can do no more here than "see as through a

glass darkly." But the part we can and do see is at least enough so that we know what our next step should be. Take the right step and it leads to another. Look back over our trail and a definite pattern is decipherable.

We human beings did not invent ourselves. Our fumbling efforts to discover the laws of our being — the rules for our proper operation — contribute toward making human life the painful thing it is. But this pain of ours is a peculiar pain; joy is mingled with the pain — the joy that comes from knowing that each one of us participates in the very process of creation itself. Every other creature but man obeys the Laws of God, which are the Laws of Life, willy-nilly — almost mechanically. But God solicits the cooperation of man. We have free will, and we may refuse to cooperate; or, we may exercise our power of choice and thus begin to realize the tremendous potential that lies latent in each one of us.

Life challenges us to grow, and it provides abundant occasions and opportunities to test our nerve. Every test is just a little beyond our capacity; so, in one sense, we fail. But in the very act of striving lies our success, for new powers emerge out of our shortcomings; and the hardships we overcome on each level of life spur us to rise higher.



PAUL L. POIROT

TO SEE a grown man make a childish mistake is embarrassing, even if he is the sole victim and misleads or harms no one else in the process. Nor does one enjoy seeing two or more responsible adults collaborating to be wrong at their own expense. Yet, one observes errors all about him every day of his life; and his problem is to tolerate such behavior and to learn from it. Otherwise, one finds himself trying alone, or conspiring, to forcibly prevent others from making their own mistakes.

Unfortunately, in a highly industrialized trading economy such as ours, it seems increasingly difficult to be mistaken only at one's own expense. A man mistakes a red light for a green and harms someone else in the process. His raucous hi-fi set disturbs his neighbors. His inefficient garbage disposal is an eyesore, or worse, to the community. The weeds on

his vacant lot happen to be marijuana. His factory belches smoke. His cropping practices aggravate floods — or dust storms.

Now, it is especially annoying to see anyone making mistakes that are harmful not only to himself but to other quite innocent persons as well. Most of us can find considerable justification for bringing a bit of force to bear against such disturbers of the peace. Yet, in the process of applying that force, we may be committing the worst mistake of all: the socialization of error — compelling everyone in the society to share the cost of the reform we advocate.

Such is the anomaly of freedom. On the one hand, it allows more and more of us to live longer lives of greater comfort and ease. At the same time, it brings us closer to one another and makes each of us in his specialty more

dependent on the other specialists with whom he trades goods and services. The open frontiers of land and air and water disappear. More and more of the bounties of Nature, once free for the taking, are drawn into the category of scarce economic resources which are worth owning and command a price in the market.

### **Effects of Crowding**

As industrialized people become more and more crowded together in their increased affluence, personal mistakes not only become more obvious to others and more annoying but also tend more and more to trespass upon the property and to jeopardize the liberties and the lives of others. The limited rules of law and order applicable to the open range and frontier life seem inadequate to cover the increasing frictions of crowded urban living. In their distress at some of these noxious fruits of affluence and progress, many persons hasten to the conclusion that "there ought to be a law" — a bit of coercion to prevent the individual from making his own mistakes. And the result of this expanded sphere of governmental intervention and control is that everyone is compelled to help pay for mistakes that were none of his own doing. Here are a few samples of popular reform meas-

ures for which the taxpayer is held accountable:

- government schools with compulsory attendance on the theory that this will teach the individual to make fewer mistakes.
- government systems of transportation on the theory that this will facilitate the desired movement of goods and services and people.
- government health and welfare programs on the theory that this will enable and encourage individuals to lead happier and more useful lives.
- government parks, playgrounds, and other recreational facilities on the theory that these will lead to more constructive uses of leisure.
- government communication facilities on the theory that people will thereby be better informed and more understanding of the views and the problems of others.
- government supplied water, fuel, power, and other utilities on the theory that this will promote the fare.
- government regulation and control of wages, prices, rents, interest rates, advertising, purity and quality of products, competitive practices, working conditions, insurance, banking, and numerous other aspects of business on the



theory that voluntary traders are unfit judges of fairness and equity.

- government privileges to labor, agriculture, industry, professional groups, and similar minorities on the theory of equality *after* the law.
- government aid to other governments on the theory that this will improve the American image abroad and stimulate exports.
- government printing of legal tender notes on the theory that traders otherwise might waste their time panning gold.

The foregoing list illustrates but by no means exhausts the ways in which mistakes are socialized in the name of preventing personal errors of judgment and action. This is not to question the desirability of and the need for education, transportation, health care, recreation, communication, water, fuel, electricity, insurance, banking, business integrity, charity at home and abroad, and above all, an honest medium of exchange. Nor is it to question the need for government to protect the lives and the property of peaceful citizens against fraud and violence. What is debatable is the use of governmental coercion to displace the market as the converter of scarce and valuable resources to the most efficient service of peaceful human desires.

### ***The Role of Private Property***

The multiplication of people and their desires accentuates the demand upon available resources, calling for the enclosure of what was once the commons. In other words, there is an increased role for private ownership and an added importance of property rights to bring clean air, pure water, and increasingly scarce resources of all types under the influence of voluntary supply and demand in the open market.

The mistake in this connection is the unwarranted assumption that new or additional laws are needed to do the job. Or, worse yet, the assumption that the increasing scarcity of a resource, relative to the demand for it, justifies bringing all available supplies under government ownership or control. In other words, if air or water or land or oil or any other resource seems to be in relatively short supply, then nationalize the supply and treat it as if it were a free good or costless in the market as far as the consumer is concerned; the cost is there, all the same, but is to be charged to taxpayers in general rather than directly to each consumer. Thus, the consumption of the scarce resource is subsidized and encouraged, whereas the producer of that resource is discouraged through total or partial confiscation of his


property. That is the general nature of the mistake: the resort to coercive measures in the attempt to do a job which can only be accomplished through the peaceful procedures of the market.

#### **How Market System Functions to Avoid Waste**

The market recognizes the need and provides handsome rewards for specialists in the production and conservation and use of scarce resources. If there were no moral or other justification for private property, the foregoing alone would be ample and sufficient reason for it—the avoidance of waste. This is the same reason for all specialization and all exchange. And the lack of respect for private property is the basic reason why compulsory socialism is bound to fail—why it can neither detect waste nor avoid it, however harsh be the treatment of individuals. Instead of allowing persons to specialize as producers or savers or responsible users of scarce and limited resources in market fashion, socialism in effect compels everyone to serve as teacher, mail carrier, transporter, physician,

supplier of utilities, lawyer, insurer, banker, philanthropist, and printer of fiat money. What waste of human talent, to say nothing of the other scarce resources squandered in such warlike processes! This is the great mistake we make when we refuse to tolerate the errors of self-responsible individuals and socialize such errors instead.

If it is education we desire, let us look to specialists in the open market rather than to the coercive process by which the policeman is to make every taxpayer a teacher. Perhaps some of the specialists will make mistakes; but such errors, primarily at the individual's own expense, are far more tolerable than when socialized.

In similar fashion, the market may be trusted to provide the best transportation, communication, recreation, business service of all types, charities, and even the best money that can be had within the limits of available resources and human understanding. Among fallible men, we may expect some mistakes. Perhaps we can learn to tolerate them, for there is no other chance to be free. 

There was once a university in the heart of America where all life seemed to be in harmony with its surroundings. The university lay in a verdant grove of academe; autonomous, self-perpetuating, and buoyant. In the spring black and white clouds of commencement robes signaled the end of another prosperous year of learning; a year in which professors had taught and students had listened. Then a strange blight crept over the university, and everything began to change. Some evil spell had settled on the academy. Everywhere there was the shadow of death. There was a strange stillness in the classroom. Teachers no longer taught; students no longer listened. The professors, for example, where had they gone? Many people spoke of them, puzzled and disturbed. Classrooms once vibrant with dialogue were now dull with apathy. The campus, once green, was now arid with alienation or else afire with revolt. No witchcraft, no enemy action had silenced the rebirth of new life in this stricken world. The professors had done it themselves!<sup>1</sup>

## The Restoration of Intellectual Virtues in Academic Life

# The Need for Tolerance and Humility

DONALD E. WEAST

AS SOCIETIES become more complex — as the population grows, as the statuses and roles multiply, as the exposure to conflicting ideologies increases — there seems to be waning agreement over the validity and propriety of abstract values and norms. Such is the case with American institutions. From the

secular world of sports (where questions are being raised concerning the value of winning), to the sacred world of religion (where questions of relevance have become a source of bitter debate), one struggles to discern whether a common ethic exists.

---

Dr. Weast is Assistant Professor of Sociology at the University of Wisconsin—Waukesha County Campus.

<sup>1</sup> Robert A. Nisbet, "Conflicting Academic Loyalties", in *Improving College Teaching*, Calvin B. T. Lee, Editor, (American Council on Education, Washington, D. C., 1967), pp. 12-13.

The institution in American society which appears to be the epitome of the present bewilderment is the university. Witness the contradictory attitudes and behavior which not only exist in academic life, but are considered beneficial by their various representatives: From so-called "teach-ins" where speakers plead that others "see the light" so that the "correct" actions will be taken, to those whose idea of teaching leads them to reject various forms of political proselytizing; from professors who insist that students have a right to "relevant" courses to those who question the meaning and dimensions of the term "relevance"; from those who agree that government has no place in academic life and that therefore R. O. T. C. should be abolished, to the insistence by the same people that Peace Corps and Draft Counseling courses have a proper place on the campus.

### **A Perplexing Contradiction**

Why such contradictory behavior not only occurs but is rationalized at great length by leaders in the academic world as being part of "education" is, to say the least, perplexing. Perhaps Irving Kristol provides at least a partial answer by his observation that, "when an institution no longer knows what it is doing, it starts

trying to do everything."<sup>2</sup> Granting the accuracy of this pessimistic insight, it may be useful, nevertheless, to develop models of what education *ought* to be; otherwise there is little prospect of ever realizing a coherent educational system. As a step in this direction, I will attempt to clarify what I see as one of the essential purposes of education, explore some of the necessary conditions for its fulfillment, and illustrate how these conditions are often violated by those who transmit "education" — the professors.

A statement from the Harvard Report, "General Education in a Free Society," provides a point of departure.

Education is not merely the imparting of knowledge but the cultivation of certain aptitudes and attitudes in the mind of the young . . . These abilities, in our opinion, are: To think effectively, to communicate thought, to make relevant judgments, to discriminate among values.<sup>3</sup>

It may be inferred from this statement that one of the essential purposes of the university is the

<sup>2</sup> Irving Kristol, "What Business is the University in?" *New York Times Magazine*, (March 22, 1970), p. 30.

<sup>3</sup> William H. Burton, Roland B. Kimball and Richard L. Wing, *Education for Effective Thinking* (New York: Appleton-Century Crofts, Inc. 1960), Preface, p.v.

cultivation of the individual mind — a mind which is committed to the *search* for and the transmission of true knowledge.<sup>4</sup> It is this principle which gives credence to the institution of learning — in spite of its diverse curricula and individualistic practitioners. It is this principle which validates the “community of scholars” concept.

The very existence of the university reveals the recognition that a cultivated mind is not obtained automatically, but requires intensive intellectual training.<sup>5</sup> This involves, of course, such things as “sound training in the fundamental ways of thinking” represented by the various disciplines and “the ability to handle and apply complex ideas, to make use of a wide range of accurate knowledge, and to command the means of effective expression.”<sup>6</sup> It is my judgment, however, that this training will be undermined, or

<sup>4</sup> The reason for emphasizing the word “search” is to recognize not only the fallibility of human thought, but to underscore what science has taught us: what is deemed true today, may be false tomorrow.

<sup>5</sup> I do not mean to suggest that the *actual* training the individual receives in the university necessarily leads to a cultivated mind. Nor do I suggest that the university is the only setting in which intellectual growth can be achieved. I do assert, however, that the university *should* be devoted to this cause.

<sup>6</sup> Arthur Bestor, *The Restoration of Learning*, Alfred A. Knopf, Inc., 1956, pp. 7-8.

will be, at best, superficial unless certain attitudes prevail in the hearts and minds of those charged with doing this training — the professors. That is, it is imperative that professors show by word and deed their commitment to virtues which are the life-blood of the cultivated mind: tolerance and humility.<sup>7</sup>

### To Develop an Open Mind

By tolerance I am not referring to the narrow and topical application of racial tolerance, but to a commitment to having an open, receptive mind. Whatever the issue is about, no matter how contrary the view may be to one’s own (or no matter how favorable), the commitment of the professor must be to discovering, through the painstaking use of intellectual skills, whether and to what extent it is true or false.

It is extremely difficult to develop an open mind. One of the reasons for this may be that our parents, and paradoxically, even our professors have failed to demonstrate, by their own actions, the virtue of this goal. Given the na-

<sup>7</sup> These are not the only crucial virtues in this regard. Among others are suspension of judgment and curiosity. At least in a superficial sense, these attitudes are part of the academic folklore. As an illustration of their importance for effective thinking see Burton et al, *op. cit.* pp. 34-45.

ture of their non-academic roles, the behavior of parents can be easily understood if not excused. But this is obviously not the case with professors.

What are some indicators that some professors have failed to be models of tolerance? As far as their actual classroom performance is concerned, it is very difficult to obtain reliable information; it is a time-honored tradition that "outside observers" are only welcome by invitation. Students, of course, may cite instances of professors failing to give balanced presentations of highly controversial issues (controversial in the sense that reputable scholars do not agree) or of their failing to give serious consideration to the questions and opposing views of their students. But though these charges may indeed be true their validity rests on the integrity of the student as well as on his competence to make such judgments.<sup>8</sup>

Fortunately, we do not have to rely on classroom evidence. In recent years there have been occasions outside the classroom in which some professors have failed

---

<sup>8</sup> I do not mean to imply that being a student necessarily means that the person lacks integrity or competence. Indeed, in this regard, I have known students who outshine some professors. The point is that observer reports of this type are fraught with possibilities for error.

to grasp the opportunity to show their students, as well as the general public, the virtue of tolerance. Their behavior at some of the teach-ins on Vietnam provides a striking example. A professor of sociology observed one of these Teach-Ins at the University of Wisconsin and made the following report:

The professors who spoke were almost completely biased. They did nothing to restrain and much to encourage the hissing, groaning, and jeering that immediately greeted any assertion or question suggesting deviation from their own views. They engaged in question-begging witticisms — "The Lingo of The Neo-Jingoes", one professor titled his talk. They permitted the display and distribution of inflammatory photographs, literature, and signs in the classrooms. They scheduled the Teach-In amid a week-long round of placard-toting, petition-waving, vigil-keeping activities 'To end the war in Vietnam' all to be climaxed by a 'March on Washington'.<sup>9</sup>

It is crucial to understand that the central issue here is *not* that some professors have violated the rights of others to speak freely. To emphasize this is to miss the significant intellectual issue: hiss-

---

<sup>9</sup> Michael Hakeem, "Rusk Should Ignore 'Teach-in' Professors", Letter to The Editor, *Wisconsin State Journal*, May 13, 1965.

ing, groaning, jeering, or walking out on guest speakers are a repudiation of thought and thus make a mockery of the "house of intellect."<sup>10</sup>

### **Biased Presentations**

Another way professors demonstrate their intolerance of opposing views is, ironically, through their tolerance of one-sided presentations. It is intellectually defensible to argue for a certain point of view, say, concerning the causes of poverty, or crime, or war. It is then up to the minds of others to assess whether the argument can withstand the application of rigorous, disciplined thinking. But if, for example, students are constantly subjected to one-sided views concerning subjects which abound in controversy among experts and are not even exposed to the opposing views in an objective, scholarly fashion, the professor is, unwittingly or not, supporting the norm of indoctrination.

This was a key argument I presented in opposing the format

<sup>10</sup> Of course it is not a sign of anti-intellectualism if a person refrains from attending an event because it has little or no educational value. Indeed, it may be the sign of intellectualism of the highest order for a person not to take the time to hear bias-ridden speeches. (On the other hand, the intellectual might well attend in order to study another specimen of propaganda.)

of the University Forum on my own campus last year. This forum, entitled: "University Forum on Social Change," presented a series of speakers who were chosen *because* of their political ideologies. Moreover, instead of seeing to it that diverse ideologies were given equal representation, one-sided views prevailed. Finally, and most importantly, this course was given for academic credit. Now, of course, every professor and administrator should have realized the implication this has for the intellectual integrity of any of the courses in the curriculum. The idea of granting academic credit is based, at bottom, on the premise that the student is being exposed to and learning from a professor who is deemed qualified because of his *academic* credentials. If this is not the case, why give academic credit? Why have disciplines? Graduate school programs? Degrees? Professors?

### **Techniques of Propaganda**

I might well assign my students to hear one-sided speeches *all year* in order to provide them with examples of how ideologues use various techniques of propaganda in order to win converts. Thus, they may be instructed to look for and report on examples of connotative speech geared to arouse the audience to the "right" response, for

the appeals to numbers and authority, for the failure to acknowledge the conflicting views of reputable scholars, for the failure to acknowledge basic assumptions, for the begging of questions, for making generalizations from insufficient evidence, and so on. Through such assignments, the students would be trained to develop their minds so that they would be able to make decisions for themselves. These carefully conducted procedures would be in keeping with the educational philosophy which holds that a basic function of the professor is to enhance the *intellectual* power of his students. It recognizes that the acquisition of such power does not occur by the simple exposure to various ideologies. Rather, it assumes that the development of effective thinking is a most difficult task. It assumes that the mind cannot grow under all conditions, but must be carefully nurtured. This is a basic reason for insisting on vigorous standards in professional disciplines and academic courses. To assume that students already have the tools necessary for clear and responsible thinking, and therefore can protect themselves from being misled when confronted with a series of "stimulating" speeches, is to suggest the irrelevance of the professor.

### **Freedom Violated**

There are those who will hold that the demand for high standards in an academic course contradicts the virtue of tolerance in that it infringes on the freedom of teachers, students and, in the case cited above, the speakers as well. I can respond to this no better than to quote the words of the historian Arthur Bestor:

To insist that instruction must meet the exacting standards of scholarship is not to infringe upon freedom of teaching. Such infringements occur when pressure groups — whether reactionary or radical — force the schools to conform to their preconceived ideas, to limit the curriculum, to censor textbooks, or to forbid the teaching of controversial subjects. Scientists and scholars must vigorously resist such efforts to impose upon the schools any narrow dogma in politics, economics, religion, or science, for learning itself is thereby threatened with destruction. They must also resist anti-intellectualism in the schools themselves, for if freedom of thinking and respect for intellectual effort are undermined there, it will be easy for demagogues to convince a larger public that intellectual effort is of little value in any case, and that freedom of thought is not worth preserving.<sup>11</sup>

There are even some professors who not only do not see anything wrong with indoctrination but

<sup>11</sup> Arthur Bestor, *op. cit.*, p. 9.



openly espouse it. To illustrate, Professor George Adams, a self-proclaimed radical teacher at the Wisconsin State University at Whitewater apparently sees nothing wrong in using the classroom as a setting for attacking the *status quo*.

But whether the radical criticism is from the point of view of Marxism (Lukacs), women's liberation (Millett), Anarchy (Goodman), or Black Power (Thelwell), its purpose is always the same — to *subvert* [my italics] the existent bourgeois culture.<sup>12</sup>

It is important to stress that Mr. Adams is not simply calling for the presentation of "radical views" to the students. If this were the case, it would hardly be new. Indeed the university has fought long and hard for the right of scholars to present controversial material to their students. Mr. Adams is calling for something else: The use of the classroom to indoctrinate students to the professor's own political ideology.

To argue that this open espousal of indoctrination is rare on campus is to miss its real significance. The fact that it occurs *at all*, without a corresponding sense of bewilderment, alarm, and

<sup>12</sup> George B. Adams, "Radical Teachers," Letter to The Editor, *Change*, Jan.-Feb., 1971, p. 5.

outrage by the faculty as a whole, indicates not only the lack of any real commitment to the open, receptive mind that is guided, nevertheless, by the highest standards of scholarship, but the degree to which the university has become a normless institution.

### ***The Virtue of Humility***

Closely related to the virtue of tolerance, and possibly a condition which must precede it, is intellectual humility. It is the attitude which makes us acutely aware of the limitations of our own minds, limited not only by the available resources of the brain, but the ignorance of or failure to comprehend what other minds have discovered.

To proclaim the virtue of humility is not to suggest that the tongue must forever be silent — that true knowledge is an illusion and that therefore one man's perception of it is as good as another's. To assert such things is to reach the end of reason and to exalt the god of absurdity. In such a state, surely, all conversation, from the problem-solving of the coffee klatch to the painstaking analyses of the seminar becomes redundant. We might as well moan and arm wrestle.

No, the virtue of humility does not imply all of this. But it does demand that the knowledge the

professor offers to the public is presented with full awareness of the mistakes of the past and the possibility for errors in the present. It demands that he not attempt to coerce others, either physically or through some psychological device, to accept his views. It demands that he refrain from making claims on controversial issues without demonstrating how his intellectual skills led him to accept one point of view rather than another.

It is not a significant test of humility when a professor acknowledges in an abstract sense that he does not know it all, that what he perceives to be the truth may turn out to be false, that his enthusiasm for a certain point of view is tempered not only by the recognition of his own fallibility but by the knowledge that sincere and reputable scholars disagree with him. The test comes when the professor is confronted with the task of responding to a social crisis — to a problem that heightens the emotions of the public. Will he practice the virtue of humility at this moment or not? If not, it shows the superficiality of his commitment to the abstract principle of intellectual humility, and at the same time indicates the priority he gives to an ideological position or to the whims and emotions of the moment.

There are signs that some professors are either unaware of, fail to see its importance, or simply and arrogantly scoff at the virtue of humility. Ironically, these signs seem to be pronounced in times of social crisis. It is during these times when various professors demonstrate that they are no different than the public which they claim to be teaching. Like the most avid partisan of some special interest group, these professors clamor that others “see the light” and follow their lead.

#### *In Times of Crisis*

It is the time that petitions and resolutions begin to circulate, when placards and bumper stickers become more evident, when cartoons and editorials appear on office doors. To illustrate: A resolution was introduced and supported by a number of professors at a University of Wisconsin-Waukesha faculty meeting which read in part that the faculty “condemns the U.S. invasion of Cambodia.” A petition was circulated on campus and signed by some professors which included the phrase that the “National Guard are the hired killers of the U.S. government.” Cartoons and editorials have appeared on office doors which depict various public figures as heroes or villains — from idolizing Daniel Berrigan as a paragon of

virtue to presenting Richard Nixon as a symbol of sin.

It would be a serious error to criticize these faculty members on ideological grounds—that is, to condemn their actions *because* they reflect antagonistic views. Such a criticism is merely political and self-serving. As a consequence it fails to provide an intellectual rationale for condemning such tactics *per se*. Thus, if a resolution were proposed hailing the U.S. involvement in Cambodia, if a petition were circulated which praised the National Guard in its handling of the Kent State Affair or if cartoons were to appear equating Father Berrigan with the devil and Nixon with the savior, we would be left with the same problem. The significant criticism to make of professors who do these things is that knowingly or unknowingly (I'm not sure which is worse) they are proclaiming that the techniques of the Madison Avenue huckster, whose effectiveness is related to the unthinking reactions of the masses, have a proper place in an institution of higher learning; that to over-simplify, to mislead, to appeal to emotions, to give only one side—to violate the most fundamental elements of scholarship—is all right, as long as it promotes the “correct” view. This is the end for minds that are bankrupt, as far

as intellectual humility is concerned.

### ***The Need to Explain***

Now it may be *true* that the U.S. invasion of Cambodia was wrong for various reasons, that the description of the National Guard as “hired killers” is accurate and not misleading, that Father Berrigan is a virtuous man and that Richard Nixon is not. But it is a gross act of arrogance to imply that such things are self-evident—that a simple proclamation from a professor's pen will do. The virtue of humility does not suggest silence, but it does call for demonstrability. It implies that if the professor has some knowledge to offer mankind on pressing matters he cannot rely on his status, but must demonstrate how he came to these conclusions, by what processes of thought and by what kinds of evidence. To ask this of a professor is to ask him to be no more than what he claims to be: an educator. To fail to ask—to see nothing wrong or indeed to see something noble in these simplistic resolutions, petitions, cartoons, and the like—is to discredit the ideal of scholarship and perpetuate one of its most deadly enemies: intellectual arrogance.

It may be argued at this point, and rightly so, that this long discourse on tolerance and humility

is not warranted. It *is* an old refrain. Moreover, like so many ethical appeals, whether voiced from the pulpit or the political forum, this call to high principles in academic life is rationalized away or soon forgotten as we go about our daily chores. I have no illusions about the matter. But, unless one rejects the contention that ideas have consequences, it is necessary to reaffirm those things which can help to restore to the university the integrity that it once had. ☉

### ***Freedom of Opinion***

FIRST, if any opinion is compelled to silence, that opinion may, for aught we can certainly know, be true. To deny this is to assume our own infallibility.

Secondly, though the silenced opinion be an error, it may, and very commonly does, contain a portion of truth; and since the general or prevailing opinion on any subject is rarely or never the whole truth, it is only by the collision of adverse opinions that the remainder of the truth has any chance of being supplied.

Thirdly, even if the received opinion be not only true, but the whole truth; unless it is suffered to be, and actually is, vigorously and earnestly contested, it will, by most of those who receive it, be held in the manner of a prejudice, with little comprehension or feeling of its rational grounds. And not only this, but, fourthly, the meaning of the doctrine itself will be in danger of being lost, or enfeebled, and deprived of its vital effect on the character and conduct: the dogma becoming a mere formal profession, inefficacious for good, but cumbering the ground, and preventing the growth of any real and heartfelt conviction, from reason or personal experience.

IDEAS ON



LIBERTY



ANDREW V. SANTANGINI

## Weather Forecast for 1984!

BY curious coincidence, the weather seems to be the worst where government most intervenes to promote the welfare of the people. For instance:

- *Cuba, where there is a shortage of sugar.*
- *Russia, where there is a shortage of wheat.*
- *India and China, where shortages are chronic and five-year plans are forever being frustrated by unpredictable weather.*
- *The United States, where more and more disaster areas are left in the wake of flooding and drought and freezing and storms.*

As intervention increases throughout the world, we may be sure that the weather everywhere will be quite terrible.

---

Mr. Santangini is Vice President of Financial Service Corporation of America and lives in Montgomery, Alabama.

# Giving and Receiving

## with Respect

AMERICANS have always helped each other and the spirit of charity continues to prevail. But even as it does, there are those benefactors and beneficiaries who abuse the responsibilities inherent in the lending and receiving of help. The motives of goodwill and justice have been removed from the relationships between individuals well off and those in need. Disclaimed as something suspect by many, charity has been largely replaced by administered reform. It has been turned into a tool of appeasement for the givers, and the receivers look upon it as the spoils of social pressure. Intellectual and political reformers argue for the acceptance of a philosophy of social welfare "based on need

as the sole criterion" — welfare as a matter of entitlement.<sup>1</sup>

This idea of giving in response to the demands of potential recipients or under political and social duress wasn't always so prevalent in our society. There was a time when voluntary charity was deemed proper — a measure of respect between giver and receiver. Those in need usually deserved the assistance they received and those who gave were determined in their efforts to see that their giving did not become a crutch. This was generally true whether the giving and receiving of help was between pioneer neighbors or between wealthy philanthropists and the "disadvantaged."

Through their philanthropy — not to mention their accumulation of capital, their entrepreneurship and technical ingenuity — American businessmen have probably

---

Following graduation from Tuskegee Institute, Miss Wortham served a term in the Peace Corps and has worked since as an information research specialist in communications and educational policy.

contributed more than any other private sector of Americans to the prosperity of those who could not have done so themselves. Yet they are least appreciated for the voluntary aid they have given untold millions. An indication of how little many of today's young people know of the good done by businessmen is seen in a national study of more than 54,000 college-bound black high school students published by the National Scholarship Service and Fund for Negro Students in 1972. A majority of the respondents reported that they felt that military figures, actors or entertainers, athletes and businessmen (in that order) contributed the *least* to society.<sup>2</sup> It is ironic that many of the colleges and universities these young people now attend could not exist except for the enormous financial support they receive from businessmen.

Much has been written on the subject of philanthropy and charity, but not often is the subject treated from a view held in common by both benefactor and beneficiary. However, in the case of wealthy benefactor Andrew Carnegie and Booker T. Washington, ex-slave beneficiary in behalf of black students, a common view was held; and perhaps their attitude toward their relationship was just as important as the relation-

ship itself proved to be. There is a great deal of insight to be gained from the views of Carnegie and Washington on the matter of philanthropy.

### ***Carnegie, the Benefactor***

In 1900 Andrew Carnegie wrote an essay in which he stated: "A man's first duty is to make a competence and be independent. But his whole duty does not end here . . . It is his duty to contribute to the general good of the community in which he lives . . . To try to make the world in some way better than you found it, is to have a noble motive in life."<sup>3</sup> For the businessman this could be expressed best by plowing his wealth back into society. In support of this belief Carnegie had donated \$350 million to various projects by the time of his death in 1919.

John Hope Franklin, historian of the American Negro, believed that while men like Carnegie were interested in stimulating the public to recognize certain existent needs as yet unfelt by society, they also hoped to encourage the principle of self-help that would benefit their capitalist goals. Their interests in the post-Civil War South, for instance, were as much to train a working force to support the industries they brought to the Southern economy as they

were to improve the black and white Southern citizenry.

According to Franklin, the charity of businessmen also stemmed from their sense of *noblesse oblige*. Comparing wealthy industrialists with a feudal aristocracy, he wrote: "[They] had a feeling of duty toward those whose profit from the economic order was not so obvious."<sup>4</sup>

Ludwig von Mises refutes this characterization of industrialists, saying: "The wealth of an aristocrat is not a market phenomenon; it does not originate from supplying the consumers and cannot be withdrawn or even affected by any action on the part of the public. It stems from conquest or from largess on the part of a conquerer."<sup>5</sup>

As he points out repeatedly in his essays, Carnegie knew full well that his role as a businessman was a market phenomenon. His wealth was not the spoils of the conquest of men, but made possible by his conquest of nature. However, his status in the market was always dependent on the consumers' vote of confidence. And to maintain a creditable status, his economic obligation was to produce those goods and services that satisfied what the masses perceived their needs to be. This is a far cry from feudal aristocracy.

### Conditions of Freedom

No producer can profit except that he meets the demands of a willing buyer. As voluntary exchange of one's property is the rule of the free market, so should the respect of the property be the rule of humanitarian endeavors between individuals. One man's poverty does not entitle him to the wealth of another; neither does one man's wealth obligate him to another's poverty.

However tempting it may be, it is very difficult to conclude from Carnegie's writing that his philanthropy was motivated by a sense of guilt for his success. Neither did he give his wealth as a peace-offering to the masses who had not fared as well in the market place. Carnegie was not an apologist. In answer to critics of wealth, he said: "Not evil, but good, has come to the race from the accumulation of wealth by those who have had the ability and energy to produce it."<sup>6</sup>

Unlike many of today's giants of industry, Carnegie felt entitled to his wealth and power. As his defense he offered the principle of property rights: ". . . upon the sacredness of property civilization itself depends — the right of the laborer to his hundred dollars in the savings bank, and equally the legal right of the millionaire to his millions." He believed that



"the best fruit of society was produced from the soil of Individualism, Private Property, the Law of Accumulation of Wealth, and the Law of Competition."<sup>7</sup> He believed that the only way to be assured of saving free enterprise was to instill the principles of self-help in the masses who constituted his customers.

Neither was there any thought of using philanthropy as a tool of oppression as has been suggested.<sup>8</sup> If anything, Carnegie and others wanted to lift the rest of humanity to their own level of thought and performance.

#### **Notes On A Beneficiary**

Nowhere in the chronicle of his fund-raising campaign for his school, Tuskegee Institute, did Booker T. Washington even begin to imply that he felt the rich *owed* their wealth to the members of his race or that they had a moral obligation to help Negroes *per se*. He was as hardheaded in his asking as his donors were in their giving.

Washington believed very much as Carnegie did that ". . . In bestowing charity, the main consideration should be to help those who will help themselves; to provide part of the means by which those who desire to improve may do so; to give those who desire to rise the aids by which they

may rise; to assist, but rarely or never do all. Neither the individual nor the race is improved by almsgiving."<sup>9</sup>

It took ten years of work before Washington was able to secure Carnegie's interest and help. During their first meeting, Carnegie seemed to take no interest at all in Washington's school. Determined to show the industrialist that Tuskegee was worthy of his aid, Washington waited until after ten years of hard work before he wrote to Carnegie in 1901 requesting a sum of \$20,000 to build a library. In a very concise letter, he outlined how the money would be used: "[it] would not only supply the building but the erection of the building would give a large number of students an opportunity to learn the building trades, and the students would use the money paid them to keep themselves in school. . . ."<sup>10</sup>

Carnegie sent the following reply to Washington: "I will be very glad to pay the bills for the library building as they are incurred, to the extent of twenty thousand dollars, and I am glad of this opportunity to show the interest I have in your noble work."<sup>11</sup>

During the years of Washington's fund-raising some narrow-minded people accused him of begging—of seeking alms. But Washington knew well the manner of

men he dealt with. They were not the kind of men who looked kindly toward begging. In reaction to those who called him a beggar, he wrote the following:

. . . I have usually proceeded on the principle that persons who possess sense enough to earn money have sense enough to know how to give it away, and that the mere making known of the facts regarding Tuskegee, and especially the facts regarding the work of graduates, has been more effective than outright begging. I think that the presentation of the facts, on a high, dignified plane, is all the begging most rich people care for.<sup>12</sup>

Like Washington, Carnegie believed that one should give to only the causes he deemed worthy. "... It is better for mankind that the millions of the rich were thrown into the sea than so spent as to encourage the slothful, the drunken and the unworthy," wrote Carnegie.<sup>13</sup>

Washington was fully aware of the significance of the assistance he received. Unlike many critics of businessmen, he understood and respected the source of wealth and the men who produced it. His praise of his benefactors for their gifts was not tainted by any condemnation of the wealth that made those gifts possible. He was keenly aware of a potential ben-

efactor's option to refuse his request, understanding that the prime business of the businessmen was business:

My experience in getting money for Tuskegee has taught me to have no patience with those people who are always condemning the rich because they are rich, and because they do not give more to objects of charity . . . Those who are guilty of such sweeping criticism do not know how many people would be made poor, and how much suffering would result, if wealthy people were to part at once with any large proportion of their wealth in a way [as] to disorganize and cripple great business enterprises.<sup>14</sup>

Perhaps Washington understood better than many of his benefactors that their primary role as businessmen was to make a profit, and not to give it away. He certainly did not expect them to sacrifice their economic role in the market to serve his needs—however noble they might have been.

#### **A Voluntary Response**

Rather than in response to social pressure or political coercion, Carnegie chose to share his wealth because he felt a moral obligation to do so. Whether one agrees with his ethics is not the issue here. The point is that the idea of having a social responsibility origi-

nated with the businessmen themselves. It was a time during which the businessman suffered a minimal amount of duress from political quarters and was looked upon favorably by most people. Being left alone to produce, his personal sense of good will motivated him to go beyond what was his economic role in the community.

The degree to which businessmen were free to function on their own terms in an unregulated market corresponds to the degree of their willingness and ability to give assistance to others. Dr. Frederick Patterson of the United Negro College Fund points this out in a speech discussing the plight of the private Negro college—a major beneficiary of wealthy businessmen and philanthropic organizations. Patterson noted that, “These colleges ‘thrived’ during a period when large fortunes were not unusual and taxes were comparably low.

“In the late 20’s, as taxation began to increase—and particularly in the 30’s under the Roosevelt Administration—a substantial decrease took place in the funds available to the private colleges for Negro youth.

“The steadily worsening effort in fund-raising by the individual private college had reached a low point of diminishing returns by 1940. . . .”<sup>15</sup>

It is no mere coincidence that at a time when our economy is being interfered with by the Federal government and the demand for social welfare is increasing, black colleges, museums and libraries all over the country are in dire economic straits, unable to enlist the amount of economic assistance from the private sector that they have enjoyed in the past.

A man owes no man his property, but if he gives his wealth of his own free will, and does so with the scrutiny of men like Carnegie, it is likely that his sincerity will be appreciated and regard for him held high by the recipient. Washington set down his impression of the industrial benefactors to his school, and he found them to be “some of the best people in the world.”<sup>16</sup>

#### ***A Form of Blackmail***

If we do not hear much of this kind of praise from those who are beneficiaries of the businessman’s philanthropy, perhaps it is because the giver and the receiver has each allowed his individual responsibility to shrink and be replaced by social and political blackmail. When the distinction between benefactor and beneficiary is removed, the dignity of both is short-circuited and whatever respect they might have had for themselves and each other is

dissolved into a murky interchange of insincerity and deceit.

The man who is in a position to aid others must not forget that, in the words of W. A. Paton, "every man deserves the precious opportunity to assume responsibility for his own course, whether he is swimming courageously upstream or paddling lazily, with plenty of company, in the other direction."<sup>17</sup>

So too has each beneficiary a responsibility toward those who are his benefactors, and it is to denounce all efforts by government, intellectuals and pressure groups to deny a man his right to give or refuse assistance—to say "Yes" or "No" as his conscience dictates. "The element which gives meaning to charity," wrote Russell J. Clinchy, "is personal consideration and responsibility but that element is lost when the edicts of the state are substituted for the voluntary decisions of persons. The means have destroyed the ends."<sup>18</sup> This is the essence of the two sides of voluntary charity as it ought to exist.



• FOOTNOTES •

<sup>1</sup> See *Improving the Public Welfare System*, The Committee for Economic Development, New York, April, 1970.

<sup>2</sup> *A National Profile of Black Youth: The Class of 1971*, National Scholarship Service and Fund for Negro Students, New York, 1972.

<sup>3</sup> Carnegie, Andrew, "Thrift As A Duty," *The Empire of Business*, New York: Doubleday, Doran and Company, Inc., 1913, p. 80.

<sup>4</sup> Franklin, John Hope, *From Slavery to Freedom*, New York: Alfred A. Knopf, 1956, p. 381.

<sup>5</sup> Mises, Ludwig von, *The Anti-Capitalistic Mentality*, Princeton: D. Van Nostrand Company, Inc., 1956, p. 6.

<sup>6</sup> Carnegie, Andrew, *The Gospel of Wealth*, A Carnegie Reprint, Carnegie Corporation of New York, p. 5.

<sup>7</sup> *Ibid.*, p. 6.

<sup>8</sup> In her article, "Notes Toward a Process of Afro-American Education," (*Harvard Educational Review*, August, 1972), Dr. Thomasyne L. Wilson says the following: "It is time to remind ourselves that even when Anglos waxed philanthropic in the 1870's, they (and we) perceived Afro-American education as something for 'special people,' instituted to keep us in our places at the bottom of the social scale . . . At best, [education] was a tool to remake Afro-Americans in the images of Anglos."

<sup>9</sup> Carnegie, *op. cit.*, p. 15.

<sup>10</sup> Washington, Booker T., *Up From Slavery*, New York: Bantam Books, Inc., 1970, p. 135.

<sup>11</sup> *Ibid.*, p. 135.

<sup>12</sup> *Ibid.*, p. 129.

<sup>13</sup> Carnegie, *op. cit.*, p. 14.

<sup>14</sup> Washington, *op. cit.*, p. 128.

<sup>15</sup> Patterson, Frederick D., "The Black College: In Conflict and Challenge," *Contact Magazine*, 3:16, October, 1971.

<sup>16</sup> Washington, *op. cit.*, p. 130.

<sup>17</sup> Paton, W. A., "Let's First Mend Tommy's Trousers," *Essays on Liberty*, Foundation for Economic Education, 12:426-27, 1965.

<sup>18</sup> Clinchy, Russell J., "Charity: Biblical and Political," *Essays on Liberty*, Foundation for Economic Education, 1:159-60, 1952.

# The Family

R. J. RUSHDOONY



THE FAMILY has been under major attack in the modern world from a number of sources, and more than one scholar has predicted the death of the family as Christian civilization has known it. These predictions represent not only wishful thinking but a militant hostility to the family. In order to understand the motivation for these attacks, it is necessary to recognize the social significance of the family.

---

The Reverend Mr. Rushdoony is President of Chalcedon, an educational organization dedicated to furthering Christian research and writing. He is author of numerous books and a frequent speaker on college campuses.

This article is reprinted by permission from *Applied Christianity*, December, copyright, 1972.

The family in Biblical law, and in Western society since Justinian, has been the custodian of the most important things in any society: children, property and inheritance. In Biblical law, the family alone is the custodian and controller of all three, and its social powers as a result are very great. Control over children, property and inheritance means a control over the future.

As a result, every institution which dreams of power begins immediately to attack the family because of its monopolistic powers in these areas. It attacks also the basic legal reform and revolution instituted by Justinian and Theo-

dora in the sixth century. This legal revolution, which brought civil law into conformity with Biblical law, was responsible for shifting the foundations of society from the state to the family.

There were five aspects to this legal reform with respect to the family. 1. Only heterosexual relations in marriage were made legally allowable. All other sexual relations were made subject to criminal charges. 2. This law was made applicable to all classes, so that the same standard of family life and sex was mandatory for all classes and professions, and all acts to the contrary were criminal. 3. All illicit sexuality was made punishable by corporal punishment, imprisonment, or banishment. 4. No legal contract could be made regarding non-family sex, i.e., with a mistress, concubine, prostitute, procurer, nor anyone else, and to secure such a contract made the inciting party an accessory to a crime. 5. The family was defined as the legitimate and normal way of life and status.

In the medieval church, there was both an emphasis on the Christian family and a depreciation of it in favor of the primacy of the church. With the Reformation, and especially with Puritanism, the family regained primacy, and even Rome followed suit. March 19 was now stressed (St.

Joseph's Day), and the cult of the foster-father of Jesus was made, beginning in the 16th century, a counter-development to the new vitality of family life in Protestant countries.

#### **Enter — The State**

There is no true understanding of the struggle for power in the modern world without an awareness of these facts. The family, re-shaped in Western civilization to conform to Biblical law, was now the dominant power. By means of its control of children and their education, it defined the future. Capture of the control of children and their education thus became an imperative for any social agency seeking to gain power. The earlier power of the church was now replaced by the greater power of the modern state and its schools, instruments ably designed for social control and the disintegration of the family and its power.

In the Bible, property is immune to taxation and seizure, and both offenses were regarded with horror (I Sam. 8:10-18; I Kings 21). The state now began to tax property and to assert again the old pagan power of eminent domain. Finally, the state, by means of the inheritance tax, declared itself to be the first heir, i.e., the firstborn in terms of Biblical law,

in every family, and it began to destroy the independent power of the family by confiscatory taxes.

Not surprisingly, but rather, logically, Marx saw the theological foundations of the family's strength. He attacked the Holy Family, the Trinity, as the foundation of the earthly family, and Engels saw the family of Biblical law as the source of capitalism and property. Anti-familistic thinking governed socialist theoreticians. H. G. Wells, a Fabian Socialist, called for "the liberation of individual sexual conduct from social reproach and from legal controls and penalties." He held to "the absolute right of society to intervene directly [where] the existence of children is involved."

James Bryant Conant, former president of Harvard, U.S. High Commissioner in West Germany after World War II, scientist, and investigator in education for the Carnegie Foundation, saw the family as the roadblock to democracy. In one of his reports on education, Conant wrote:

Wherever the institution of the family is still a powerful force, as it is in this country, surely *inequality* of opportunity is automatically, and often unconsciously, a basic principle of the nation; the more favored parents endeavor to obtain even greater favors for their children. Therefore,

when we Americans proclaim an adherence to the doctrine of equality of opportunity, we face the necessity for a perpetual compromise. Now it seems to me important to recognize both the inevitable conflict and the continuing nature of the compromise.

Democracy is the goal. How can democracy hope to succeed if an aristocratic institution like the family, where every parent seeks the best for *his* children, is allowed to survive? Clearly, it must go! Earlier John Dewey had held that orthodox Christianity had to go because it is incompatible with democracy. By separating "the saved and the lost", heaven and hell, good and evil, orthodox Christianity is radically anti-democratic and is committed to a "spiritual aristocracy". "I cannot understand how any realization of the democratic ideal as a vital moral and spiritual ideal in human affairs is possible without surrender of the conception of the basic division to which supernatural Christianity is committed."

### **The Suicide of Culture**

The family's autonomy and power are thus under attack and in process of erosion. Statist education is anti-familist to the core; modern legal "reforms" have as their purpose the elimination of Biblical premises from the law.

This is often openly stated. In Sweden, for example, a government legal expert, Professor Alvar Nelson, has declared, "our aim is to remove all traces of Church morality from legislation."

Because of the deliberate neglect of the meaning of the family in society, the average man thinks of marriage purely as a regularized sexual relationship which perhaps contributes to the mental stability of the children born of the union. He has no awareness of the fact that basic social power and planning, in terms of Biblical law and the conforming of Western law to this Scriptural standard after Justinian, resides in the family. To surrender this power over children, property, and inheritance to the state, as has steadily been done, is for man to surrender his essential powers and freedom to the state.

The nemesis of every attempt to undermine the family is the suicide of the culture which attempts it. Greek, Roman, and other cultures, while far below the Biblical standard in their concepts of the family, still had familistic eras. With their decay, society decayed and collapsed.

#### **A Brighter Side**

This is no cause for pessimism, however, but rather for optimism.

The approaching collapse of the age of humanism and the state will see the strong revival of familism, and the United States is already giving evidence of this. Basic to that revival of the family's integrity and power is a theological and legal reformation. There must be an awareness of the legal centrality of the family, its theological importance, and its far-reaching significance as a social institution.

Under God, the family is a monopoly, having exclusive powers in certain areas. The state is in process of attempting to seize that monopoly for itself. The proven ability of the family to be the responsible agency, when it is first responsible to God, in the areas of children, property, and inheritance is the mainspring of Western civilization and its advances.

On the other hand, our growing social crisis is the product of the state's incompetence in these realms. The impotence of the state is increasingly apparent in its inability to cope with the problems it has created.

The times are thus exciting and alive with challenge; it is a time of decision and a turning point in history. Our future will be family oriented, and it will be dominated by those who prepare for it. ☉





# Closing the Generation Gap

V. ORVAL WATTS

MAN is not a creature of instinct. In that regard, he differs in a revolutionary way from every other living creature. He is not born with instincts, like those of the birds and bees, which fit him for survival, to say nothing of gaining lasting satisfactions or happiness.

Therefore, he must learn from the accumulated wisdom of his fellows most of the ways of acting that enable him to survive, and he must get much of this knowledge and numberless skills and habits in infancy and childhood.

Yet, all his life, he needs the help of his fellows in learning how to cope with his ever-changing world. As the saying goes, "Fools learn by experience, wise men learn by the experience of others." Or, "Experience keeps a dear

[costly] school, but fools will learn in no other."

In short, man is *not* "naturally good." Each new individual must *learn* good conduct. It is not in-born or given to us by others.

Like all living things, normal humans have an urge to survive and multiply. Humans have also an urge to live better — more abundantly, more wisely, securely, with less pain and discomfort, and enjoying more satisfactions of increasing variety.

Therefore, man finds some conduct "good," depending on whether it brings him more satisfactions than dissatisfactions; and he has an in-born desire to do that which he believes will give him the greatest net total of satisfactions. In this sense, he is "naturally good." That is, life gives to him a desire to live better.

But desire for satisfactions is very different from knowledge and

Dr. Watts is Director of Economic Education, Northwood Institute, a business-oriented college with campuses at Midland, Michigan; West Baden, Indiana; Cedar Hill, Texas; and Monterey, California.

ability to get them. I repeat, good conduct, whether knowledge or practice of it, is never given to humans at birth, and we cannot get it by gift after birth.

Therefore, man must LEARN good conduct. And he must learn it in a lifetime that he will find is all too short for learning all he wants and needs for a good life.

### **Learning Is Hard Work**

Now this learning process takes hard *work* on the part of both learners and mentors — parents, playmates, co-workers, employers, friends, hired teachers, and even casual acquaintances. It is work because the effort must continue far beyond the point of immediate enjoyment. In other words, it cannot remain on the level of play — that is, activity indulged in for its own sake or for immediate pleasures.

Because such work is irksome, learning involves stress, strain, pressures. These give rise to tedium, discomfort, fatigue — eye-strain, backaches, headaches, stomach aches, giving up parties and other entertainments and forms of escapism.

These discomforts, in turn, give rise to complaints and protests, and search for escape, especially on the part of the immature who have most to learn (including immature parents, teachers, employ-

ers, and others who seek to instruct). For it is too often forgotten that good manners, good morals, and even good mental hygiene often require great restraint in expressions of displeasure and reactions to discomfort—Sigmund Freud and his disciples to the contrary, notwithstanding.

### **Student Protests Will Never Cease**

It should not surprise us, therefore, that earliest writings record the complaints, even the despair, of parents, teachers, and philosophers about the bad manners, laziness, uncouth dress, and general worthlessness of the youth of their times. And sometimes the subsequent history of the state or nation showed that there was more than usual justification for these complaints, as, perhaps, in the time of Socrates and Plato.

We know little about the feelings of the young of past eras — their aspirations, their complaints about the shortcomings of parents and teachers, and their protests against the pressures for conformity to the standards set by their elders. They could rarely afford, as young people now can afford, the means of recording their opinions.

But we do have enough evidence in the words of the writers in the past to be assured that not all of the young accepted correction and

study assignments with due meekness. Some, no doubt, were quite docile (a word that means "teachable"); others were drop-outs; and in between these extremes we would find every degree of docility or intractability, of industry or sloth.

And often, then as now, protests probably brought about changes, both good and bad, in the methods and courses of instruction. (In the third and fourth centuries, the State-supported schools in Imperial Rome degenerated in ways now to be observed in tax-supported schools and universities in the United States and other countries.)

This "generation gap," therefore, has always been and must always be. It is the gap between, on the one hand, those with more experience and wisdom, and on the other hand, the as-yet untutored, who are more or less able and willing to learn. Even in the animal world we find evidence of an uncomfortable generation gap when a mother bear or lion cuffs a heedless, slow, reckless, or too obstreperous cub.

In humans, because the gap is so very great and getting ever wider, it takes strenuous effort, I repeat, to close this ever-present "generation gap" in every home, school, club, gang, golf links, bridge party, bowling alley, tennis

court, football field, and workshop. And the effort must be a strenuous one on both sides of the gap, as individuals strive to close it.

### ***Learning Requires Good Manners — and So Does Teaching***

Efforts to close the gaps in learning then, take patience, persistence, willingness to forgive and forget blunders, effort to understand one another's words, aims, and problems.

The work also requires good manners, which are means of showing consideration for others, interest in their feelings and opinions, gratitude, appreciation, and desire for cooperation.

Finally, learning requires improving morals, which include good manners and much more—honesty and honor, dependability, truthfulness with courtesy and with relevance, frankness without malice, industry in countless lines of activity, and continuing concern for the long-run, indirect results of one's words and deeds.

Good manners, of course, shade into good morals. Why this is so, and why knowing, mature persons show so much sensitivity and concern in regard to what we may think of as "mere" manners become clearer when we realize what "good manners" are. In essence, they are ways of letting other people know that we care about them.

They are ways of showing consideration for their feelings, interests, and opinions, ways of showing friendliness and a desire for cooperation.

We demonstrate them in appropriate facial expressions, such as a friendly smile of greeting or a look of concern when a friend tells of his misfortune. Good manners may be a tone of voice showing warmth, interest, sympathy, and friendliness. They appear in our choice of words and gestures; in personal cleanliness and sanitary habits; in dress and hair styles which are distinctive in ways which other people consider to be "in good taste"; and in forms of conduct too numerous to mention, from holding open a door for another person to stopping a car at crosswalks for pedestrians.

Good manners also include self-restraint in all of these respects — avoiding flat, complaining tones of voice; avoiding words and gestures that annoy, insult, depress, or denigrate others; avoiding public displays of strong emotions; and avoiding actions which other persons consider annoying (e.g., noisy parties) or obscene.

#### ***Progress in Manners and Morals***

Some "good manners" are tribal or national customs, rather than universal: for example, kinds of eating utensils and ways of using

them, ways of eating or drinking, dress and hair styles, and modes of greeting.

Yet it is nonetheless necessary for members of these tribes and nations, and for their guests, to learn and follow these local customs if they wish to show respect for the residents' opinions and to win the friendliness and cooperation they need to survive and to avoid unpleasantness among those groups.

Many young people today, having discovered that what is considered good manners differs greatly from place to place, have unwisely concluded that good manners may become largely matters of individual choice. They may even think that they help to bring about this freer and happier day by flouting local conventions and customs.

This is another factor aggravating the "generation gap," one that English tutors recognized centuries ago in preparing their students for foreign travel by warning them, "When in Rome, do as the Romans do."

True, manners and customs are changing everywhere — we hope for the better. There is evidence, I believe, that certain elements in good manners are going to become more universally accepted and necessary for coping with life's problems — for example,

higher levels of personal cleanliness and neatness, a pleasant smile, a friendly greeting, a warm voice, avoiding excesses in public displays of emotion, refraining from littering streets and public places, avoiding air pollution with tobacco smoke (some airplanes now segregate smokers), temperance and sobriety in all things, due attention to fashion and "style," and expressions of gratitude for favors and kindnesses.

#### ***A Never-Ending Struggle for Self-Improvement***

Similarly, certain forms of conduct which we call "moral" because they are even more important for long-run welfare — or are believed to be so — will remain valid as long as humans want something they don't have or something better than they now have and gain the wisdom necessary to achieve their goals.

For, in order to get more or in some way to better ourselves, we must have more honesty, more dependability, more truthfulness, more regard for the feelings and aspirations of other persons, and more willingness to invest time and energy for long-run gains. And we must have this moral progress everywhere if we are to have continuing progress anywhere — in Soviet Russia and mainland China, for example, as

well as in the United States and Canada.

These gains will not come merely by wishing or hoping for them.

They will come only as more and more individuals, everywhere, learn to look further ahead, understand more fully the results of their conduct, and show more patient determination in their struggles for self-improvement and in discharge of the obligations necessary to win and keep the needed cooperation of their fellows.

This involves widening the "generation gap" between adult and infant or child, between mentor and student, as well as the gap between mature and immature adults. To close this widening gap, as individuals in each generation must do, we must release the instructional procedures from the cramping confines of bureaucratic control.

And perhaps even before this release may take place, we must somehow gain far more general recognition and acceptance of the responsibility of each individual of every age and occupation for dedicated effort in life-long education in the broadest sense of that much-abused word.

#### ***A Retreat from Learning***

Unfortunately, age does not always bring wisdom. Neither do academic degrees and titles. A

teacher schooled in ancient myths may be a blind leader of the blind. The historian who is ignorant of economics, for example, is likely to be a poor guide to an understanding of history; an economist who knows little history may endorse policies which repeated trials in the past have proven disastrous. A teacher of philosophy may so enjoy baiting his students by playing the role of "devil's advocate" that he promotes confusion and distrust of reason rather than a desire for truth or love of wisdom.

Teachers lacking in courage and scruples often pander to their student's prejudices, indolence, and desire to escape the burdens of responsibility. Demagogy is as rife in many classrooms as in political assemblies.

In particular, the modern established schools are doing to education what established churches do to religion. The Founding Fathers of this country sought to outlaw "established" (religion, that is, the use of tax funds to support religious efforts. They had found by experience — what experience has demonstrated again and again in other lands — that tax support sapped the clergy of enthusiasm, initiative, and responsibility, so that the American people had lost much of their former interest and faith in religion.

### **State-Established Schools**

Now schools and universities supported by taxes and populated by conscripted students are displaying the same defects, for the same reasons, that were evident in the established churches. Instead of helping to close the perennial generation gap, tax-supported educators and their graduates too often operate to widen it. Because they believe that parents and students cannot be individually responsible for education, they develop a chronic skepticism of freedom and individual responsibility in every field of human endeavor.


Therefore, they fail to develop in their students a sense of personal responsibility. Instead, they teach that "society," or "government," or "the establishment" is responsible for both the individual's problems and the solutions. They inculcate distrust and scorn for the achievements of free men and inspire a nihilistic urge to sabotage and destroy what free men have achieved. Thus, too often, they make the immaturity of their students a chronic condition.

Truly, as many observers are now pointing out, this creates a gap, not so much between generations, as between the builders and the destroyers of civilization.

This teaching of irresponsibility

and subversion of free institutions is a betrayal of trust by those who profess superior knowledge and wisdom. It is not new in world history, but we have been experiencing in recent decades a viru-

lent recrudescence of this "treason of the intellectuals," worldwide.

We must recognize and expose this retreat from learning for what it is if human progress is to continue. 

### *Artificial Distinctions*

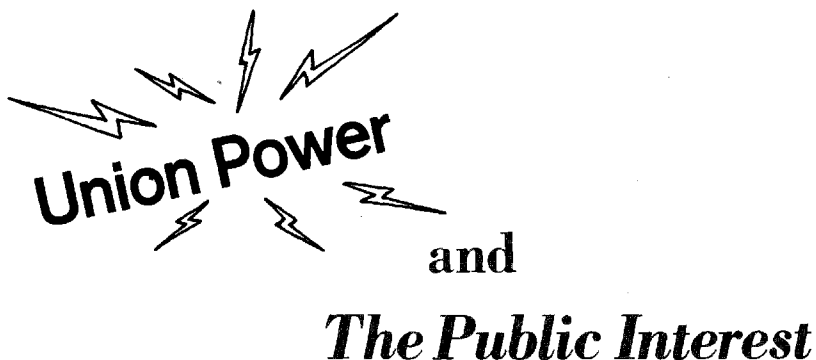
IT IS to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes. Distinctions in society will always exist under every just government. Equality of talents, of education, or of wealth can not be produced by human institutions. In the full enjoyment of the gifts of Heaven and the fruits of superior industry, economy, and virtue, every man is equally entitled to protection by law; but when the laws undertake to add to these natural and just advantages artificial distinctions, to grant titles, gratuities, and exclusive privileges, to make the rich richer and the potent more powerful, the humble members of society — the farmers, mechanics, and laborers — who have neither the time nor the means of securing like favors to themselves, have a right to complain of the injustice of their Government. There are no necessary evils in government. Its evils exist only in its abuses. If it would confine itself to equal protection, and, as Heaven does its rains, shower its favors alike on the high and the low, the rich and the poor, it would be an unqualified blessing. In the act before me there seems to be a wide and unnecessary departure from these just principles.

From ANDREW JACKSON'S Veto of the Charter of the Bank of the United States, July 10, 1832.

IDEAS ON



LIBERTY

The title is centered on the page. The words "Union Power" are written in a large, bold, sans-serif font, slanted upwards to the right. Below it, the word "and" is written in a smaller, plain sans-serif font. Below "and", the words "The Public Interest" are written in a large, bold, serif font, also slanted upwards to the right. Several stylized lightning bolts are scattered around the text, some pointing towards it and others away from it, creating a sense of energy or conflict.

# Union Power and *The Public Interest*

At most of the recent Mont Pelerin Society conferences a battle royal has taken place between the Friedmanites, who insist that inflation is a purely monetary phenomenon, and the wage-push critics, who discover the prime villain in the monopolistic labor union. The two sides rather miss each others' points. Obviously Milton Friedman and Enoch Powell are right when they say that there could be no inflation without an increase in the money supply. Since it is government that controls the currency, the villains come clear: the politicians and the bosses of the Federal Reserve are to blame for their profligate public spending and their pusillanimous refusal to ride herd on the availability of credit.

But the wage-push is there, too: wages are a cost, and costs must be recovered in prices. If the monopolistic labor union can extort a beyond-productivity wage increase, the same politico who lacks the nerve to veto high public spending will hardly have the fortitude to tell the unions that they must accept a penalty in joblessness for pricing themselves out of the market. Friedman and the wage-pushite actually have the same Statist villain, but each persists in emphasizing a different activity of that villain. Friedman says the politico shouldn't go hog-wild on inflationary welfare state spending in the first place. The wage-pushite would agree that welfareism is bad. But he insists that



the villain really sends the inflation racing when, fearful of mass unemployment, he forces a secondary flushing of the money supply in order to let the customer pay a wage-inflated price.

The Friedmanites and the wage-pushites need a moderator, and where could they find a better one than Emerson P. Schmidt, whose *Union Power and the Public Interest* (Nash, \$10) combs over all phases of a complicated subject? Schmidt begins by noting that the aim of most union leaders is to take labor out of competition. This has been done in both craft and mass production industries by laws that exempt the working man (defined as something more than a commodity or a factor) from the Sherman Antitrust Act. The exempted working man achieved a very special favoritism in the depressed Thirties, when the Wagner Act, seeking to "equalize" his power vis-a-vis the big corporation, in reality stacked the process of collective bargaining in his favor. The right to strike was never intended to justify the use of goons and dynamiters, but a society that is far gone in permissiveness does so little to prevent violence on the picket line that businessmen have been thoroughly intimidated. They don't dare to keep factories open for those brave souls who are willing to work after

union "enforcers" have appeared on the scene with their brass-knuckle tactics. So the "bargaining" usually ends with acquiescence to union demands.

### **Abuse of Special Privilege**

As a result of legal exemption from the antitrust laws and the general permissiveness of society, the unions are in a position to push extortionate policies no matter what the level of inflationary public spending. Having made this point clear by his analysis of the "wage-lag myth," Dr. Schmidt is in a position to arbitrate between the Friedmanites and those who insist on the wage-push theory of inflation. When Friedman argues that he knows of no instance in history where inflation was not preceded by a substantial expansion in the money stock in excess of production, Schmidt says "few scholars would disagree." He also accepts Friedman's contention that an abatement of inflation invariably follows when the money stock is brought under control. Nonetheless, Gottfried Haberler's amendment to the Friedman position has impressed Dr. Schmidt. Haberler agrees that "inflation is basically a monetary phenomenon," and that it must be fought by Friedmanite means. But, so Haberler adds, the wage-push is a reality on top of the monetary inflation,

and if union power is not reduced "all the other measures suggested for fighting inflation would be in vain."

Dr. Schmidt notes the propensity of economists to change positions, but the "law of cost" ("the price of a commodity tends to equal its cost") necessarily dictates such changes when monopolistic unions become extortionate. Schmidt quotes Dr. Edward H. Chamberlin as saying that both monetary expansion (creating "demand-pull") and monopolistic wage bargaining (wage-push) can exist simultaneously. "Both are possible and neither excludes the other," says Chamberlin. It is not a matter of "either-or." To which Haberler adds that there is a monetary element in both demand-pull and wage-push inflation. The only difference is in the timing: for "demand-pull," the flushing of the money supply comes first, for "wage-push" it comes after the monetary authorities have, out of fear of unemployment, decided to "create enough money to permit the rise in prices that is compatible with the rise in wages."

Dr. Schmidt's chapter on "Monetary and Fiscal Policies Versus the Wage Push" should end all the arguments between the Friedmanites and the wage-pushites. The "freedom philosophy" economists are not in any significant disagree-

ment about fundamentals. The bridge to concord is supplied by Haberler in his observation about the timing of the monetary element in the two types of inflation.

### **Faulty Attitude toward Work**

Dr. Schmidt thinks the unions' misuse of their inordinate power is due to a most defective view of man's attitude toward work. The average union boss rejects the idea that there can be real on-the-job satisfactions, such as ego needs, the desire to grow and create and to achieve a well-rounded experience. Samuel Gompers once defined union policy as "more," which has been altered in recent years to "more for less." The pessimistic view of work dominates the union agendas. Professor Douglas McGregor of MIT calls the pessimistic view "Theory X." The other view, which concentrates on job satisfactions and opportunities, is "Theory Y."

The trouble with Theory X is that it actually leads to getting less for less instead of more for less. The arithmetic is obvious: when production is diminished by more paid holidays, paid vacations, sick leave, paid personal-birthday time off, paid time for jury duty, for funerals, for the day before or after a holiday, there is less for the totality of the working force to share. In slacking off on pro-

ductivity while hourly wages go up, the worker cheats himself.

He also cheats the totality of the working force when he compels his political representatives to raise the minimum wage. The "aristocrats" of labor don't need the minimum wage anyway. But those at the other end of the scale — the untrained apprentice, the eighteen-year-old black from the slum — can't find jobs when the minimum wage is high. It does not pay an employer to hire and train a man at a wage price that cannot be recovered in the marketplace.

Dr. Schmidt thinks that undue union power must be dispersed. He advocates changes in our basic labor law that would permit local wage settlements, and asks for a discontinuance of the annual wage increase. But, first, the intellectual climate must be changed, which is another story.



▶ *History of the Canadian National Railways* by G. R. Stevens (New York: The Macmillan Company, 1973) 523 pp., \$12.95.

*Reviewed by Joseph M. Canfield*

Railway history is generally considered a highly specialized subject and of no general interest. Most works fall into either of two categories. First, the economic study, of interest only to the statistically minded. Second, there is the hobbyist study which goes into details interesting only to a dedicated collector of switch keys or railroad tickets like myself.

However, anyone who wishes to be informed about the workings of the economy in which he lives should know more about railroads. They are absolutely essential to the economy and its functioning. Macmillan has started a series called "Railroads in America." The first two volumes avoid the extremes mentioned — they are designed for the general reader. The human side of railroading is present and provides light touches which keep up the interest. But a reader can get a clear view of the importance of railways to a developed or a developing economy. For that reason, readers of *The Freeman* should be aware of the series.

*History of the Canadian National Railways* by G. R. Stevens,

second in the series, relates a story which confirms the validity of Clarence Carson's thesis in *Throttling the Railroads* — that government land grants and subsidies for railways are upsetting and wrong. In Canada, they were disastrous.

The Canadian National Railways came into being as an entity simply because expansion of railways, encouraged by subsidies (both cash and land) failed. The failure resulted in confiscation by the Canadian Government, of Britain's largest single private overseas investment, the Grand Trunk Railway. Its stock, valued at \$629,950,532 was declared worthless by that act.

The first step on the slide was taken by Sir Wilfred Laurier, Prime Minister. He wanted to fill the prairies of Canada with settlers, thus binding the Provinces into a Canadian nation. The settlers surged into an area virtually devoid of railways. Eastern Canada wouldn't agree to public funds for new railways. British capitalists wouldn't invest. To forestall construction of a branch of an American railroad into the area, Laurier did get a subsidy for a Canadian Pacific branch through Crows Nest Pass. In return, the Railway agreed to low rates on grain eastbound from the prairies to the ports. And those

"Crows Nest Pass" rates of 1897 on grain hold today for the Canadian Pacific and also for other railways undreamed of and un-built in 1897, in defiance of market factors and economic reality.

The Canadian Pacific Railway, after this one flirtation with subsidy, went its own way as a private enterprise transport company. But many farmers did not like the Canadian Pacific. Capitalizing on this feeling, Mackenzie and Mann, Contractors, started building lines into the area of new settlement, with government subsidy. They were welcomed with open arms — until they tried to set realistic freight rates for their Canadian Northern Railway.

From 1903 until the collapse of the Canadian Northern in 1917 and of the Grand Trunk in 1919, and their incorporation into the Canadian National Railways, there was a mad sequence of political maneuvers; building of needless railways, many in previously unexplored territory; interest charges mounting to astronomical figures; managerial stupidity. Millions and millions of dollars of private investments were wiped out (or confiscated). The Canadian taxpayers were placed under growing burdens which they have carried ever since. A review cannot convey the story. The book must be read to see the demoralizing effect

the open government purse had on managers, contractors and directors. The denouement was incredible. The moral qualities which we consider inherent in our Anglo-Saxon tradition seemed to have evaporated at Crows Nest Pass.

The years since the Canadian government took over the railways have been remarkable for two men, Sir Henry Thornton and Donald Gordon. Both men tried (and were substantially successful) running the railways as much like a privately owned system as was possible. And considering the property they headed and the problems they faced, each did, in his own time, a remarkable job. But it is a sad comment on the supposed democratic process to read of the abuse and falsehood heaped on Thornton and Gordon for doing well a job that politics had made almost impossible in the first place—another instance of the political corruption that generally follows government interference in economic life.

A closing note: In the face of all the government activity, the Canadian Pacific Railway is today virtually the last bastion of private enterprise railway in the world. It has at times had government help, but has generally paid its own way and paid its stockholders in the process. It has always received more attention

from historians. A study was issued about two years ago, one is planned for this series and still another study is in preparation on the operation of the Canadian Pacific Railway. In contrast, the Canadian National story, told by Mr. Stevens, should be noted as a warning on the role of government and the consequences thereof.

\* \* \* \* \*

The first volume of the Macmillan series is the *History of the Louisville & Nashville Railroad* by Dr. Maury Klein (New York: The Macmillan Company, 1972) — \$10.95.

*Throttling the Railroads* by Clarence B. Carson is available from The Foundation for Economic Education, Irvington-on-Hudson, New York 10533 at \$4.00 clothbound or \$2.00 in paperback.

► **THE CASE FOR AMERICAN MEDICINE** by Harry Schwartz (N. Y.: David McKay Co., Inc., 1972) 240 pp., \$6.95.

*Reviewed by Allan C. Brownfeld*

RECENTLY there has been a mounting attack upon the American system of private medical practice.

While many Americans have accepted at face value the idea that there is, in some sense, a "health care crisis" in the United States, a few have sought to look at the facts. One of these is Harry Schwartz, the distinguished corre-

spondent of *The New York Times*.

In his volume, *The Case For American Medicine*, Schwartz discusses in detail each of the charges leveled against the American medical system.

Responding to critics who say that Americans are less healthy than they were twenty years ago, Schwartz provides some illuminating data. On the average, an American baby born in 1971 could expect to live 11.4 years longer than an American baby born in 1930. Concerning infant mortality, he notes that in 1930, 64.6 American babies out of every 1,000 live births died before the age of one year. In 1950, the toll had been cut to less than half and in 1970 it was significantly lower than in 1950, an improvement that translated into the survival of 35,000 babies who would have died in 1970 if there had been no progress in the past twenty years.

While doctors are frequently charged with profiteering, the data in this book shows that physicians' fees actually increased slightly less rapidly between 1965 and 1967 than average hourly compensation in the total private economy of the country. They rose more slowly than hourly earnings of construction workers and local transit workers, and slightly more rapidly than wages of printers and truck drivers.

Showing the failure of government involvement in medicine, Schwartz discusses in detail the blunders made by the Medicare and Medicaid systems—the manner in which they have increased demand without increasing supply, leading to an increase in costs. If there is, in any sense, a “crisis” in medical care today it is one which has been brought about by government involvement in this field.

The author quotes Dr. Sidney Garfield, founder of the Kaiser-Permanente prepaid group medical plan: “The cause of today’s medical care crisis has been the inexorable spread of free care. The effect is an expanded and altered demand that is incompatible with the existing sick-care delivery system—wasting its medical manpower and threatening the quality and economics of the service it renders . . . The result should not be surprising to anyone. Picture what would happen to air transportation if fares were eliminated and travel became a right. What chance would you have of getting any place if you really needed to? Even the highly automated telephone service would be staggered by removal of fees; necessary calls would become practically impossible. The change from fee to free would disrupt any system, no matter how well or-

ganized, and this is particularly true of medicine with its highly personalized sick-care service."

To those who would like to substitute a system of socialized medicine for our current system of private practice, Harry Schwartz urges a careful look at countries such as Great Britain and Sweden. While visiting in Stockholm, the author was told, "Don't get sick in Sweden. You have never seen such impersonal care and such long waits in your life. Every time you go to the clinic, you see a different doctor. And if you're hospitalized and are seen by a physician three times in one day, it will almost certainly be three different doctors."

The experience in socialized systems shows clearly that increasing demand by making medical care a "free" commodity simply makes it impossible to obtain for those really in need — and dramatically increases the real cost, expressed in higher taxes, as well.

The health problems we see around us, states the author, are usually not the fault of our medical system, but are factors of our society and economy. We ride in cars when we should bicycle or walk. We overeat. We smoke too many cigarettes. Then we blame the medical system for our self-inflicted difficulties.

To reorganize what is probably

the most effective and efficient medical system in the world makes little sense — it ignores the fact that medical service, because it is both wanted and scarce, is an economic good and that the market is the best device for conserving and allocating such goods. Harry Schwartz has made an impressive case for continuing to permit the market to work in this area.

- ▶ **THE ESSENTIAL VON MISES**  
by Murray N. Rothbard (Lansing, Mich. 48904, Box 836: Oakley R. Bramble, 1973) 62 pp., single copies \$1.

*Reviewed by Henry Hazlitt*

TWO FESTSCHRIFTS have been issued in honor of the great economist Ludwig von Mises, now in his ninety-second year. The first, *On Freedom and Free Enterprise*, edited by Mary Sennholz, appeared in 1956, and contained essays by nineteen distinguished scholars. The second appeared in 1971, on the occasion of Mises' ninetieth birthday of that year. It was in two volumes, published by the Institute for Humane Studies at Menlo Park, California, and carried essays by no fewer than 66 contributors from 17 countries.

Both publications contained many fine essays. In addition, there have been other tributes to the achievements of Ludwig von

Mises. But no one has yet done what Murray N. Rothbard has so brilliantly succeeded in doing in this little tribute of about 11,000 words. He has given us, in a brief but remarkably comprehensive form, an outline of Dr. Mises' outstanding contributions to the sciences of human action. Biography, history, exposition and criticism are superbly interwoven.

Dr. Rothbard begins with the birth of Mises in 1881 in Lemberg, reminds us that Mises grew up during the high tide of the "Austrian School" of economics, describes what this was, contrasts it with the classical Ricardian economics that it displaced, explains what Carl Menger and Boehm-Bawerk, Mises' teacher, had already contributed, and then, point by point, tells us how Mises pushed beyond this: his unification of monetary theory with the Austrian analysis, his new theory of business cycles, his demonstration that socialism was not a viable system because it could not solve the problem of economic calculation, his great contributions to methodology, and a score of other illuminations to be found especially in his three masterpieces, *The Theory of Money and Credit*, *Socialism: An Economic and Sociological Analysis*, and *Human Action*.

Rothbard's pamphlet is a beau-

tiful exposition of Mises' thought and an admirable introduction to his writings. It is more than that. It is a compact history of economics since the 1880's; it pays tribute to others who made contributions; and it briefly indicates the fallacies in such fashionable diversions as Keynesianism, institutionalism, econometrics, and mathematical economics.

But with all the territory that it covers, it never loses sight of Mises the man, reacting "to the darkening world around him with a lifetime of high courage and personal integrity," never bending to the winds of change, never swerving a single iota from pursuing and propounding the truth as he saw it, and never complaining about the shameful neglect of his contributions by the bulk of the academic world.

Rothbard concludes by quoting a tribute from the eminent French economist Jacques Rueff:

"Ludwig von Mises has safeguarded the foundations of a rational economic science. . . . By his teachings he has sown the seeds of a regeneration which will bear fruit as soon as men once more begin to prefer theories that are true to theories that are pleasing. When that day comes, all economists will recognize that Mises merits their admiration and gratitude."





# the Freeman

VOL. 23, NO. 8 • AUGUST 1973

- The Purpose of Traffic Laws** **M. C. Shumiatcher** 451  
Bad driving is a reflection of declining standards of excellence in all aspects of our lives, as laws displace personal responsibility.
- The Energy Crisis** **Robert G. Anderson** 460  
Not the changing conditions of supply and demand, but the increasing governmental controls give rise to "shortages."
- The Confession of Error** **Leonard E. Read** 468  
The confession of an error to all who may have been influenced by it is essential to its correction.
- How NOT to Advocate a Gold Standard** **Paul Stevens** 471  
Concerning some inconsistencies among proponents of monetary stability and market principles.
- Complications** **Brian Summers** 483  
Change is inevitable, and the market enables men to adjust if not hampered by coercive intervention.
- No-Fault Insurance Means No Moral Responsibility** **Ridgway K. Foley, Jr.** 486  
A closer look at some of the moral and legal implications of the "no-fault" philosophy.
- Book Reviews:** 507  
"Who's Listening?" by Leonard E. Read  
"The Rise of Radicalism" by Eugene Methvin

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.

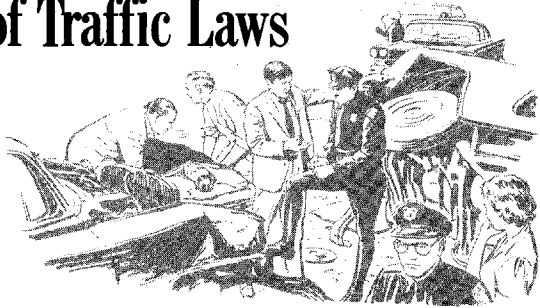
Copyright, 1973, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "How Not to Advocate a Gold Standard."



# The Purpose of Traffic Laws



M. C. SHUMIATCHER

LIBERTY is the freedom of the individual — of every person — to make full use of his faculties and move where he wishes, when he wishes, how he wishes — so long as he does not harm other persons when he does so.

This principle is more clearly understandable in the case of our use of motor vehicles than almost anywhere else. On the Sahara Desert or on your own farm or on the Arctic Tundra, you may drive a vehicle as, how, and where you please without regard for anyone else. You are free to maim, wound or destroy yourself if you want to. But what of others?

Here, the law enters upon its appropriate role.

The legislator sometimes believes that he has absolute power

over our persons and property. This is not so. The existence of persons and property antedated the existence of the legislator, and his function is only to concern himself with the safety of persons and property against the assaults of aggressors. The function of law is not to regulate our consciences, our work, our trade, our ideas, our wills, our education, our opinions, our talents or our pleasures. The true function of law is to protect the free exercise of my rights in each of these areas against infringement by any other person, and to prevent me from interfering with the free exercise of the same rights by others.

Since law requires the support of force to achieve this object, its lawful domain is properly confined to those areas where the use of force is necessary. Each person has the right to use force for lawful self-defense. Therefore, collective force, which is only the or-

---

Dr. Shumiatcher is a prominent lawyer in Regina, Saskatchewan, well known as a lecturer, writer, defender of freedom. This article is from remarks before a recent Traffic Safety Workshop sponsored by the Saskatchewan Safety Council.

ganized combination of the individuals' force in any society, may be lawfully used for the same purpose, that is to say, for the defense of the law-abiding citizen against the attacks or depredations of the law-breakers. The question of how far the law is able to go in any particular field deserves the careful consideration of the philosophy behind the role of the law. It requires that we consider the purpose for which the mandatory injunction to perform or refrain from performing a particular act exists and the consequences which flow from that requirement.

Let us take the case for and against mandatory seat-belts. After all, a seat-belt is something which is designed principally to protect the driver of a vehicle against his own errors or faults. Assuming the purpose of the seat-belt is to protect the user alone, as I believe the case to be, then why should the law require an individual to take steps which he, in his own judgment, good or bad, decides he ought not to take. In my view, it is not for the law to compel an individual to save either his neck or his property. If individuals are left to their own devices and find that they suffer as a result of the laws of nature rather than the laws of men for acting foolishly, I believe that ultimately

the message will get through to them; they will learn the error of their ways and act more providently in the future.

#### ***Has Education a Role?***

Education, of course, can be a short cut to learning. It is old hat to say that the public needs more education concerning safety. Everyone seeks more money to educate persons on every conceivable subject from basket weaving to nuclear fission to safety in an automobile. The faith which so many place in the miracle of education can be compared only with medieval man's faith in the concept of salvation and a life everlasting.

That was an age in which it was believed that faith would create a better and a more moral human being. Education has usurped this role and for at least two generations, we have come to believe that if only people were better educated, if only they knew more and studied more and if only they learned more of the facts of the world about them, they would become better, more moral human beings. War and conflict would disappear from our society and we would forever live in peace and harmony with our fellow man.

Of course, we know that this is not so. Never before in the history of the Western world have so

many billions of money been spent in erecting the great temples dedicated to education in which modern man worships. The result has been not to produce graduates from our schools and universities morally superior to others, or better human beings or more peaceful citizens. Quite the contrary. There is less concern for morality today, less genuine understanding of man's nature, and less peace in our homes, our cities and our society generally, than ever before, whatever the educational attainment of the public might be. To regard education as somehow pointing the way to a new millennium — a more reasoned attitude among individuals or a better mannered performance by drivers upon the highway — is to pin one's hopes on a hollow dream.

If education will not secure better manners on the highways, then will slogans do it? It's all very well to buy and paste those bumper stickers that say, "The life you save may be your own" or "Defensive driving is the thing." But I suggest that these mean virtually nothing. What really matters is what goes on in the mind of the individual driver and what choices he makes.

#### **We Love our Cars to Death**

Perhaps the truth is that people do not really wish to avoid

death on the highways at all. In the preface to his play, *Man and Superman*, George Bernard Shaw suggests that man is really in love with death. He says that man spends more thought in learning how to kill, how to destroy, how to maim and wound, how to fashion the lethal instruments of war, than he ever spent in producing or saving life.

If this be so, it is little wonder that the gruesome photographs that regularly appear in the media depicting death and destruction on the highways seem to do little more than titillate the sense of morbidity. Neither they, nor the regular statistical reports of carnage by motorcar succeed in convincing drivers to show greater consideration for other users of the highway neighborhood, or to grow more wary of the perils that haunt it.

We know, from those clever people who collect statistics and assemble them in ways that are designed to impress or shock their readers, that Canada scores high in motor car accidents. In 1969, with 8,100,000 vehicles on the road, there were 5,696 deaths, or 27.0 deaths per hundred thousand of population. The only really industrialized country that racked up a higher score were our friends and cousins to the south in the United States. They were just

half a point ahead of us at 27.5 deaths per hundred thousand of population. Australia was pretty high also, at 21 deaths per hundred thousand; but countries like the United Kingdom stood at only 13.6 deaths and France — where I was always of the opinion that the wildest drivers in the world were to be found — showed only 11.3 deaths per hundred thousand of population.

But what of the number of deaths per hundred thousand vehicles on the highway? After all, population is not the important factor here. India has a very large population but very few motor vehicles; Saudi Arabia has a large population with relatively few vehicles but a very large number of accidents — mostly with Cadillacs — so that the population and the death figures in a place like India or Saudi Arabia would not tell us very much about our own situation. In 1969, we witnessed 70.3 deaths per hundred thousand vehicles in Canada. Although the United States death rate from automobile accidents is almost identical with that of Canada upon a per capita basis, there were only 55 deaths per hundred thousand vehicles in that country, compared with our 70. The United Kingdom had 59 deaths per hundred thousand vehicles, and France produced only 6 deaths per hundred

thousand vehicles as compared with Canada's 70!

In the light of these figures, and having heard all of the pleas for an active educational program and all of the appeals for safety precautions on our highways, do we think that anything will really be altered by these programs? I have the impression that the message thus far has been that if we would only have fewer accidents we would be much better off.

#### ***What of our Standards of Performance?***

If we really wish to improve the dismal record of performance on the highways of this country, it seems to me that we must examine our conduct and our performance and our habits there from the same point of view that we ought to be examining our activities in other fields — in the trades and occupations in which we engage, in our business practices and in our professions, and indeed, in our sports and our recreational activities. The standards which we have set for ourselves in this country in each of these fields have fallen abysmally low. For we have abandoned our search for excellence in our trades and occupations. What has become of our fine craftsmen of yesterday? Our workers in wood and silver and precious metal; our builders, our mechanics, our

plumbers; those who produce the goods and offer their services to the public to meet human needs? What has become of their standards? How much can we rely upon their craftsmanship? How much are they concerned with quality?

Driving is an occupation like other occupations, and indeed it is the full-time job of the taxi driver, the bus driver, the long-distance trucker. What are their standards of performance? And to this question, I think our experience and observation must tell us that, as in other fields, they are declining. For we are rapidly abandoning our search for excellence in our trades and our professions, and those who once prided themselves for their capacity to produce at the highest level now have given over their efforts to other goals.

The name of the game today appears to be to do the least to get the most. To give as little and to take as much as possible, and excellence and quality be damned. You might consider applying that slogan and those words to driving on the highway. Take as much as you can and give as little as you can — and the other fellow be damned.

#### ***Compulsion Produces Mediocrity***

What is most interesting to me is that, as the standards of per-

sonal excellence decline, we find that governments at every level, federal, provincial and municipal, are moving to fix the standards for the activities of men and women engaging in their businesses and professions with the naive expectation that this will improve human performance. Everything, from minimum wage laws to the manner in which doctors are required to make their reports in quintuplicate for medicare commissions, is coming to be governed by laws and regulations. The result, of course, is inevitable. Where the big stick is wielded, and government fixes minimum standards, these eventually become the maximum standards, and all who are forced to adhere to them are repelled by the concept that their performance is determined, not by the individual's capacity or motivation, but by the sanctions of force.

The burdens and responsibilities that normally rest upon the individual to perfect his techniques and to give a fair day's work for a fair day's pay, and to produce a result in which he himself takes pride because of his craftsmanship and knowledge, these are being assumed by the state which claims a peculiarly omniscient capacity in the field. Government now undertakes to fix standards, to penalize those who

do not measure up to them, and to make certain that each citizen gets "full value for his money." But I never knew a government that was able to fix a leaky faucet, or cut a head of hair, or grow a stalk of wheat, or milk a cow or repair a broken watch. And what is more, it seems to me that when the state holds the big stick over the individual and tells him what he may or may not do, the result is bound to be fear, and then hostility, and finally the kind of resignation which convinces the individual that if the only recognition he is to receive for a job well done is to avoid the penalties of the law, then whatever he will produce will be a model of mediocrity.

The state, in all its guises, is progressively removing the incentives from individuals to do difficult jobs well. Incentives to achieve are being removed by the imposition of inordinately high taxes. On the other hand, rewards are being accorded to those who do little or nothing in a productive way. Uselessness, neglect, carelessness, ineptitude, sloth — these are being rewarded by policies geared to pay money, grant concessions and distribute praise to those who claim it as their right to take whatever they want by political blackmail if possible, and by force and violence if necessary. The welfare state dictates that no

longer is achievement the passkey to reward; no longer is competence, or excellence or skill of any real consequence. Is it any wonder, then, that there should be a falling away from those high standards upon which a worthwhile society must depend?

In the fields of recreation and sports, Canada is fast becoming a nation of cynical spectators, more interested in the spectacle of violence than in the skills of the game, be it played on the football field or on the ice.

You see, the characteristics that we demonstrate in our work and at our professions, in our games and sports and as spectators, are carried by us into the highways of our land and over all the byways of our lives.

### **Compulsory Insurance**

The craftsman who isn't much interested in excellence on his bench, is likely to be equally disinterested in excellence or proficiency or care or good manners as a driver of an automobile. There are fewer craftsmen today because machines take care of the needs of most of us. The man today is rare who feels the responsibility of producing a product with which he can himself identify, because it is his own. So it is that the security that a welfare-oriented society provides its citizens by way



of protection removes the responsibility of that individual for his own care and well-being. Compulsory state automobile insurance may well be an application of this same principle, leading people to say, "What difference does it make if I crumple a fender or get into trouble on the highway? It really doesn't matter. I have a government package policy and I only pay \$25, or \$200 at the very most, and the rest of the damage I do will be looked after by the government. Why should I worry?"

Protecting citizens against their own folly and stupidity condones ignorance and encourages carelessness. I am not opposed to insurance, but I am against compulsory insurance which places no burden or onus upon the individual himself to secure it. If a man carries insurance because the state compels him to do so, he carries it because he is told to carry it. But if he carries insurance because he thinks enough about the importance of his own safety and welfare and the life and safety of others as well, then he has participated in the act of protecting both himself and others. He has taken the first step to take care. That step is capable of leading to other steps — to considering the dangers of high speed, the perils of heavy traffic, the consequences of drinking and driving. It will

move him to consider others and to expect others to consider him. He will do so not because he is compelled to do so but because he wants to and knows why — because he has ceased to be an automaton and has become a thinking human being.

It has been said that the English defeated the Spanish Armada in Elizabeth's time, not on the sea, but on the playing fields of Eton. Whether this be true or false, the fact is that a sense of decency and fair play and of ordinary good manners are essential to any activity in which men and women engage in any number. It is a lack of the ordinary sense of fair play and an ignorance of good manners that, more than any other things, are responsible for catastrophe on our roads and highways. Even lack of skill can be compensated for by good manners. These are personal qualities. They cannot be legislated. On the contrary, paraphrasing Gresham's Law that bad money drives good money out of the market, so it is my firm belief that legal coercion to do good drives human desires to act fairly out of the social equation.

Those traits that are causing the loss of lives and property on the highways today are the same traits that are making of this great country of ours a place governed by the platitudinous, one

abandoned to the mediocre and geared to the performance and ability of the lowest common denominator.

**Needed: "Manners in the Motor Car"**

We are, most of us, bad drivers. We do not regard it as our duty to improve our skills. We do not take pride in our performance. We do not consider it necessary or even desirable to play the game on the highways. Certainly, though we know a little about table manners, we still have very little interest in road manners. It is high time, I think, that a Dorothy Dix or an Emily Post add to their books on etiquette a chapter or two on "Manners in the Motor Car" — not only when parked, but when mobile.

These are not matters for the law to deal with. So many people entertain the greatest expectations from the mere passage of a law. Laws are printed on paper and bound in books. They may even be read and sometimes studied and memorized. But they do not drive motor cars. It is people who drive. It is they and only they who are or can be responsible. Unless we are willing to withdraw the protection and the support, the direction and the compulsion to which laws are expected to give effect, we as individuals will be reluctant to assume our personal responsi-

bilities. For what we are witnessing on our highways today is an abandonment of standards of excellence and the renunciation of personal responsibility. This, after all, is only a reflection of the human scene in almost every other place in the land today.

**Ours the Responsibility**

Why has Mr. Ralph Nader become so popular in these times? It is because he chooses to say that motor car accidents are happening, not because of you or of me, because of our limitations, our ignorance, our ineptitude and our lack of skill. No, it is none of these. It is General Motors and Ford Motor Company and other big corporations who are really responsible for death and carnage on the highways. So Nader likes to make us believe. It is very much like the current attack on the corporate welfare bums that we have been hearing so lugubriously launched by socialist candidates in the current Federal election. It is well to remember that the statisticians of whatever complexion have always sought out a plausible victim for the public to hate. It is great to reform the whole world so long as one does not have to reform himself. That's why it is always so popular to find a scapegoat, as Ralph Nader has done in the case of motor car accidents. Of course

there are automobile mechanical defects which cause accidents, but I would like to suggest to you, to paraphrase Shakespeare, that

The Fault dear Brutus lies not in the stars (or in the Plymouths, Buicks or Fords) but in ourselves, that we are underlings.

If it is to be found anywhere, responsibility must be found precisely there — in ourselves.


I have said earlier that the question of improved manners on the highway is not a question for the law. We have a plethora of laws, and a dearth of manners. The Saskatchewan Vehicles Act is two and a half times as thick today as it was twenty years ago and the number of accidents and deaths has increased at five times the rate at which the pages of highway legislation has grown. But there are some things that the law cannot do and that Parliament cannot do. It cannot create a great painter or a fine carpenter or a good tailor or a skillful gardener or a first class driver. Not by an act of Parliament nor by any number of acts of Parliament can this be done.

What laws can do, however — or perhaps I should say what the absence or the repeal of laws can do — is to revive the natural system of rewards for performing excellently, and of penalties for performing negligently or for not per-

forming at all. Unless we are willing to withdraw the protection and the support of those who fail to learn to work or to act creditably, there will be no reason why anyone should acquire any knowledge or exert any effort to perform any act with skill or competence.

We are witnessing on our highways in Canada the abandonment of standards and the renunciation of both excellence and personal responsibility. This, unfortunately, is a reflection of the whole human scene in Canada in this day. I suggest one of the reasons for this is that we have too many laws.

Who is worried about traffic laws today? We have so many laws, that as Lord Darling said, "Men would be great criminals did they need as many laws as they make."

I am convinced that we really do not need all of those laws. Rather we need men and women who, as individuals, recognize their own personal responsibility to themselves and for themselves. When this is recognized, we shall be more concerned with our own personal conduct than with the modern fetish to do good for others, or to pretend that our real concern is with that anonymous amorphous distant undemanding body of beings we are pleased to call "humanity." 

# The

# ENERGY

# Crisis

ROBERT G. ANDERSON

THE DOOMSDAY CULTISTS of the mature economy seem to be at it again. These omnipresent talismen of doom, so eager to have us return to a pre-industrial society of agrarian primitivism, have found new fodder for their propaganda campaign.

The incentive for their most recent burst of gloom has been the scare value of the current "energy crisis." Responding to publicized shortages in the energy field, certain ecologists insist we are exploiting our resources so rapidly that shortly there will be nothing remaining. Future generations, we are told, will surely perish unless something is done.

Such pessimism has been fueled by the confusion surrounding the rather unorthodox behavior of firms which are admonishing cus-

tomers for excessive use of their services. Instead of seeking new customers to consume more of their services, there now is a concerted effort toward encouraging nonconsumption.

This is, to say the least, a radical departure from traditional marketing practices. Yet, witness the electric utility company urging customers to "turn off the lights," and the natural gas company refusing to service new customers and reminding old ones to "turn down the thermostats." More recently the petroleum companies, acting under orders from the Federal Oil Policy Committee, have adopted "voluntary-allocation plans," resulting in limiting customer purchases of gasoline and early closings of retail gasoline stations.

Further complicating the crisis are those ecologists, who, seeing a growing problem of pollution, hamper and harass all efforts to

---

Mr. Anderson recently joined the staff of The Foundation for Economic Education as Executive Secretary and Director of Seminars, following several years of college teaching of economics and business management.

expand supplies of energy, and plead for restrictions on the use of existing energy resources.

Indeed it would seem that the enemy is the consumer, whose excessive wants have finally exceeded all normal limits and have threatened to deplete a precious national inheritance. Unless these consumers are somehow convinced to temper their consumption, there is the danger that such shortages will occur as to spell final disaster for the lot of us.

#### ***Volunteer — or Else!***

Numerous remedies are being advanced as popular solutions to this crisis. The efforts by utility and petroleum companies to restrict sales voluntarily is lauded as being in "the public interest," for it is placing civic duty above mere profit-making. Through "educating" the consumer to consume less, it is believed, the demand for energy resources can be lessened.

Should such efforts fail, the ultimate remedy suggested is direct government regulation of consumption by bureaucratic rationing. Such an alternative is not idle theorizing. The Federal Government has made it clear that if "voluntary" methods fail, it intends to move in. Confronted with a picture of individuals glutting themselves on scarce economic resources and ravaging the earth of

all its riches, there appears to be no alternative but to turn to collective, forceful action, complete with penalties for transgressions. The state at this point is seen as the only means available to force an adjustment to the reality of scarcity rather than endless abundance.

Once again we see the threat of government intervention in order to remedy the ill effects of an earlier government interference. The so-called "energy crisis" is a direct consequence of earlier government intrusions into the free market pricing process. To expect any good to come from further government intervention at this point is to believe that a person just run down by a truck would get relief if the truck backed over him again.

Market economics has always recognized the problem of scarcity. Indeed, it is the sole basis for the science of economics. An individual's capacity to want is insatiable, but possessing only a limited ability to fulfill his wants, the individual is never able to satisfy all of them. Clearly, choices must be made and resources allocated toward the accomplishment of those chosen ends. The process by which this is done is the concern of economics.

While a market system of economic organization cannot eliminate the problem of scarcity, it

has demonstrated its superiority over all other systems of economic organization in reducing the degree of relative scarcity. The emergence of a social division of labor and concomitant price system has resulted in attaining the highest degree of efficiency in allocating resources toward the satisfaction of human wants.

Within the framework of a market-structured society the allocation of economic goods is accomplished through prices established by the actions of buyers and sellers. This interaction between supply and demand is never static, and thus there is a continually changing price structure. As greater quantities are demanded or supplies dwindle, prices tend to rise; conversely, prices tend to fall when lesser quantities are demanded or when supplies increase. Free market prices are constantly adjusting in order to bring toward equilibrium these opposing forces of supply and demand.

It is these free market prices that direct the actions of buyers and sellers. As long as buyers and sellers are free to act, as long as the price mechanism is uninhibited, economic goods will be allocated in a fashion that will always assure their availability to anyone wishing to enter the market. Supply will always tend toward equilibrium with demand.

### ***Serving Willing Buyers***

This phenomenon of an equilibrium price, of course, has not eliminated the problem of scarcity. Instead, it can only assure that scarce goods will always be available to willing buyers. Prices serve as a means for allocating these scarce resources to those buyers who value them more highly than do others. The justice of the free market lies in the fact that the most efficient sellers will prevail in supplying scarce resources to the buyers who most urgently seek these resources over all other potential buyers. Such a system is in a continual state of flux as new buyers and new sellers supplant one another and cause prices to correspondingly rise and fall.

The present "energy crisis" stems not from a problem of economic scarcity, but instead from nonmarket forces which are interfering with free market prices, and thus causing shortages to develop. The problem of economic scarcity is present in nearly every situation of our lives. We are not in an "energy crisis" now because energy is scarce, but rather because there is a "shortage" of it. Shortages are inconceivable in a free market structure; but they do occur whenever free market methods are abandoned.

The competitive actions of buyers and sellers in a free market

system precludes any threat of shortages. The very essence of price allocation negates the development of shortages. A greater relative scarcity of a good in a free market situation will inevitably lead to higher prices as buyers bid against one another for the shrinking supply. For shortages to occur, some nonmarket force must be introduced to create the disequilibrium.

The "energy crisis" is an example of such interference. Of course energy resources are scarce; that is conceded. They always have been, and they always will be scarce. But the current shortages in the market have led many people to believe that we have encountered something worse than scarcity; all of a sudden there is a specter of a well running dry.

### **Misunderstanding the Causes**

Popular remedies being suggested are further confused by a misunderstanding of the causes of the problem. Certain forces which have contributed to an increase in the relative scarcity of energy, and other forces which have contributed to an increased demand for energy, are now being blamed for *causing* the shortages of energy resources. Such is not the case, for under conditions of an unhampered market these forces would be reflected in a changing

price structure. Only direct interference with free price movements can cause the shortages.

A leading example of a force not responsible for causing the energy shortage, but certainly a factor affecting its supply and demand, is radical ecology.<sup>1</sup> Ecology is frequently blamed as the primary cause of the "energy crisis." As proponents for the preservation of natural resources, the ecologists have in many instances been successful in curtailing supplies of energy resources by hampering the construction of new oil refineries, electric generating plants, drilling operations, and pipe lines. Their efforts at preserving resources in their natural state, by harassment of utilities and petroleum companies, have undoubtedly restricted present supplies. Ironically, their success in forcing automobile manufacturers to equip engines with emission-control devices has greatly increased the demand for gasoline. (Presently these devices consume an additional three million gallons of gasoline daily.)

While a paradox can readily be seen between their efforts at preservation on the one hand, and the wasteful results of their efforts regarding pollution on the other

---

<sup>1</sup> "A Conservationist Looks at Freedom," Leonard E. Read, *The Freeman*, November, 1970.

hand, the fact remains that their actions cannot be held accountable for the current energy shortage. It is certainly valid to observe that to the degree they have curtailed supplies and have increased the consumption of energy, they have been a factor in causing the prices of energy resources to rise. But ecologists can no more hamper price movements than can any other private individuals.

In the same context, forces such as import quotas, declining exploration, production controls on producing wells, tax depletion allowances, agreements between refineries and dealers, and even possible secret cartels have been advanced as the causes of our present crisis. Valid charges or not, any or all of these factors can affect only the quantities of energy resources supplied, and thus the ultimate market price. None of them, any more than the ecologist, can cause market disequilibrium in the form of shortages.

### ***Shortages from Price-Fixing***

Shortages are a result of price-fixing by government interference in the market place. Specifically, the government, through both direct and indirect methods, has been successful in preventing the prices for energy resources to rise.

The developing energy shortage has been growing for a long pe-

riod of time in the utility industries. The reason is obvious when we realize that direct price regulation by government has existed far longer in this area of our energy resources than within the petroleum industry.

State public utility commissions, the Federal Power Commission, and other government regulatory commissions have direct authority over rates charged for energy by electric power and natural gas companies. Unfortunately, these commissions mistakenly assumed low rates to be in the best interests of consumers of energy resources. Under the misguided notion that low prices for energy — rather than equilibrium prices — benefited the consumer, little attention was given to the developing disequilibrium between energy supplies and energy demanded.

For many years the disequilibrium has been absorbed in the capital structures of utility companies. This consumption of accumulated capital, with its ensuing financial weakening of the utility companies, gradually affected their capacity and willingness to attract capital for expansion of their energy resources. Production of energy became marginal, if not entirely uneconomic.

At the same time, demand for energy at the low rates continued to expand until the inevitable dis-



equilibrium developed. Energy was being supplied in shorter quantities than were being demanded. Since additional quantities could not be supplied without incurring losses (at the low rates imposed on utility companies by the government commissions), these companies had no recourse but to deny service and to urge less use by their customers.

The failure of the utility industry to meet the full market demand for energy requirements had a "spill-over" effect on the petroleum industry. Customers, fearful that electrical power and natural gas supplies would be unavailable to them, sought greater quantities of fuel oil from the petroleum industry to meet their energy requirements.

### **Two Blows at Once**

Unfortunately, this increased demand upon the petroleum industry occurred at a time when price controls on their industry had just been introduced. While the method of price regulation has been less direct than that experienced in the utility industry, the problems created are similar.

After many years of a government-imposed inflation of our money supply and resulting higher and higher prices, a government program of price controls was inevitably adopted. Abandoning all

economic reasoning, the government established a "freeze" on prices of most goods and services, including petroleum products. Throughout the various "phases" of the price-control program, petroleum prices have not been able to reflect the changing forces of supply and demand affecting them.

Few industries failed to feel the pressures of the government price freeze; but the petroleum industry, along with other capital-intensive industries, felt the heaviest pressure. Inflation always inflicts the severest damage on industries with a heavy capital investment in their productive processes.

The capacity of such capital-intensive industries to calculate their economic costs is seriously hampered by inflation. Furthermore, the erosion of capital resources by inflation discourages future productive efforts by such industries. Accurate economic calculation becomes nearly impossible.

Thus, a government-imposed price freeze on the heels of a government-engineered inflation made a petroleum shortage inevitable. A combination of factors pressuring for an upward movement of prices only worsened the disequilibrium: the peculiarly sensitive financial position of the industry to inflationary pressures; ecological forces affecting their capacity to increase supplies while at the same

time increasing the consumption of the product; and heavier consumption on account of a diversion of demand from the natural gas and electric power industries.

Obviously, had petroleum prices been completely free to respond to these changing facts and conditions there would be no threat of shortages. However, the petroleum industry like the utility industry, having lost its entrepreneurial freedom to resolve the disequilibrium through the price mechanism, found itself pleading with its customers to "not buy."

#### ***The "Solution" Is the Problem***

The real cause for concern at this point is not the "energy crisis" so much as it is the solution the government will undertake to "solve" the problem of the shortages. Rather than admit the failure of government price interference and allow the free market to once again achieve equilibrium between supply and demand, the government more likely will propose the adoption of rationing.

The allure of rationing seems to be based on an egalitarian ideal which rejects the price system as a discriminatory relic of economic inequality, and thus not suitable as a means for the just allocation of resources. Regrettably, this egalitarian doctrine attracts many supporters and is one of the lead-

ing threats to the survival of individual liberty.

The concept of rationing is predicated on an archaic and totally refuted objective theory of value, yet its philosophical appeal has had an overwhelming influence in our political affairs. The notion that an equal distribution of goods to individuals will provide equal utility is a complete denial of modern theory of subjective value; but government rationing still insists on the allocation of resources in this fashion.

If selective rationing of energy resources should materialize, the consequences are quite predictable. The decline of profit margins will result in a capital shift away from such industries, and this will lead to additional shrinkage of supplies. Since capital always moves away from low-profit industries and into higher-profit industries, future production of energy resources must decline. The low prices imposed by government edict will ultimately be meaningless as, finally, no supplies will be produced at all by private companies.

The historical response to this development has always been the same. Whenever governments have finally succeeded in making a productive service completely uneconomic for private enterprise, they assume the function for them-

selves and nationalize the industry. (This "final solution," it might be pointed out, not only fails to solve the problem of scarcity but tends rather to intensify it.)

### ***Look to the Market***

The appropriate alternative to our energy crisis is to return to free market principles. The consequences will not be pleasant, for the most probable result will be higher prices for energy resources than exist today.

Recent price movements in those few goods that have not been covered by the freeze give us a good contrast to the situation with respect to the controlled goods. For example, we have seen as much as a fourfold increase in the prices of some agricultural products in the past year because of inflation and other changes in the supply and demand picture. While such price rises have been a cause of much consternation to consumers, they have not resulted in shortages and subsequent rationing.

Should supplies of these agricultural products now increase (as well they might, because of their profitability), or if demand declines (because of consumer resistance to the high prices), then prices will again fall in a reflection of market actions of buyers and sellers.

While the government planners recognized the presence of these market forces in agricultural products and exempted them from direct controls, they failed to recognize that these same forces are at play with all economic goods and services. Instead, believing that prices of manufactured goods are somehow "administered" and immune from the economic laws of supply and demand, the government imposed the price "freeze" upon them.

As must always happen with an abandonment of economic reality, the edicts of government are falling victim to inexorable economic law. The ever-changing forces of supply and demand, continuing an upward pressure on the prices of energy resources, are making the "frozen prices" a relic of economic history. The growing disequilibrium between the government-manipulated prices and the actual forces of supply and demand precipitates the inevitable shortage.

If this "energy crisis" is to be resolved, there is only one alternative. We must return the allocation of scarce resources to the market. Freedom in the market place, so that the economic structuring of society is in the hands of individuals acting as their own free agents, is the only "final solution." Under such a system, the crisis of shortages is unknown. ☉



# The *Confession* of Error

To make no mistake is not in the power of man; but from their errors and mistakes the wise and good learn wisdom for the future.

— *Plutarch*

MANY PEOPLE, I suspect, would rather entitle this piece, "the error of confession" than "the confession of error."

My thesis is that error can and should play a profound role in man's advancement toward wisdom. There are two doors through which the fallible individual must pass before he can behold the light of truth. The first is the discernment of error; the second is the *confession of the error*, not only to self but to anyone influenced by his error, whether that influence extend to one or to a few or to millions of persons. Rarely does the individual err in solitude; most of one's mistakes have a social impact, may indeed bring harm to others as well as to himself. So, one is socially obligated to confess as well as to correct his errors.

A personal experience may help illustrate my point. In 1945 I was given the assignment of choosing

two speakers to present opposing views on the U.S. foreign aid program. I chose J. Reuben Clark, Jr., President of the Church of Jesus Christ of Latter-Day Saints, whose point of view coincided with mine. The most prestigious individual I could nominate for the other side of the argument was Lord John Maynard Keynes, then on an official visit to the United States. When I called on him to invite his participation, he replied, "I shall not accept your invitation, and for two reasons. First, I shall not be in this country at the time of your meeting. And if I were here I would not accept. My mission is to obtain the British loan. Were I to stand before your audience and say what I *now* think, which is what I would do, I would disparage my mission."

Lord Keynes, it seemed, had changed his mind about government spending. He confessed this

to himself and to me but, so far as I know, not a word of his changed position reached the hundreds of millions who came within his orbit of enormous influence. Had he publicly confessed his error (he passed away nine months later) the reckless spending policies of nations all over the world might have been halted. He discerned his error which is the first step. But he never took the second step; he failed to make public his confession, and the light of truth did not shine forth. Lord Keynes opened but one of the two doors; and the rest of us are now the poorer for his failure to open and pass through that second door to truth.<sup>1</sup>

I would not single out the late Lord Keynes as alone in this fault. His case is simply a magnified, and thus easily observed, example of the thing I am talking about. The same inability or unwillingness to confess error plagues most of us. Keynes' leverage over events was so great for at least two reasons: (1) he was a prestigious professor of economics at Cambridge University and a titled nobleman, and (2) his error is one that all politicians, here or elsewhere, ardently want to believe:

<sup>1</sup> For an enlightening account of Lord Keynes' sound money theories before he went "Keynesian," see "Inflation" by John Maynard Keynes (*The Freeman*, April 1956).

that politicians can spend the people's money on anything that suits their fancy and, by so doing, assure prosperity to the victims. Had a commoner — one without degrees and a title — made such a silly proposal he would have been "laughed out of court."

Why the reluctance to confess error openly? Doubtless, there are more reasons than we know. Take a politician — one gaining office by promising, if elected, to do this or that for his constituents, perhaps a higher minimum wage or any of thousands of "benefits" at taxpayer's expense. Later, the light dawns and he sees the error of his ways. Confess this mistake to his constituents? Not likely! He would never be returned to office, his political power at an end. More often than not such a fateful prospect destroys any desire or incentive to confess error.

But no one can confess an error until he sees it for what it is; and self-blindness is a trait as common among the electorate as among the elected. Once an error is believed and embraced as right, it is absorbed into the tissues, so to speak; it becomes a part of one's being. An immunity develops and explanations of the fallacy are warded off, not heard. Only confirmations of the error are received and they become supporting evidence. Most of us simply can-

not stand the thought of being wrong, at least not to the point of openly confessing an error.

Often the explanation of our error is made by a political opponent or by one having a faith or general philosophy we do not approve, that is, by our "enemies" — persons we abhor or, at least, do not like. The very source is enough to close our eyes and mind; we will have none of it! Indeed, this lack of catholicity on the part of anyone tends to confirm him in the rightness of his mistaken views. Small chance of confessing errors thus buried in rancor!

The fact that society, today, is in one of those devolutionary swings — common to history — and that countless people are proposing remedies of every variety and without success, suggests that the right answer has not yet been found.

I venture to say that the remedy is simple; indeed, if it is not simple, in all probability it is not right. The first step is to *remove all obstructions to the discernment of error; and the second is to confess the mistake openly*. How wonderfully different would be the societal situation were a considerable number of us to open these two doors. It seems obvious to me that this is the way and the only way to wisdom, truth, light!

A considerable number! Yes, but

a number of individuals, one by one. After all, it is not society that acts; it is only discrete human beings.


There is no point in dwelling further on removing the obstructions to the discernment of error. Count him out who cannot rid himself of prejudice, bias, egotism, know-it-all-ness. Include only those who welcome exposure of error, regardless of source.

The door most of us have had no practice in opening is the second: open confession of discerned error, not only to self but to all who have come under the harmful influence of the mistake. By "open confession," I am not referring to any maudlin wailing. Rather, I am talking about a clear explanation of one's new insight — the truth that displaces the error he had espoused and inflicted on others as well.


There are two points to keep in mind. First, if the purpose of life is to grow in awareness, perception, consciousness, the refusal to confess error is to strangle growth; it is to nail one's self down to mediocrity, along with others under influence of one's errors. Be free!

Second, confession not only is good for the soul; it also turns out to be a joyous experience, as is any freedom from inhibitions. To prove it, try it!





# How NOT to Advocate a Gold Standard



PAUL STEVENS

THERE ARE TWO POINTS on which probably all advocates of a gold standard agree. They are: (1) that the U.S. government should legalize gold, and (2) that government should not prevent its citizens from using gold as money if they voluntarily contract to do so. This means that banks desiring to store gold, print gold bonds, or print notes against gold should not be prevented from doing so. It means that buyers and sellers should not be prevented from contracting in gold for the exchange of goods.

These are certainly proper goals for advocates of a gold standard to pursue. Yet achievement of these goals is being undermined by statements containing a host of errors, inconsistencies, and contradictions about gold—statements made by those very individuals who are attempting to focus atten-

tion on gold and the virtues of a gold standard. A bad argument advocating a return to the gold standard can be more harmful to the case for gold than no argument at all.

One source of such arguments is that many gold advocates look at gold through the eyes of an investor rather than the eyes of an economist. Consequently, short-term, superficial and sometimes misleading interest in gold is being encouraged at the expense of long-term education and consistent economic theory. This approach must ultimately be counter-productive and self-defeating. The market is being saturated with literature containing misconceptions and inexact or incorrect terminology. This has led to *anti-gold* positions (i.e., positions inconsistent with capitalism and a free market), most of which can be traced to poorly defined concepts, discussions drawn out of context, and misidentified cause/effect relation-

---

Mr. Stevens is a free-lance writer who specializes in the field of economics.

ships. The following arguments, terms, and positions regarding gold, its present role in international monetary matters and its proposed role in future international monetary reform, have presented a recurring yet self-defeating "defense" of gold and the gold standard.

### **The "Intrinsic Worth" Argument**

It has been said that gold has "intrinsic worth." This argument represents a theory of economics inconsistent with the free market and consequently with the gold standard.

The intrinsic theory of value holds that worth or value is contained *within* an object. It holds that economic goods possess value inherently, innately, despite the market, despite supply and demand, i.e., in spite of men's values, choices, and actions.

Free market economists reject this argument. They hold that no man can jump outside the market and declare what a particular commodity is "worth"; that all commodities are subject to the laws of supply and demand; that in economics there is no such thing as "intrinsic worth", only *market* worth.

"Worth" means "value" and value presupposes a valuer. As men's values differ and change, market values change. As supply

and demand conditions change, the exchange ratios of commodities relative to one another change.

Gold is not exempt from these economic laws, and yet gold is often treated *as if* it were. By using such unscientific terms as "intrinsic worth," the gold advocate can only hurt his own case — and he has. The inability of many gold advocates to objectively answer the question, "why gold?" has led to the misunderstanding of gold and to such popular terms as "gold, the *mystic* metal."

Gold would not be called "mystic" if it were understood. And understanding begins with defining one's terms. It is only through invalid concepts such as "intrinsic worth" that absurd terms such as "mystic metal" can gain popularity.

### **The "Store of Value" Argument**

The argument that gold is a "store of value" is often used as a substitute for the "intrinsic worth" argument. Unless precisely qualified, the term can lead to the same errors, fallacies, and fallacious theories of the "intrinsic worth" argument. Thus, it may lead to a misunderstanding of the nature of money and of a proper theory of value.

"Store of value" is a term often used by those who argue that gold will always represent a *constant*



value, i.e., that gold is a "fixed yardstick" representing constant purchasing power. Implicit in this argument, once again, is the idea that gold is intrinsically valuable — immune from the laws of the market. Not so. The possibilities of gold strikes, gold shortages, fiat money inflation, depression and deflation, fluctuation of industrial demand, the relative market value of other commodities, and the differing knowledge, values, and expectations of men — all these factors have the potential of increasing or decreasing the value of gold for other men.

Does this mean that under a gold standard the "price index" and the value of money will fluctuate? It certainly does. But this is precisely the beauty of the free market and the case for freedom — that prices are allowed to fluctuate freely, thereby corresponding to the constantly changing and diverse values of free men. The advocates of a free market are not Utopians — they are realists who recognize that there are no guarantees of economic security in this world; they are willing to accept the consequences of their actions — and to accept the verdict of a free market.

The advocates of a free market are *not* willing to trade their freedom for security. The "store of value" argument offers men just

such a trade. While a gold standard does offer men more *stability* of value than any other free monetary system, it does not offer men a *constant* value. There is no harm in stating that gold is a store of value so long as one knows and states exactly what is meant by the term — i.e., that gold has *stability* of value and represents perhaps the best monetary method of saving. In a free society, one is certainly free to store that which one values, so long as it is understood that the value of one's savings is not immune from the influence of the market. Thus, within the context of a free market, the only legitimate meaning of "store of value" is, "a commodity which is most marketable and therefore best facilitates the exchange of goods and services."

#### **Gold "Price" Predictions**

One way pro-gold advocates have been trying to attract attention to gold is by arousing investor interest through predictions of a higher gold "price." General estimates of prices are not by themselves harmful. For example, it was a reasonable assumption that, after having been artificially held down for forty years, the "price" of gold would increase. But specific price predictions are indirectly harmful to the case for gold.

The case for gold is subsumed

under the broader case for the free market. The advocates of free market economics and those economists concerned with economic theory take pride in the rigorous logic and objectivity of the case for the free market. But this pride is being undercut by illogical and visionary price predictions. The "price" of gold is determined by the values of those participating in the gold market. No man on earth, no group of mathematicians (no matter how many charts and graphs they employ), no *computer* on earth, is capable of knowing the values of all consumers and suppliers within the market. (Russia has been trying for years to correctly anticipate *general* consumer demands and has failed.) Therefore, to try to precisely predict something as specific as a price is impossible. The fact is, men's values are constantly changing, just as the factors of supply, demand, and cost are changing. Men cannot have *precise*, prior knowledge of prices, and by pretending to can only confuse and undercut the entire concept and basis of free market economic theory.

There is no place for crystal balls in science — and that includes the science of economics. Those attempting to attract attention to gold by making precise price predictions are contradicting and obscuring the meaning of the free

market and therefore undercutting the case for a gold standard.

### *The "Legal Tender" Argument*

Many advocates of gold argue that if gold were made legal tender, not only would individuals be allowed to own and use gold as money, but this would necessarily lead to a gold standard. What is forgotten is that this country's legal tender laws are precisely what prevent citizens from using gold as money today. Legal tender laws established the legal precedent of coercive government monopoly over the issuance and use of Federal Reserve Notes.

The free market economist does not contend that gold *must* be money. He contends only that money must be *market-originated*. The case for the gold standard is part of the broader case for *commodity* money. Consistent advocates of the gold standard hold that gold possesses those qualities and characteristics most conducive to the function of a medium of exchange, but they do not say that gold will forever be suitable as money. Neither do they hold that gold *must* be accepted as money whether men want to accept it or not. They do not ask for the police powers of state to enforce their idea of what money should be. Thus, they oppose legal tender laws.

Further, legal tender laws are not necessary. All that is necessary is that men possess the right of contract. For example, if a man contracts to pay one hundred ounces of gold to another man who agrees to accept this sum in payment, the courts need only recognize *what* has been chosen as money, and assure that the obligation be discharged.

Legal tender laws are not what is needed to return to a gold standard. On the contrary, they are one of the major factors today *preventing* the world from returning to gold.

#### **The "Official Price of Gold" Fetish**

Many advocates of gold argue that an "official price" of gold is both necessary and desirable. This position accepts the premise of opponents of the gold standard: that legal tender laws should be established allowing governments to legally fix and regulate the value of money. The free market position rejects this premise. It holds that the medium of exchange should be market-originated and market-regulated — not government-originated and government-regulated. This means that the value of money should be determined on the free market — not dictated by government decree.

At this point, the "official price" advocate usually says, "But if the

price of gold isn't fixed, then no one will know what money is worth." And in the sense of having precise, prior knowledge of gold's exchange value, this is true — just as it is true for all other commodity exchange-values.

It is interesting to note that those who argue both that gold should be fixed in value and that gold is a constant store of value, hold a contradictory position in which one claim offsets the other. If gold is *already* a constant store of value, why should its "price" be fixed? And if it is necessary and desirable to fix the "price" of gold, then how can it be argued that gold has an intrinsically constant value? One need not fix that which is constant, and that which one *does* fix cannot be defined as constant. Such inconsistency pervades pro-gold literature today. In fact, what is being advocated is that gold should be a "fixed yardstick" — a *constant* "store of value" — by *government* directive, rather than a *stable* store of value by *market* "directive." Government determination to fix the purchasing power of the monetary unit ignores, contradicts and denies the law of the market.

Under a gold standard, no "official price" of gold would exist, hence no *official* store of value. But this does not mean that gold offers no *stability* of value. On the

contrary, gold has been chosen by men as a medium of exchange for over 2,500 years precisely *because* of its stability of value. But market-determined *stability* must be distinguished from government "guaranteed" *constancy*. A "guaranteed" value is neither necessary nor possible. All that is necessary is that those who print paper claims against gold specify the quantity of gold their paper claims represent and that they adhere to their promise to pay by not undermining their ability to convert their claims into gold — i.e., that they do not fraudulently increase their note issuance. The result would be a mild fluctuation of gold in relation to other commodities and monies.

Further, to advocate "pegging" gold to a given number of dollars would only amount to a fiction in today's inflationary climate, just as it would be a fiction to fix the price of any commodity. The free market must be allowed to determine the value of gold and all money substitutes, just as it determines the value of any and all commodities — by supply, consumer demand, and the cost of production. Just as there is no validity to the case for price controls, there is no validity to the case for exchange controls.

If men want security of purchasing power, they need not and

should not look for government-guaranteed "security"; they can easily obtain security through the free market by including in all contracts that purchases, repayments, and the like be made in money adjusted to compensate for any changes in the value of money. Futures markets can be, and have been, established in any commodity, money, or money substitute that men show a desire to participate in. Yet rarely have men sought a guaranteed protection against loss.

Those who argue for an "official price" of gold can only hurt the case for a *free market* and therefore a gold standard. Price controls contradict a free market and therefore should be avoided. This includes control of all prices, including the "price" of money. Price controls have always been counter-productive and self-defeating. Worse, they establish the principle of government-provided "security" at the expense of individual freedom. To argue that an "official price" of gold is necessary and desirable is to argue that the free market is not.

### **The Devaluation Syndrome**

The argument that there must be and/or should be a major devaluation of the dollar is an offshoot of the "official price" argument. It accepts all the premises of that

argument and therefore makes the same mistakes. But there are further implications of this argument that must be examined.

First, devaluation means a return to a monetary system of fixed exchange rates at a time when inflation makes it impossible to fix the value of anything, let alone the value of money. Bretton Woods is an eloquent example of what happens, given fixed exchange rates together with inflationary policies. It is not good enough to say, "Well, we shouldn't have inflation. Fixed exchange rates would work if government stopped printing money and adhered to the value of the monetary unit." The fact is that we *do* have inflation and may continue to have inflation for many years to come. The devaluation argument drops the matter out of context and reverses cause and effect by demanding a system of stable money and prices at a time when there is no reason to assume that this kind of stability is possible to the world.

Second, the devaluation argument delegates to the International Monetary Fund (IMF) the power to establish an international monetary system by *law*. Implicit in the devaluation argument is acceptance of the unfounded assumption offered by the IMF, that *this time* the devaluation and exchange rate realignment will be

final. Many advocates of a gold standard unwittingly accept this assumption and thus believe that the way to achieve a gold standard is through a major devaluation which would re-establish a convertible gold dollar. This, they believe, is the way to eliminate inflation.

But in fact just the opposite is true. It is not a gold standard that will lead to the elimination of inflation; it is the elimination of inflation that will lead to a gold standard. To attempt to maintain an international gold standard through the IMF is impossible, given today's political context — we would only end up "going off gold" again with gold getting the blame for the resulting crisis. Allow individual gold ownership and allow the use of gold and an international gold standard will naturally evolve — when and *only* when government monetary policy becomes non-inflationary. Until then, gold and exchange rates of national monies should be left free to seek their own levels.

Fixed exchange rates will never (and should never) result from a formal international organization such as the IMF. The stability of exchange rates will be the result, not of government price-fixing, but of noninflationary adherence to the value of money — i.e., the elimination of legal sanctions that

permit any government agency or bank to fraudulently increase the money supply.

Under a gold standard in which all nations deal in weights of gold, exchange rates would necessarily be fixed by relative weight — not by law. No formal international monetary system would be necessary and no nation would be forced into, or prevented from, using other monies such as silver, paper, and so forth. A gold standard does not require exchange rates fixed by law. It assumes only that exchange rates will be fixed as a *result* of adherence to the definition of money. This means that if a monetary unit is defined as one ounce of gold, it will necessarily exchange for other monetary units at a precise ratio — *unless* the monetary unit is debased and misrepresented.

Thus there is no need for a formal, i.e., legal, international monetary system. All that is needed is the free market. The way back to a gold standard is not backward toward the Bretton Woods system, but forward toward a noninflationary system of freely self-adjusting exchange rates in terms of currencies and gold.

Third, the argument for devaluation is inconsistent with and contradicts another main argument propagated today by gold advocates: that the world is head-

ed for runaway inflation and/or depression and deflation. If it can be reasonably assumed that prices may skyrocket or plunge, as most gold advocates contend, what sense does it make to advocate raising the “price” of gold and fixing exchange rates? If it is anticipated that prices will fluctuate dramatically, exchange rates need to be as flexible as possible to adjust quickly to men’s changing economic evaluations, to price-cost factors, and to supply and demand conditions. It makes no sense at all to advocate fixing the “price” of gold, exchange rates (or anything else) when expectations are that prices will rise or fall dramatically. Such price controls are doomed to failure and can only result in dangerous economic and monetary distortions that will ultimately lead to the restriction of trade and to a lower standard of living for individuals.

#### ***The “Stop Printing Money” Argument***

Inflation is the fraudulent increase in the supply of money and credit. It is both immoral and impractical to inflate. Eventually inflation might be outlawed, but not today — and not overnight. Both rational economic analysis and history verify the disastrous consequences possible given a dramatic increase or decrease in the nation’s money stock.

In today’s context, when the

whole of the American banking system and economy is geared toward inflationary finance, it is to no one's short-term or long-term interest to advocate that government should immediately stop printing money or that the inflationary arm of government — the Federal Reserve Board — should be abolished. For, taken literally, these well-meaning intentions could result in a nightmare of economic turmoil.

Rather, it should be stressed that the supply of fiat money should be slowly *reduced* and stabilized to correspond to increases in the gold supply, and that structural changes within the banking system should take place to facilitate elimination of the artificial and arbitrary nature of note issuance. This would reduce inflation and go a long way toward establishing the proper direction necessary for a return to gold.

The case against inflation can never be stated too often and its importance to a sound monetary system can never be overemphasized. Clearly the battle against inflation must be won before the return to a gold standard can be secure. But neither can the importance and necessity of a *gradual* return to gold be overemphasized.

Inflation certainly is immoral and economically impractical — but

so is any proposal that aims to unleash unnecessary hardship on citizens in the name of "morality" and "practicality." The road back to a gold standard will be long and hard, but the road should be made as smooth as possible by intelligent guidance. Thus, advocates of a return to the gold standard should make clear their intentions: they advocate a reduction in the fraudulent increase of the money supply — which means a reduction to the point at which this increase is based on the production of a particular commodity — which means gradual departure from a government-regulated money supply and gradual return to a market-regulated money supply.

#### ***The "Demonetization" Threat***

To demonetize usually means to remove a particular form of money from circulation. In this sense, gold has been demonetized in the U.S. for forty years. But this is not what many opponents of gold mean when they say gold should be "demonetized." They believe that, internationally, the *official* role of gold should be reduced and finally eliminated among governments; and that, nationally, gold should circulate like any other commodity. Gold advocates usually denounce this "intent to demonetize" as an attempt to undermine

the principle of the gold standard in order to more effectively pursue inflationary policies. This certainly may be the intention, but in today's context "demonetization" could be a very good thing for gold advocates and a very bad thing for the opponents of gold. Consider the following facts:

(1) Gold cannot by itself prevent inflation. If policy makers are determined to inflate, they will do so with or without gold. For the most part, the degree of inflation will depend on the lack of knowledge or irrationality of policy makers and can only be combated by the knowledge and rationality of a nation's citizens.

(2) Gold has been used by governments primarily to give an unwarranted status and credibility to their fiat money — a status and credibility that could not be maintained if gold were "demonetized" and allowed to circulate alongside the depreciating money of government.

(3) If it is true that today's governments are notoriously poor money managers, why entrust them with the majority of the world's gold? Would it not be put to better use managed by individuals?

Today we are farther from a gold standard than at any other time in our history. Policy makers have had decades to propagate

their anti-gold theories. Most Americans have never owned gold. Thus, most Americans do not know why it should be money. It should be clear that men who do not know *why* gold should be money, will not demand it as such. Just as no government can prevent private ownership of gold if a majority of its citizens demand it, no minority group (such as the present advocates of gold) can force government or citizens to return to gold if they do not desire to.

The road back to a gold standard is an educational one; and it may take us as many decades to return to gold as it took to abandon it. With governments as the major holders of gold in the world today, citizens derive little or none of the benefits of gold. This prevents the kind of self-education that might occur given popular exposure to gold. Rather than campaigning against "demonetization" of gold, or for legal tender gold legislation, gold advocates should seek repeal of legal tender restrictions on the use of gold in payment of *private* debts.

In today's context, "demonetization" means to return gold to individuals. At a time when all the evidence points to the mismanagement of gold by governments, when it is plain that governments are using gold to their citizens' disadvantage, when there is no



reason to assume that policy makers desire or know how to return to a gold standard, why advocate a *government* program to return to gold? Government will be the *last* to realize the virtue and importance of gold as money.

Gold has no business being in the possession of such so-called money managers. Let governments have their fiat money and receive the full responsibility and blame for their note depreciation; let individuals regain governments' gold and rediscover the benefits of gold; make the policy makers' phrase, "gold is a barbarous relic," a *government* position; let both gold and fiat money circulate among men and we'll then see who possesses, determines, and controls money — individuals or governments.

"Demonetization" is no threat to Americans. Gold advocates should not *fear* it — they should *demand* it. The quickest and surest way back to a gold standard is not through the wasteland of *government* channels, but through *private* channels. A gold standard will evolve naturally when men are allowed to freely own and use gold, and when men desire to own and use gold as money.

#### **On Context, Cause and Effect**

It is important that one recognize just how far the educational

process of this country must go before a return to the gold standard is possible. The gold standard requires monetary stability which means that all those government domestic programs now popularly advocated, and financed through inflation, must be opposed by the majority of U.S. citizens. Further, a gold standard requires *economic* stability, which means all of the malinvestments, overconsumption and misallocation of resources that have resulted from years of artificial, government-made "booms" and led to a multitude of economic distortions, must take their toll. This means that the anticipation of recessions, depressions, inflation or deflation must be behind Americans and reasonable expectations of economic stability and real growth clearly in sight. This kind of stability is a long way off — yet this is the kind of stability necessary before a gold standard can be established as a lasting monetary system. The gold standard could never last long without confidence in future monetary and economic stability. If those presently advocating gold ownership and the ownership of other investment hedges are doing so because they are convinced that the world is headed for great monetary and economic *instability*, they should be equally convinced that it still is far too soon to be advocating a


full return to the gold standard.

Even more premature is the attempt to submit *specific* proposals of exactly *how* to return to the gold standard. This problem must be seen in *context*. Even assuming that men desire to return to gold, any *specific* plans for implementing a return to gold will depend greatly on such factors as international monetary arrangements and conditions, domestic monetary and economic conditions, and the legal, financial and structural conditions of the banking system. These conditions change. Thus, a good proposal today may be sadly lacking a year from now. Until fundamental political changes occur in this country, it is unreasonable for anyone to assume he must address himself to the question of specifically how to return to a gold standard.

Rather, one should concern himself with eliminating those laws which are preventing men from using gold as money and attacking those policies which encourage government inflation. The legalization of gold and its use as money, an end to legal tender laws, the freedom of individuals to mint coins, and the elimination of laws that prevent banks from existing independently of the Federal Reserve System — all these are valid interim mea-

asures one can advocate. But the problem of how to return to a gold standard will be solved, for the most part, through solving more fundamental problems.

A full gold standard cannot return until economic stability returns; we cannot return to economic stability until we return to monetary stability. Monetary stability cannot be secured until the source, nature and immorality of inflation is exposed to and understood by Americans. But the evils of inflation cannot be understood until individuals grasp the meaning of money and the nature of property rights. And property rights will not be secured without a full understanding and defense of individual rights. Thus, nothing less than a return to *laissez-faire* capitalism and a free market will insure a return to and defense of the gold standard. Therefore, a massive and extensive educational task on the virtues of capitalism confronts all those who desire to effectively fight for a gold standard.

Men will want to return to gold only when they rediscover what money is, and men will not rediscover what money *is* until they understand *why* what they have is *not* money. 



# COMPLICATIONS

BRIAN SUMMERS

ONE of the notions commonly held by critics of the free enterprise system is that the more complex an economy becomes, the more government intervention is needed. If this assertion, which sounds perfectly natural to many people, is in fact true, then economic freedom in America is a relic of a simpler past. Let us examine this notion by considering what it means for an economy to be "complicated."

Let us begin by considering a free enterprise system. In such an economy capital is privately owned and the government restricts itself to protecting people from humanly initiated force and fraud. In this atmosphere of *laissez faire*, capitalists compete with

one another for the consumer's dollar. A businessman cannot stand still for long in such a situation because the competition is always innovating. *Innovation!* This is the key to success in a free enterprise economy. The men who come up with and implement better ideas are the men who will show profits on their capital investments. Thus, every day entrepreneurs complicate things by marketing new products and modifications of old products. Who decides which entrepreneurs will succeed and which will fail? Who decrees that capital will constantly flow toward the men with better ideas? The consumers! They are the ones who, acting in their own interests, determine the capitalist's fate by purchasing his products or passing them by.

Thus do competing businessmen

---

Mr. Summers is writing his Ph.D. thesis in mathematics at the State University of New York at Stony Brook.

complicate the consumer's life by marketing an ever-increasing variety of products. It may take a little longer to walk through a modern shopping center than an old-time general store, but the consumer definitely benefits from the increased assortment of goods from which to freely choose. In fact, the free market is, if anything, more valuable to today's consumer than to his forebears. After all, the greater the selection from which to choose, the more valuable does freedom of choice become.

### **Progress and Change**

In their eagerness to market new products, capitalists have not only complicated consumers' lives, but they have also complicated their own. They have increasingly turned to technology, specialization, division of labor, and trade to produce their goods. The complex economic relationships that arise are naturally best worked out by the people directly involved. They have the best understanding of their own problems, and they have the greatest incentive for efficiency. It is, after all, *their* capital that is at stake.

The complications that arise in a free enterprise system result from entrepreneurs' desire to better serve consumers and thereby earn a return on their time, ef-

fort, and capital investment. These complications are thus, directly or indirectly, beneficial to the buying public.

There are, however, politico-economic complications that prove detrimental to the consuming public. They appear when an economy moves away from *laissez faire*, as the American economy has done. These complications are, in fact, the very same government interventions that are supposed to "cure" an economy of its complexity!

As an example of how government interventions complicate rather than simplify economic affairs, let us consider a man in the construction business. In addition to all his other concerns, he must contend with such interventions as building codes, zoning ordinances, eminent domain, inflation (due to legal tender laws and Federal deficits), wage and price controls, rent controls, credit regulations, investment regulations, hiring "guidelines," laws that prohibit the hiring of nonunion workers (and the resulting strikes, slowdowns, featherbedding, increased labor costs, and sudden shortages of materials), minimum wage laws, overtime laws, licensing laws, blue laws, numerous taxes and quasi-taxes (income taxes, profits taxes, property taxes, sales taxes, social security

taxes, unemployment compensation taxes, workmen's compensation insurance premiums, disability insurance premiums, etc.), the mountain of paper work that the government requires of all businessmen and so on and on. All these complications hinder the businessman and thus create costs that must eventually be borne by the buying public.

Not only do government interventions create obstacles that the businessman must try to overcome, but they further complicate his plans by being in a constant state of flux. In making his calculations, the businessman must try to predict which way the laws will turn. Unfortunately, this is

often very difficult, if not impossible, for not only must the entrepreneur deal with legislatively enacted (amended, repealed) laws, but he must also contend with arbitrary *ad hoc* administrative edicts. He never knows when the President (governor, mayor) will complicate his plans with a surprise executive order such as a sudden imposition (modification, removal) of wage and price controls.

Economic complications do not call for more government intervention. Rather, they call for increased freedom in which to work out the complex relationships that naturally arise in an advanced economy.

### ***The Freedom To Fail***

BECAUSE FAILURE is repugnant to a welfare-oriented society, we see continued efforts made to put a floor under everything.

This includes a spreading attempt to bolster up faltering business firms or even whole areas or industries by government grants, loans, subsidies, defense contracts, and the like.

Ironically, the greatest danger to our economic system today lies not in a direct attack on profits, but in a well-meaning effort to insure everyone against failure. To put it bluntly, this means subsidizing inefficiency; it is the antithesis of the effective operation of the profit motive.

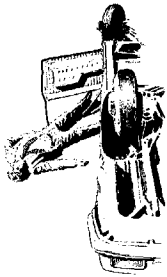
We are in danger of losing one of our greatest freedoms: the freedom to fail. Profit and loss are two sides of the same coin; take away one side and you take away the whole coin. Our greatest economic asset is the right to invest private capital in the hope of making a profit, but at the risk of losing our shirt.

GEORGE CLINE SMITH

IDEAS ON



LIBERTY



# No-Fault Insurance Means No Moral Responsibility

RIDGWAY K. FOLEY, JR.

LEGAL SYSTEMS derived from the Anglo-American tradition historically impose liability upon a civil wrongdoer in a manner consistent with the premise that each man, being a morally responsible agent, carries with him the obligation to endure the consequences of his own choices and conduct. In legal parlance, a "tort" consists of a civil wrong done by one man (or association of men) to another, either intentionally or negligently. Thus, if I strike you with my fist (battery) or run over your foot unintentionally with my automobile (negligence), the law decrees that I should reimburse you, to the extent of your injury, in money damages because I was determined, by judge or jury,<sup>1</sup> to be *at fault* and responsible for my acts. This system, which has worked

well historically, becomes senseless if men are viewed as creatures not exhibiting the ability to choose, if man is not a purposive, acting being. In invidious ways, the civil law reflects the statist tendency generally permeating society. This essay proposes to expose one aspect of this illiberal trend.

## **Introduction: Voluntary Means of Risk Distribution**

Considering man's almost infinite capacity to inflict devastating civil injury upon his fellows, with catastrophic results to the victims and to the tortfeasor's (negligent actor's) pocketbook, it should come as no surprise that civilization has witnessed a profusion of risk distribution plans and techniques. Private insurance forms the most common and acceptable plan, from the point of view of a voluntarist society. For a stated premium, XYZ Insurance Company contracts with actor A

Ridgway K. Foley, Jr., a partner in Souther, Spaulding, Kinsey, Williamson & Schwabe, practices law in Portland, Oregon. Portions of this article appeared under the title "The Doctrine of Fault: The Foundation of Ex Delicto Jurisprudence" in 36 *Ins. Counsel Journal* (No. 3) 338-346 (July 1969).

that if A carelessly injures another individual while operating A's automobile, or any other motor vehicle, within a given period of time, XYZ will not only defend any lawsuits commenced by the injured party against A but also will pay any money judgment the victim might recover from A up to a stated limit. The type and terms of these contracts in a free society find limits only in the imagination of mankind. The XYZ Insurance Company stays in business and makes a profit by choosing its risks carefully, by prompt and fair administration of claims, and by institution of safe driver campaigns and periodic vehicle inspections. A gives up part of his stored-up value (capital) to XYZ in exchange for the promise of the latter to distribute the risk of A's momentary inadvertence among others in society. The victim appreciates the scheme for he is much less likely to come up with an uncollectible judgment against an insurance carrier compared to an individual actor whose assets may be limited.

### **1. *Incipient Revolution in Automobile Insurance and Tort Law***

These myriad private insurance plans serve a free society well. As in other enterprises, state intervention disrupts the logic and symmetry of liberty and causes

dislocation of resources. In the negligence tort insurance field, state dislocation appears most often in the form of state-mandated insurance plans where (1) every actor is required to carry liability insurance and (2) every policy is required to contain certain governmentally imposed provisions. Such policies are often termed "no-fault" insurance or "basic protection" plans.

Society cannot rationally demand that every citizen carry insurance. The typical rationale asserts protection of potential victims as a reason. Yet destruction of freedom represents too high a price to pay for potentialities which may never come to pass. If an actor wishes to self-insure his own conduct, he ought not be denied this choice.

Likewise, the state should not fit each insurance policy issued onto a Procrustean bed. The beauty of private risk distribution, from its onset at Lloyds Coffee House in London, rests in its infinite variety and man's ability to tailor coverage to the needs of the day. Policies impelled by the state must be geared necessarily to the lowest common denominator, disparaging insured and victim alike. The actor loses because his freedom flies away and he holds a mandated policy not necessarily representative of his

needs and wants, for which he pays a premium beyond that required by the free market. The victim loses because he often finds tortfeasors covered only to the statutory minimum limits, limits which may not fully recompense him for his injuries.

The last decade bears witness to increased attempts to initiate compulsory automobile liability insurance on either state or federal governmental levels under the euphemism of "no-fault" insurance. The term misleads. These plans — none of the proponents seem able to agree with one another as to names, nature, or content — represent an immoral and coercive inroad into one of the few remaining citadels of free choice. The plans, by whatever label, are *no responsibility* insurance plans and should not be dignified by any more prestigious label.

Because of the hodge-podge of proffered plans, "no-fault" offers a difficult test of definitional and analytical ability. Simplified, the system would require each individual to carry liability insurance which would reimburse the insured in the event of injury by another up to a specified amount for out-of-pocket expenses (e.g., medical bills, drugs, lost wages) and (under some plans) a limited specified amount for "pain and

suffering" and future loss. No recovery could be effected from the negligent actor, no matter how heinous or careless his conduct, no matter how much harm he inflicted; tort actions against a wrongdoer would be abolished. Under the present system, the tort victim may recover both his out-of-pocket losses and his general damages (pain and suffering, future loss) without limit from one who causes him harm.

## 2. *Inappropriate Reasons Advanced for "No-Fault"*

This essay focuses upon the myriad "no-fault" plans offered but the focus rests upon one aspect most often ignored — the philosophical or moral reason disparaging this intrusion into personal freedom. Nevertheless, at the genesis it seems appropriate to devote cursory attention to some of the reasons most commonly advanced in support of "no-fault" insurance plans.<sup>2</sup>

(A) *Unclog the Court*: Proponents of no-fault argue that automobile injury litigation clogs the courts, resulting in unconscionable delays, and that a new and speedy system is required. This claim lacks veracity. Overcrowding generally results from inefficient administration of justice, lazy judges, delaying counsel, and the great volume of nonautomobile



claims including Workmen's Compensation appeals, criminal cases and the like. About 90 per cent of all automobile claims are settled without suit and less than 2 per cent proceed to verdict; approximately 15 per cent of the court's time is concerned with vehicle litigation.<sup>3</sup> Antitrust cases and protracted criminal proceedings eat up much greater amounts of juridical time. Moreover, substitution of no-fault does not guarantee the end of controversy — victims will still contest about existence and extent of coverage, much as has occurred in Workmen's Compensation litigation<sup>4</sup> in the past half century. Compensation proceedings are normally contested outside the regular court system (with only appeals to the courts remaining) but the iceberg below the waterline manifests a plethora of hearing officers, evaluators, and investigative personnel, quite as tedious, slow, and cumbersome a system as the worst courts of general jurisdiction. One need only look to Multnomah County, Oregon, serving a metropolitan area of approximately one million persons, to put the lie to this argument: the average length of time between filing a case and time of trial rarely exceeds 4 or 5 months. Speedy justice can be done without jarring the system or denigrating individual liberty.

(B) *Insurance Rates Must Be Reduced*: Proponents claim that rising insurance premiums can be lowered by no-fault plans. Since cost increases largely reflect a governmental increase in the money supply and increased jury awards which reflect, in turn, the inflationary trend, this reason lacks merit.

Furthermore, states with modified no-fault plans experience no dramatic cost reduction. Massachusetts, the first state to adopt such a scheme, "has suffered a severe economic recession as a result of this socialization of automobile liability insurance" according to Kathleen Ryan Dacey, Assistant District Attorney for Suffolk County.<sup>5</sup> Moreover, the Massachusetts experience demonstrates once again that "there ain't no such thing as a free lunch": the burden has been shifted and costs continue to skyrocket concomitant with increased losses and governmentally sponsored inflation. Losses may be shifted between *kinds* of insurance carriers (e.g., from auto liability insurers to health and accident insurers) but *someone* pays the piper under no-fault.<sup>6</sup>

(C) *Fault System Discriminates Between Victims*: Proponents contend that in roughly equivalent cases, some claimants recover substantial payments, while others re-

ceive little or nothing. Yet this fact, if true, does not justify trash-canning a system which respects moral choice and has worked well for decades. The entire premise of this argument fails for, properly viewed, the cases cannot be roughly equivalent or they would have been treated as such. The parties, or the judge, or the jury, decided that case A deserved one treatment and case B deserved another. The charm of a flexible system lies in its adaptability and the fact that it works well in a majority of situations.

(D) *The Lawyers Get Rich in the Fault System*: Proponents claim that most claimants' cases in the fault milieu proceed under a contingent fee arrangement where the lawyer takes a percentage of the award if successful and nothing if the case is lost. Actually, the plaintiff's lawyer may suffer an out-of-pocket loss when he advances costs for deposition reporters and expert witnesses for an impecunious client.<sup>7</sup>

More saliently, the contingent-fee system effectively opens the door for claimants to participate in the system even if they lack funds. Absent such a plan, some injured persons would be forced to deal with their adversaries *sans* lawyers. Here, they diffuse the risk of loss by employing a

professional who takes part of the risk. And, almost every lawyer around (and there are a great many around these days) would be more than happy to accept employment in bodily injury cases on a straight-time basis where the client pays the lawyer, win or lose, on an hourly basis for the time actually expended on his behalf.

(E) *Is the Fault System Inefficient?* Proponents argue that the inefficiency and high overhead of the fault system costs too much, and too little of the claim dollar filters down for the victim.

In the first place, the same can be said for much more complex kinds of legal claims: security law violations, professional malpractice, products liability claims. Why single out automobile bodily injury claims for different treatment?

In the second place, recorded history does not provide a single example of a governmental institution which operated a more efficient and less costly operation than a private concern; there is no need to expect lightning to strike the automobile insurance field. Recur to Workmen's Compensation claims: any fair analysis over the years will reveal that the overhead has not decreased with the imposition of the government system.

### 3. Advantage of the Present System.<sup>8</sup>

An individual may seek insurance or not as he sees fit. No-fault would negate this freedom of choice.

An injured party may recover for his or her total loss — for all expenses, for permanent injuries, for disfigurement, for grief. No-fault would impose a rigid and limited recovery.

Fault concepts recompense all persons whether employed or not. One who is not working may recover little or nothing under many no-fault plans; the retiree, the housewife, the college student, all are penalized.

The current system tends to charge premiums and distribute risk based on likelihood of harm. No-fault not only encourages bad driving and negligent conduct but also shifts the bad driver's cost to the good driver. It discriminates against commercial vehicle owners, against the lower salaried persons who cannot afford maximum insurance coverage, and against those producers who earn more than the maximum. In short, it discriminates against all who fail to fit Procrustes' bed.

Today, one can present his claim in court, favored with a constitutional right to trial by jury. No-fault would take away the right to have one's peers decide blameworthiness.

### 4. Retention of the Fault Concept — A Moral Reason

The reasons advanced for no-fault will not withstand rigorous scrutiny. A system which has withstood the test of time, one which serves a civilization well in most cases, should not be summarily discarded. Yet beyond these reasons exists a much more compelling rationale impelling retention of the present system of personal responsibility — a moral reason which supplies the justification for placing the burden upon the actor. The remainder of this article considers various aspects of this rationale.

As discussed at the outset, a plethora of currently emerging plans seek to revolutionize the settlement of automobile accident claims and, incidentally, to ravage traditional tort concepts. These suggestions vary in detail but are linked by two common denominators: a drastic alteration of tort law by substitution of liability without fault (enterprise liability), and imposition of new, involuntary methods of doing business upon the insurance industry.

While the panoply proffered by the theorists of change contain many proposals which are beyond the scope of this paper (alteration of the doctrine of contributory negligence, change of the collateral source rule, compulsory "ba-

sic protection" insurance with optional overlays for additional protection are common incidents) literature in the field abounds for the interested reader.<sup>9</sup>

### **5. Check Your Premises: Beware of Professors Bearing Plans**

The concept of fault must be retained; it would be folly to alter the foundations of our tort system. The attack levied is nothing less than an assault upon the fundamental axioms of individual liberty.

The fault system ultimately rests upon the tenet of individual responsibility for personal action. If an individual is capable of self-determination, and is limited only by his finiteness and the consequences of his own volition, then it follows that the results of human conduct must be visited upon the actor. If one fails to conduct his activities carefully, and as a result injures another, the negligent actor should reimburse the victim for his loss.

These, then are the premises of the fault system of *ex delicto* jurisprudence: man is a thinking, acting, creative being.<sup>10</sup> Since no sound basis exists to exalt one man's judgment over that of another where the choice pertains to the affairs of the latter, fairness and common sense demand that, as far as possible, each person be

allowed to determine his own destiny. To this end, man reaches his highest level of creativity and productivity when his creative processes are unhampered by external restraints imposed by other men, acting singly or cooperatively. The free man, however, must bear the burden of his liberty, by accepting the legal, as well as the axiological, burden for his conduct. Self-determination requires self-restraint and personal responsibility.<sup>11</sup>

Oddly, the casualty insurance industry itself is rent asunder by countervailing tenets and inharmonious plans for change, specifically in the field of automobile liability insurance protection.<sup>12</sup> Elimination of the fault concept and substitution of compulsory state-sanctioned insurance will destroy an industry which must ultimately thrive or wither upon the basic precepts of private property, limited government, free enterprise and individual responsibility. A voluntarist system permits the insurer to utilize its ingenuity in private risk diffusion by encouraging tailored coverage to fit specific individual needs.

### **6. Limitations Inherent and Apparent**

Two inquiries stand forth: (1) Does any justification exist for treating automobile accident claims differently from other civil

injury claims? (2) Would removal of the fault doctrine also obviate deterrence to irresponsible conduct?

Empirical justification was sought for support or assault on these propositions. The undertaking proved fruitless, although there is general evidence available that legal sanctions *do* affect human behavior in the "desired" (coerced) direction.<sup>13</sup> One searches in vain for reports, studies, charts, graphs, statistics or analyses which "prove" that sanctions under the fault system deter misconduct or that automobile accident cases merit disparate treatment from other accidents.

Moreover, a review of the leading proponents of enterprise liability and "basic insurance protection" reveals a similar lack of usable empirical data; the advocates of change are no better prepared to support their contentions than are defenders of the faith.

As a result, each advocate must assert his proposition and curry support by arguments. Included in the rationale are deductions emanating from *assumed* empirical proof of the underlying pillars of both doctrine and anti-doctrine.

For example, Flemming James, Jr., denigrates personal blame-worthiness in the field of accidents.<sup>14</sup> However, the psychological studies cited in support of his

grandiose comments are limited in value, diluted by age, and subject to criticism as to their underlying premises.<sup>15</sup>

In final analysis, the issues presented may not lend themselves to "proof" under our present state of knowledge. But that does not inhibit a choice, for the opposing arguments can be analyzed with a view to determine which empirical *assumptions* most nearly accord with reality.<sup>16</sup>

### 7. Differential Treatment Justified?

No sound reason exists for fragmenting tort law into accident categories.

If negligence "torts" are posited as conduct of the same generic type, then no logical reason appears for segregation and discrimination between the negligent automobile operator and the negligent homeowner who fails to maintain his back steps.

Certainly, as Prosser has indicated, definition and classification of "torts" is not so simple; indeed, it might be less complicated to compartmentalize the various torts as fields of law instead of parts of the same field.<sup>17</sup> Notwithstanding this insight, there is no substantial difference between *negligence* torts; there is no valid reason to distinguish between negligent operation of an automobile, negligent omission to repair the

back steps, and negligent ignition of a neighbor's hay field.

If there is no substantial distinction between various kinds of negligent conduct, then each tortfeasor should be treated identically, and not favored or disfavored merely because he happens to drive an automobile. Equal treatment of tortfeasors and victims in negligence cases is demanded if the statement "we are a government of laws, not of men" is more than a mere shibboleth, and if "equal protection of the laws" possesses any substantive meaning.

From the victim's perspective, there is nothing inherently different whether he is injured by auto, by tripping down some stairs, or by a negligently caused conflagration. If a tortfeasor's conduct is no more nor less reprehensible and the opportunity for harm to the victim is substantially identical, no logical reason appears for discriminatory treatment.

No reason exists supporting differentiation between automobile accidents and other claims. There is no difference meriting diverse treatment from the perspective of victim or tortfeasor. Indeed, it seems unjust and nonegalitarian to accord different sanctions under different rules based only on the instrumentality of the accident.

Nonetheless, there have been proponents of separatism. The advocates of the Keeton-O'Connell-type plans, in various guises, fit this mold. One of the more candid writers is Professor Flemming, who advocates retention of the present system for the "residuary area of injury incidental to ordinary, commonplace activities."<sup>18</sup> In this posture he aligns himself with Professor Ehrenzweig, who favors continued conventional negligence rules for "backyard cases" involving little people.<sup>19</sup>

No attempt will be made at this juncture to delineate the various social insurance plans, since each varies with the program of the author. Generally, the *avant-garde* tendency is to carve out particular areas for specific rules, and to leave a residual area for the "little people" to be governed by "conventional" (semantically unclear) negligence concepts. Among the areas most commonly segregated for special attention are automobile accident claims and product liability actions.

What basis exists for specifying that products liability or automobile accident claims shall constitute the areas for blanket "compensation without fault" treatment? In all substantial premises, the justification is identical to the rationale of "enterprise liability." The arguments advanced (includ-

ing appropriate variations) are nothing less than the juridical equivalent of the fuzzy political thinking which dominates statist political philosophies.

In brief, the enterprise liability proponents suggest that in specified categories (e.g., auto accident and products liability) the victim is unable to protect himself (a questionable premise considering the availability of individual insurance plans<sup>20</sup> and the ability of the individual to avoid dangerous situations), and the enterprise inevitably takes its toll of human sacrifices; therefore, having made the determination that it is a socially utilitarian enterprise with benefits accruing to the enterprise and "society," the enterprise or society (i.e., "the not-at-fault portions of society who pay taxes") should foot the bill for the unfortunate victim. Large enterprises are able to diffuse losses into relatively palatable chunks, through liability insurance or because of mere size. The cost is allocated to the overhead of the business (but the advocates forget conveniently that the ultimate payment is made by the consumer). The innocent victim<sup>21</sup> may have to seek welfare or leave his family destitute through no fault of his own unless the enterprise or society pays him. Isn't it better that someone else (or many someone elses) pick up

\$5 (or \$50, or \$5,000) to ameliorate his loss? Let's all distribute the risk (let's all soak the rich).

The mind boggles at the fallacies of enterprise liability. A complete dissection of the deception requires effort beyond the temporal and spatial limitations of the treatise.<sup>22</sup> Some of the more flagrant trickeries in "enterprise liability" are obvious:

(1) Is the victim "innocent"? Is it not just as likely that in a given number of cases the injured party is at least partially at fault? Perhaps he was participating in a dangerous but socially useful activity too; shouldn't he pay for his loss because it is part of his "overhead" and should be economically allocated? In only a few cases are we able to make the assumption that the claimant is truly innocent; only in these cases is the term "victim" semantically valid. In the disputed case, this very value judgment may only occur after the fact of trial.

(2) If the loss is to be diffused, who decides the mode of diffusion? The Court? The legislature? The payor or the recipient? Who has the moral right to decide that C should pay A's loss: A, B, or C? or ABC? (Notice that ABC can outvote C.)

(3) Is it true that those who benefit from an industry would bear the loss under any or all of

the plans suggested for risk diffusion? It is much more likely, given the current scheme of things, that the individuals who bear the loss will be people who have little or no contact with the particular industry, who are faultless in their own conduct, who merely wish to be left alone, and who happen to possess the resources to pay the tab (and lack effective elective voice to prevent plunder of their property). The looter philosophy fails to discern this particular evil which is apparent and inherent in any kind of risk adjusting or social engineering.

Underlying all statist postulates and proposals is the arrogant assumption that A can better live B's life for B than B can, and the concomitant disregard for the fact that the user benefits most from increased productivity and efficient use of natural resources.

(4) Is it not more consonant with freedom, with the maximization of individual choice and individual responsibility, to permit variation according to individual tastes? There are available or possible, in infinite variety, private insurance plans for personal private protection of the "victim."<sup>23</sup> He can bond with others and seek protection from a group insurer (e.g., major medical coverage, accident and health insur-

ance, disability coverage, income replacement insurance); he can secure private individual health, accident, disability, life and other types of coverage in infinite combinations and kinds. If insurance is not presently available in the desired form, it can be created in a free society. If protection of the individual and his family are important, shouldn't the individual protect his own instead of seeking state-imposed protection? The sole reason for exhorting state activity in *any* case is simply monetary (cost shifting): A wants the state to act so that A (or B for whom A is concerned) need not pay the cost; instead C will pay most of the cost. It is unjust to penalize the provident; a free system allows free choice to insure or not to insure. Under a compulsory system, payment by the provident tends to benefit the improvident, or those persons who choose not to commit part of their assets to protective devices.

(5) Enterprise liability conveniently overlooks economic reality. As a major premise, the advocates assert that the entrepreneur gains a profit from his enterprise and must pay for the human loss factor involved. A profit motive *per se* is not evil. The individual engaged in the industry and the consuming public also gain from the enterprise, often more than



the entrepreneur. Any other conclusion is either intellectually dishonest or dismally stupid. There is a certain risk in just living and there is no reason to diffuse *that* risk. The end result of a nationalization scheme would be a distinctly lowered standard of living which would adversely affect the "innocent victims" in their roles as consumer, employee, and inhabitant of the country.<sup>24</sup>

The fault system does not guarantee compensation to all accident victims; it was never intended to effect that result. Each citizen must bear the risk of some loss, without shifting it to third parties. Man can properly diffuse losses by contract or voluntary engagement; he ought not be able to mulct his blameless neighbor unless that neighbor specifically caused the consequences by socially undesirable actions.

The success of the segregation attempt in singling out automobile accident claims for basic ("socialistic" or "nationally imposed") protection, must rise or fall upon the enterprise liability concept in one of its guises. Enterprise liability does not accord with good morals, and fails to consider relevant empirical assumptions which can be perceived by any observant individual possessing a modicum of common sense. Hence, the doctrine is empty.

The retention of a traditional negligence system of identical substance for all types of claims is recommended primarily by the egalitarian concept that each person engaging in substantially similar conduct should, for reasons of justice, be treated similarly. No sound reason exists to deviate from this norm.

### 8. *The Deterrent Factor*

Fault-based tort liability deters dangerous, irresponsible and socially undesirable conduct. Adoption of a basic protection plan for automobile claims will delete the fault factor from this segment of tort law. Obviation of the fault concept will thereby attenuate or wholly destroy the deterrent factor. Deterrence is an admirable and valid goal of civil jurisprudence and should not be destroyed.

These assertions, in simple terms, state the fundamental premises of the traditional tort doctrine. If each statement is true, then it follows that the basic-protection automobile insurance plans should be dismissed out of hand.

Each premise has been challenged by articulate purveyors of the liability-without-fault doctrine. Deterrence has been downgraded or ignored as a reason for imposing responsibility upon an individual for his conduct.

First, what is the position of the advocate of the fault system, stated in simple terms? It is truly no more than an *a priori* tenet that reward and punishment meted out by a system of liability based upon fault serve (1) to deter the careless actor from acting carelessly again, and (2) to exemplify the pain attendant to carelessness so as to deter others within the ambit of knowledge from doing the same or similar act.<sup>25</sup>

If I know that it is foolhardy to drive an automobile through the streets of a metropolitan area during business hours at 80 miles an hour, and if I further know that in so conducting myself I hold in my hands the lives and properties of others, as a moral man I may channel my conduct, thwart my own desires and slow my speed to a reasonable pace. But moral suasion may not be enough. If I further know that I am responsible to other parties whose lives, liberties and properties are damaged or destroyed by my unreasonable conduct, and that the law will sanction their claims against me, hopefully I will be persuaded to act more prudently. Moreover, my neighbor, who might like to join in a race through the center of town, will also be dissuaded of the wisdom of such an endeavor if he sees that I am forced to pay a strict

penalty to a person who is injured by my misbehavior.

In order for deterrence to work satisfactorily, it is necessary (1) that the standard be clearly specified, if not at the penumbra then at least at the core, and (2) that the penalty be sufficiently severe in contradistinction to the pleasure thwarted so that the ordinary human actor be disimbued with socially irresponsible action. Two further implicit criteria exist, fundamental to all legal order: (3) the conduct deterred must be truly socially irresponsible and dangerous to the activities and lives of other persons—whimsical and useless laws are rarely obeyed, and disregard for law flows naturally from an overabundance of regulations; a few laws, reasonably based and strictly enforced, are generally sufficient for the ordering of society; (4) the standard to be obeyed must be known.<sup>26</sup>

At present, no studies have been uncovered which factually prove or disprove the primary premise approving the value of deterrence. Little empirical data exists supporting abstract propositions. Moreover, any test, survey, or statistic would be subject to criticism as to, *inter alia*, sampling technique and coverage.

The second premise appears satisfied. Admittedly, the third premise (a proliferation of laws) has

been savaged. Sufficient knowledge of the standard exists to satisfy the fourth premise.

As to the first premise, it may be posited generally that it is just that the penalty extracted from the tortfeasor equal the amount of money necessary to compensate the injured party for his damages. The penalty in this respect does not appear untoward and should be sufficient in the ordinary instance to deter. In criminal law, deterrence is not achieved by \$50 fines.<sup>27</sup> But in civil law, where the actor knows that if his fault causes harm he is liable to the extent of the loss (a sliding scale based upon the foreseeable consequences of his conduct) he is more likely to take adequate precautions. The standard of conduct to which the actor is held may be subject to some salutary challenge, but it encompasses the only workable and just criterion available, given the existent state of man's knowledge.

Previous allusion has been made to the difficulty of marshalling scientific support for a moral concept.<sup>28</sup> Whether or not the fault doctrine provides a direct deterrent effect is a matter of much speculation but little proof.<sup>29</sup>

While an individual may not necessarily become a more prudent driver solely because he fears

the consequences of his negligence, he often purchases insurance to protect himself against the contingency of a loss or lawsuit. By this type of purchase, drivers voluntarily provide a pool out of which an injured party can recover. This type of compensation fund, more consonant with the scheme of freedom, exists without the coercive force of the state's further meddling in man's affairs (as would necessarily occur in the basic protection cabal).

Initially, the proponents of the doctrine of basic protection or liability without fault ignore the fact that their type of insurance protection could be purchased by any ready buyer in an open market without state compulsion. Coverage could be tailored to individual needs.<sup>30</sup>

Harper and James devote considerable time to the problem; in fact, their eleventh chapter is entitled "The Accident Problem and Its Solution."<sup>31</sup> Without benefit of citation or proof, they charge that the traditional fault system causes court congestion.<sup>32</sup> It is unfair and invalid to assign the fault concept in automobile claims as the *cause* of court congestion.<sup>33</sup>

Accident proneness also has been proved to the satisfaction of Harper and James.<sup>34</sup> In other words, a few individuals tend to have a higher percentage of acci-

dents than random sampling would demand. In brief, the authors conclude that there are many individual causes of accidents, e.g., stress, fatigue, mental or physical inability to reach a careful standard, which are not subject to the deterrent effect of juridical penalties. Once again this contention lacks proof and validity. Reason suggests contrary assumptions and arguments, and empirical proof is nonexistent.<sup>35</sup>

Further, the proponents of liability without fault are fond of asserting that the fault doctrine worked well in the early nineteenth century and fit the concept of individualistic morality, as if this concept were unfitted for 1973, and as if the two centuries differed so greatly in this regard.<sup>36</sup>

Advocates of liability without fault assault deterrence on several counts.

First, it is urged that the objective standard of the reasonably prudent individual has attenuated the deterrent factor.<sup>37</sup> Many people are assertedly incapable of achieving the status of the "reasonable man"; yet the law calls upon them to act in a manner foreign to their physical, physiological and mental abilities. Application of a subjective standard might deter, but one is undeterred if he is held to a standard with which he cannot comply.

The appropriate rebuttal to this argument is to examine the validity of its premises. Accuracy may exist in a small number of cases. But no one can prove or disprove the ability or inability of the vast majority of the American population to achieve an objective standard of care. The standard is a fluid and shifting one. And does not Professor James miss the point, that the ameliorative effects of the fact finder upon one who "cannot" reach the standard effectively obviate this argument?

Second, Professor James contends that legal fault has already been diluted, and the deterrent factor lessened by the very nature of the jury system.<sup>38</sup> This, too, is an unprovable proposition. It presupposes that juries always assume that defendants in automobile liability cases are insured, that the insurance exists for the purpose of compensating the victim, and therefore the standard of fault is meaningless.<sup>39</sup> The assumption lacks both support and validity. Acceptance of the proposition requires a determination that jurors willfully violate their oath; no practicing lawyer believes that this occurs often.

Third, it is claimed that the deterrent effect of fault has been severely diluted by the advent of the vicarious liability.<sup>40</sup> Those who

pay are not the tortfeasors; instead they are the owner of the business, the employer of the negligent servant, or the insurance company which bargains to protect the harm-causing driver. To deter A, A must be punished if he does not act in accord with the standards, and A is hardly punished if B pays for A's conduct.

The argument appeals superficially.<sup>41</sup> However, the assertion oversimplifies the fact. The realities of excess insurance problems which face the practicing attorney belie the validity of the contention. For example, in Oregon, minimum insurance limits have long been \$5,000 each person, \$10,000 each accident; in 1968 they were raised to \$10,000 each person, \$20,000 each accident. Yet many serious accident cases are filed each year where the prayer far exceeds minimum limits although many drivers purchase only that required coverage. Certainly there is an exposure to harm and a penalty to the "true tortfeasor" where the prayer or the recovery, or both, exceed available insurance protection. If nothing more, there are additional costs and fees incurred by the driver who secures independent legal counsel to protect his uninsured interest.

Moreover, automobile insurance rates are partially based upon driving records and prior adher-

ence to standards of care. The careless driver will pay a premium proportionately higher than the careful driver in most cases under the fault system. Merit driving rating plans applied by many industries deter, as does the specter of the assigned-risk pool. Even so strong an advocate of enterprise liability as John G. Flemming recognizes the existence of this type of deterrent.<sup>42</sup> He admits that premiums based upon accident rates may well deter, the same as potential loss of assets, loss of driving or automobile privileges, and the suggestions of the accident-prevention teams sent forth by insurance companies.

Moreover, *inconvenience* deters. The allegedly negligent driver is greatly inconvenienced when he is sued, even if the prayer is less than his policy limits, because the tortfeasor must be a named party to the action, he may be deposed, and he may spend days in court in the uncomfortable position of party and witness. As a consequence, he will lose free time or wages, and all in all will find his daily routine disrupted.

Allied with this last argument is the contention that, like vicarious liability, the advent of widespread liability insurance has weakened the deterrent factor because the true tortfeasor does not bear the risk of loss. The forego-

ing rebuttal applies with equal fervor here. Furthermore, it is unacceptable to assume that normal individuals alter driving patterns from good to wicked because they contract with a third party to pass on the financial burden.

Fourth, proponents of the "non-deterrence" position assert "enterprise liability" arguments to advance their position.<sup>43</sup> For example, both James and Calabresi contend that appropriate economic resource allocation demands that the industry bear the cost of harm as a portion of overhead. This sophist argument fails upon analysis of the major premises: the enterprise does not cause the harm — human actors cause the harm because of their conduct, their failure to act reasonably. The resource allocation assertion begs the question and assumes validity of social engineering. Moreover, it is unmeritorious to say that victims of strict liability are "ill-equipped" to protect themselves.<sup>44</sup> Who can better determine the desirability of a specific course of conduct than the actor?

Fifth, the liability-without-fault clique claims, curiously, that the fault system is ineffectual because there is no *necessary* relation between the extent of fault and the extent of loss.<sup>45</sup> This contention


really is not a nondeterrent argument (unless it is intended to mean that one will think the law unjust and therefore not be deterred if he is forced to pay a large amount for a small fault); actually it is an axiological argument, and a faulty one at that. The fault doctrine can be defended on the basic tenet that it is just that a person bear the consequences of his own acts; no more, no less.

Oddly enough, the authors of the Keeton-O'Connell plan are not so likely to dismiss deterrence with a mere passing glance. Instead they tend to follow Professor Calabresi's distinction between general and specific deterrence.<sup>46</sup> Keeton, however, feels that deterrence is diluted because most people will not admit fault, even to themselves.<sup>47</sup> The practicing lawyer perceives a contrary tendency; many people, because of the sympathetic nature of human character, admit fault where none really exists.

The theoretical bases of the entire subject of deterrence are analyzed by Glanville Williams.<sup>48</sup> Although he contends that the deterrent theory does not provide a perfect rationale for a fault-based tort concept,<sup>49</sup> Williams recognizes the existence of deterrence as at least a partial premise. For example, he contends that employers

now take numerous precautions for employee safety unknown prior to the Factory Acts.<sup>50</sup> Is this not a type of deterrence?

### 9. Liability Without Fault Means Liability Without Responsibility

Fault is fundamental to freedom. Retention of traditional jurisprudential concepts exhorts man to be more ordered, more careful of his voluntary actions, and to regard his neighbor when planning conduct. Imposition of individual responsibility upon the actor to pay the price of careless conduct tends to demand compliance with reasonable rules of care and thus promote harmony in a crowded world. No reason exists to fragment tort law and discriminate against the automobile accident case. Acceptance of liability without fault in the arena of automobile accident litigation can cure no evil — only produce more ills. 

### • FOOTNOTES •

<sup>1</sup> The administration of common justice — the settlement of civil disputes between members of society — forms one of the restricted areas where the state may act justly, where governmental coercive force may be properly applied. For a discussion of the appropriate forms and uses of law consonant with a libertarian society see, Foley, Ridgway K., Jr., "Individual Liberty and the Rule of Law" 21 *Freeman* No. 6, 357-378 (June 1971), and 7 *Will. L. J.* 396-418 (Dec. 1971).

<sup>2</sup> Several of these reasons appear in different guises and, where appropriate, comment will be directed to them again later in this article.

<sup>3</sup> Obviously, these figures will vary from county to county.

See, Hodash, Frederic, "Auto Compensation Plans and the Claims Man," 549 *Insurance L. J.* 816 (1968) Experience with maritime and employment compensation schemes reveals no real benefit to the victim nor corresponding reduction in overhead and none is to be anticipated in the automobile accident arena.

A general critique of specific basic protection shortcomings may be found in Knepper, William E., "Alimony for Accident Victims?" 15 *Def. L. J.* 513 (1966). See also DRI News Release January 9, 1969: "DRI urges investigation of lost savings claims by no-fault proponents."

<sup>4</sup> Workmen's Compensation Law offers a statist species of liability without fault. A workman injured on the job must be paid a limited amount for lost wages, medical expenses, and any permanent or temporary disability by his employer (or the employer's insurer) without regard to fault causing the accident. Even if the employee foolishly causes his own injury, his employer suffers the ultimate loss.

<sup>5</sup> See 18 *American Bar News* No. 3, p. 7 (March 1973). See also *Trial Magazine* (April 1972).

<sup>6</sup> No comprehensive treatment of the Massachusetts rule is intended; that state is selected merely because it provided the harbinger of no-fault plans.

<sup>7</sup> For a critique of no-fault from the plaintiffs' bar, see "No-Fault Insurance — A Primer," American Trial Lawyers Association, Cambridge, Massachusetts; this brochure answers the several arguments advanced in favor of no-fault in summary fashion.

The defense bar has also published a monograph which considers several of the problems in modern tort law and recommends reforms. See, "Responsible

Reform — An Update" (The Defense Research Institute, Inc., Milwaukee, Wisconsin) Vol. 1972 (No. 3). While not directly concerned with no-fault insurance, this treatise offers some interesting comments relating to the questions posed here.

8 Reasons for the retention of fault in our juridical system are touched upon only cursorily in the text. They may be classified as axiological, praxeological, economic, political, pragmatic, and historical. Perhaps the most cogent rationale is essentially philosophic or moral. See, e.g., Williams, Glanville, "The Aims of the Law of Tort," 4 *Current Leg. Prob.* 137 (1951) *passim*. It is noteworthy that one of the severest critics of the traditional system admits that the concept worked well in the nineteenth century, but is somehow inexplicably unsuited for today. See, James, Flemming, Jr., "An Evaluation of the Fault Concept," 32 *Tenn. L. Rev.*, 394 *et seq.* (1965). Perhaps Professor James is a victim of the "golden century syndrome" which erroneously presupposes a perfect condition of liberty existent in the Jacksonian United States. See Note 1, *op. cit.*

9 Few controversies have provided such a fertile field, attracting all manner of commentators. A mere bibliography would overextend this treatise. The efficient force, if not the harbinger of basic protectionism, is the work of Professors Keeton and O'Connell, which reached its apex in Keeton, Robert E. & O'Connell, Jeffrey, *Basic Protection for the Traffic Victim*, (Little, Brown & Company, 1965). No enduring critique is intended of the Keeton-O'Connell plan or, indeed, of any of the several other harangues which alternately mock or plagiarize "basic protection." Different positions are displayed in such articles as: Knepper, William E., "Alimony for Accident Victims?" 15 *Def. L. J.* 513 (1966); Hold, William E., "Critique of Basic Protection for the Traffic Victim — The Keeton-O'Connell Proposal," 541 *Insurance Law Journal* 73 (Feb. 1968); Kluwin, John A., "Analysis of Criticisms of the Fault System" 534 *Insurance Law Jour-*

*nal* 389 (July 1967); and Vondra, M. Lyn, "A Revised Plan for Protective Automobile Insurance," 553 *Insurance Law Journal* 7 (Jan. 1969). Numerous articles have appeared in the *American Bar Association Journal*, e.g., "New Hope for Concensus in the Automobile Injury Impasse," 52 *A.B.A.J.* 533 (1966); "Control of the Drinking Driver: Science Challenges Legal Creativity," 54 *A.B.A.J.* 555 (1968); "Basic Protection: A Rebuttal to Its Critics," 53 *A.B.A.J.* 633 (1967); "Basic Protection and Court Congestion," 53 *A.B.A.J.* 926 (1966).

See also, Keeton, Robert E. & O'Connell, Jeffrey, "Alternative Paths Toward Nonfault Automobile Insurance," 585 *Insurance Law Journal* 517 (Oct. 1971), Quinn, Neil K. & Allen, Fredrick W., "Analysis of the Illinois Plan: Provision, Practice and Problem," 588 *Insurance Law Journal* (Jan. 1972); Kornblum, Guy O., "No-Fault Automobile Insurance — Comparison of the State Plans and the Uniform Act," 8 *The Forum* 175 (No. 2, Winter 1972); Rokes, Willis Park, *No-Fault Insurance* (Insurance Press, Inc., Santa Monica, California 1971).

An interesting series of articles appears in the August 1968 issue of the *Insurance Law Journal*: Blum, Walter T. & Kalven, Harry, Jr., "A Stopgap Plan for Compensating Auto Accident Victims," 547 *Insurance L. J.* 661 (August 1968); Pretze, Paul W., "The Adversary System is Challenged," 547 *Insurance L. J.* 671 (Aug. 1968); and Logan, Ben H., "Insure the Driver," 547 *Insurance L. J.* 682 (Aug. 1968). This list is neither comprehensive nor exhaustive; it is intended to display several points of departure which, together with the specific citations herein, will provide an overview of the issues raised and answers offered.

10 See, e.g., von Mises, Ludwig, *Human Action* (3d rev. ed., Henry Regnery Company, 1966) *passim*.

11 See my article, Note 1, *op. cit.*; see also Foley, Ridgway K., Jr., "The Rationale for Liberty" 23 *Freeman* No. 4,



222-229 (April 1973), wherein these premises are discussed and amplified.

<sup>12</sup> See, e.g., "American Insurance Association Proposes No-Fault Auto Coverages," 69 *Best's Insurance News* (Property-Liability Edition No. 8) 10 *et. seq.* (December 1968). Compare, Kemper, James S., Jr., "Automobile Insurance: The Politics of Surrender" (Kemper Institute Reports 1968) and Wise, Paul S., "Automobile Insurance: Which Road Toward Reform?" (American Mutual Insurance Alliance 1968).

<sup>13</sup> See particularly, Barmach and Payne, "The Lackland Accident Countermeasures Experiment," *Accident Research* 665 (1964, Haddon, *et al.*), and the California Department of Motor Vehicles 1965 "Report on the Relationship between Concurrent Accidents and Citations." Compare Brainard, "The Psychological Aspects of Highway Safety," *Trial* 55 (Aug./September 1968).

<sup>14</sup> See, 2 Harper & James, *The Law of Torts*, 752, *et seq.*, § 12.4; see also, James, *op. cit.*, Note 8 at p. 397.

<sup>15</sup> These reveries might be challenged as to breadth of study, form of inquiry, and mode of analysis. The potential of statistical error and the chance of misinterpretation of empirical data always besets this character of undertaking. The problem of the inherent research bias is considered in Hold, William T., "Critique of Basic Protection for the Traffic Victim - The Keeton-O'Connell Proposal," 541 *Insurance Law Journal* 73, 80 (Feb. 1968).

<sup>16</sup> This admission is far removed from a capitulation on the fundamental issue of fault versus liability without fault, since the limitations inhere primarily in the "deterrence" aspect of the problem. Even absent a deterrent effect, the fault doctrine is justified on other bases not subject to these shortcomings. See Section 3 and Note 8, *supra*.

<sup>17</sup> See, e.g., Prosser, *Torts* (3d ed 1964) p. 1, *et seq.*, § 1.

<sup>18</sup> See Flemming, John G., "The Role of Negligence in Modern Tort Law," 53 *Va. L. Rev.* 815, 849 (1967).

<sup>19</sup> Comment, "Loss-Shifting and Quasi-Negligence: A New Interpretation of the Palsgraf Case," 8 *U. Chi. L. Rev.* 729 (1941).

<sup>20</sup> Brainard, Calvin H., "A No-Fault Catechism: Ten Basic Questions Raised and Answered," 583 *Insurance Law Journal* 317, 318 (June 1972), points out that no-fault really is first-party coverage, an ancient concept. Of course, it loses much flavor when the state mandates the particular insurance plan.

<sup>21</sup> Note the assumptions and the calculated use of the emotive term.

<sup>22</sup> A cursory attempt (in slightly different context) to expose the specious thinking underlying this concept appears in Foley, Ridgway K., Jr., "A Survey of the Maritime Doctrine of Seaworthiness," 46 *Or. L. Rev.* 369, particularly 397-399, 419-420 (1967).

<sup>23</sup> See Note 20, *op. cit.*

<sup>24</sup> Perhaps the pertinent question is, what will the looters do when there is no one left to loot?

<sup>25</sup> See general studies in Note 13, *supra*. Part of the underlying attack levied against the existent system is a tacit or explicit belief that "fault" is an "impossible" concept. If the critics are correct, then the precept should be discarded but if it is merely difficult of application, then by all means let us retain fault and labor to improve our system.

Fault is alive and well. As found by arbitrators (judges or juries acting as fact-finders), fault is a community value-judgment as to the propriety or impropriety of conduct and evaluation of the loss caused A by B for which B should recompense A.

<sup>26</sup> See Williams, Glanville, "The Aims of the Law of Tort," 4 *Current Leg. Prob.* 137, 150 (1951).

<sup>27</sup> Witness the proliferation of prostitution and gambling.

<sup>28</sup> Blum, Walter T. and Kalven, Harry, Jr., "Public Law Perspectives on a Private Law Problem," 31 *U. Chi. L. Rev.* 641, 646 (1964); Blum, Walter T. and

Kalven, Harry, Jr., "The Empty Cabinet of Dr. Calabresi," 34 *U. Chi. L. Rev.* 239, 270 (1967).

<sup>29</sup> See Notes 14 and 15, *supra*, and accompanying text.

<sup>30</sup> Some of the fuzzy thinking penetrating this position and obscuring reality is discussed, *supra*, Section 7. See Also Note 20, *op. cit.*

<sup>31</sup> See 2 Harper & James, *The Law of Torts*, 729 *et seq.*, § 11, *et seq.*

<sup>32</sup> *Ibid.*, at page 734.

<sup>33</sup> An excellent example of an uncongested court in a metropolitan area is Multnomah County, Oregon, serving a metropolitan population approximating 1 million persons. The average lapse between filing of the complaint and trial date approximates 4 to 5 months in the court of general jurisdiction; the federal district court in this district is likewise current. In fact, our federal judges are frequently called to other parts of the country to bring their dockets current. Perhaps there would be less court congestion if bench and bar worked together to alleviate the true causes thereof.

The "court congestion" assertion has been overstated; automobile accident litigation has not increased apace with the urbanization of society. Defense counsel have gathered statistics derogating the argument to its rightful place in the juridical ash heap. See, e.g., statistics collected by the Oregon Association of Defense Counsel.

<sup>34</sup> *Ibid.*, § 11.4.

<sup>35</sup> *Ibid.*, Footnote 35 (pp. 741-742) summarizes an interesting exchange between Professor Jaffe and Professor James on the moral aspect of James' position. Prosser does not go into the detail found in Harper & James; he baldly asserts:

"The idea of punishment, or of discouraging other offenses, usually does not enter into tort law, except insofar as it may lead the courts to weight the scales somewhat in favor of the plaintiff's interest in determining that a tort has been committed in the first place. \* \* \*." Prosser, *Torts* (3d ed) 9 § 2.

In discussing the factors which affect tort liability, *ibid.* 16, *et seq.*, § 4, Prosser does examine the moral aspect of the defendant's conduct and speaks in terms of prevention and punishment. He defers to Glanville Williams on the subject of deterrence. *Ibid.* p. 23, n. 73 (see, *infra*).

<sup>36</sup> See, e.g., Flemming James, Jr., "An Evaluation of the Fault Concept" 32 *Tenn. L. Rev.* at 394 (1965). See note 4, *supra*.

<sup>37</sup> *Ibid.*, 32 *Tenn. L. Rev.* at 395-396.

<sup>38</sup> *Ibid.*, at 397.

<sup>39</sup> *Ibid.*, at 396.

<sup>40</sup> *Ibid.*, at 395-396.

<sup>41</sup> The writer believes the untoward extension of vicarious liability (liability of A for consequences of B's acts) is poorly conceived, but defense or attack on that system exceeds the scope of this article.

<sup>42</sup> John G. Flemming, "The Role of Negligence in Modern Tort Law," 53 *Va. L. Rev.* 815, 825 *et seq.* (1967) Professor Robert C. Cranston (University of Michigan Law School) suggests that the strongest deterrent effects of civil liability are discernible in the operation of the automobile insurance system.

<sup>43</sup> *Op. cit.*, Note 35, *supra*, at 400; see also Calabresi, *op. cit.*, *passim*; see Section 7, *supra*.

<sup>44</sup> See Flemming, *op. cit.*, Note 42 at 822.

<sup>45</sup> See, e.g., Flemming, *op. cit.* Note 42 at 832.

<sup>46</sup> Calabresi, 78 *Harv. L. Rev.* 713 *et seq.* See Robert E. Keeton "Is There a Place for Negligence in Modern Tort Law?" 53 *V. L. Rev.* 886, 888 *et seq.* (1967).

<sup>47</sup> See, e.g., Keeton, *ibid.*, 890 *et seq.*

<sup>48</sup> Williams, Glanville "The Aims of the Law of Tort," *supra*, 4 *Current Leg. Prob.* 137 (1951).

<sup>49</sup> *Ibid.*, at 146.

<sup>50</sup> *Ibid.*, at 149. The assertion is accepted as valid, *arguendo*. The causal relationship between Factory Acts and improved safety practices may not be accurate.



# WHO'S LISTENING?

I STARTED reading Leonard Read's *Who's Listening?* (Foundation for Economic Education, \$4.00 cloth, \$2.50 paper) in the middle of the Watergate uproar, when any mention of listening suggested telephones, not face-to-face conversation. Watergate was, of course, a seeming irrelevance, but could I help it that Mr. Read got me to thinking about it in the light of what he calls the "freedom philosophy"? Suddenly, while meditating on Mr. Read's formulation of a Law of Readiness, it popped into my quite ready mind that a tapped telephone is an adulterated good, an interference with free market choice that is all the worse when government, whose agents should be busy protecting the consumers of telephone service against crooks who would invade their privacy, is the prime culprit in the tapping.

It is this sort of illumination that Mr. Read provokes. He would

be the first to admit that he stands on the shoulders of Adam Smith, Frederic Bastiat, Carl Menger and other great economic thinkers of the past, but he performs his own unique role in moving the thinking of his intellectual heroes beyond economics into general philosophy.

Take the Read Law of Readiness, for example. He disclaims that the discovery of the Law is original with him. And, indeed, the Law is implicit in Bastiat's famous passage about the ability of the principle of free exchange to supply a million people in Paris with the necessities and amenities of life without anybody planning and directing everything from a central conning tower. Bastiat talks about "this secret power" that brings supply and demand into a relationship without arbitrary decision by bureaucrats or elected officials. He marvels that the light of self-interest, when left free of

hindrance, could bring what is necessary each day to a gigantic market without either choking it or leaving it undersupplied. A mysterious Law of Readiness seemed to be at work, although Bastiat didn't frame it quite that way. It is Leonard Read who has given the law its proper name. Like the Law of Gravity, it can be worked with without being quite understood. Readiness comes from a condition of inner and outer freedom. It might be phrased as the Law of Openness. If nobody stands in the way, someone, somewhere, will spring into action to satisfy a want. This is fundamental to understanding economic action. But, as Read defines his Law of Readiness, it is also fundamental to the flow of ideas from mind to mind.

### **Persons Not Vilified**

It is precisely because he is so certain that his ideas will reach others who are ready for them that Mr. Read preserves his almost preternatural calm. Read will attack the generality of men who want to lord it over others, but he doesn't single out any particular individual as a rascal. He attacks "flight plans" that depend on coercion somewhere down the line, such as taxing our grandchildren to pay for our own contemporary frivolities, but he doesn't name

the coercers. He doesn't deride or vilify. Partly his method derives from his habit of humility, but there is more to it than that. He finds that anger or belittling gets people's backs up. They flare out in self-defense — and in doing that they cease to listen. The Law of Readiness does not work for a man who has been hurt or embittered by a jibe or a nasty epithet.

Since he believes that Society is comprised of "I's" and "You's," Mr. Read doesn't believe there is such a thing as "social" justice. Justice can't be rendered to classes or groups in general, but only to each person in particular. "To each his own." It cannot be called justice to the individual if a man's substance is to be seized to pass on to other individuals who demand rights as a "class." "Social justice" involves depriving others to gain one's own ends. It depends on legalized plunder.

### **Organized Thievery**

So Mr. Read, without ever attacking the Department of Health, Education and Welfare, gets his point across that welfare is organized thievery. In 1971 the Federal government spent \$92 billion on "social welfare." This had nothing to do with private or voluntary charity; it was \$92 billion taken out of the hides of people by the compulsion of taxation or the

cheating involved in inflation. The believers in social welfare and social justice would argue that modern complexities require coercive redistribution of wealth, but the world was just about as "modern" in 1960 as it is now. How does one explain, then, our population could get along on \$24 billion in "social welfare" in 1960 as compared to \$92 billion in 1971? Social welfare expenditures are actually twenty-nine times as high in dollar figures today as thirty-six years ago. Adjusted for the decline in the dollar's purchasing power, the figure would show only a six-fold increase. The need to make such an adjustment is in itself a criticism of our policies. Mr. Read does not make a direct correlation between the rise in welfare expenditures and the debasement of the currency, but he hints at the connection when he says that if the trend in expenditures continues the dollar, sooner or later, will become worthless. And then what will HEW be able to use for money?

One wishes, somewhat forlornly, that our politicians would ponder the Read Law of Readiness. Here we are on the brink of an energy shortage that has everybody yelling for the government to do something! The trouble is that government has already done too much. It has controlled the price of natural gas, thus discouraging

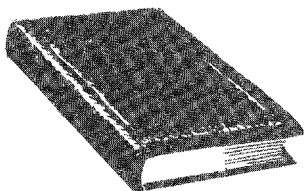
investment that might have gone into discovery and exploitation of new sources. It has frowned on oil imports, with the result that we have no deep-water unloading arrangements for the big new tankers. It has permitted a stupid law to keep oil companies from building a trans-Alaska pipeline that would cut our dependence on Arab oil in half. It has not permitted the construction of atomic energy plants. It has let the ecologists run rampant, forcing environmental protection laws that have doubled the consumption of gas in the newest cars without really helping the atmosphere. (If you burn more gas, you automatically get more pollution.)

#### ***What Might Have Been***

If the Law of Readiness had been allowed to operate, plants and pipelines would have been built, spigots for deep-water tankers would have been placed twenty miles offshore with connecting pipes running to new refineries on the mainland, and the Alaskan pipeline would have been in operation a couple of years ago. Meanwhile, if the environment had suffered, we would have learned something about cleaning it up. The entrepreneurs were ready to dig up the necessary capital for new ventures, and the customers were waiting for cheaper prices.

But, alas, our negative attitude brought the crisis upon ourselves. We can blame the politicians, and they should be blamed for not having any sense of statesmanship. But we should also blame ourselves for electing them to office in the first place, and for not solving our problems without running to government.

Leonard Read's book invites hundreds of applications of its basic thinking to contemporary problems. Mr. Read does not believe in singling out and scolding people who may be presumed responsible for creating the problems, but he surely can't object to analysis that might cause an occasional villain to identify himself as such. When he likens the "promoters" of such public works as The Gateway Arch, Urban Renewal, or moonshots" to the "monarchs of ancient Egypt," who used "slave labor" to build the pyramids, he may not be naming names. But some people are sure to recognize themselves as the indicated Pharaohs, which could be the beginning of wisdom for them.



► THE RISE OF RADICALISM by Eugene Methvin (New Rochelle, New York: Arlington House, 1973) 584 pp., \$11.95

*Reviewed by: Allan C. Brownfeld*

FOR TOO LONG we have tended to group political philosophies and movements on a scale running from right to left; Communism on the outer fringe of the left with Nazism and Fascism at the extreme right.

The fact is that these movements have far more in common than they do in disagreement. All three — Communism, Nazism, and Fascism — believe that it is possible for man, whom they hold to be perfectible, to create a perfect world. All three oppose the concept of God, or a force beyond man, and place man in the ultimate position of Creator. Since man is perfectible and man is also a God, there is no reason why a heaven on earth cannot be created.

In what can only be described as an encyclopedic review of radical movements from the inception of the progenitor of them all, the French Revolution, until today, Eugene Methvin, a member of the editorial staff of *The Reader's Digest* and a close observer of the subject about which he has written, places these movements in the perspective of history and traces them to their philosophical root.

Discussing the utopian fallacy which underlies modern radicalism, Methvin points out that, "Man has created centaurs, unicorns, satyrs, and mermaids—but he has never seen one. And he has created the post-revolutionary utopia. But he has never seen one of those either. Yet in its name he has committed horrendous crimes."

The radical—from Robespierre, to Lenin, to Hitler, to the variety at work today—sets out to destroy the existing world order and remake it to his own plan. "If humanity does not conform," the author points out, "then so much the worse for humanity—he will crush it . . . This breed of radical turns all men into puppets for his own pleasure and gratification. And like all burners of heretics, he will destroy any sovereign soul who dares breathe free."

Compulsive utopians, when they get serious about politics, inevitably deal with reality the way Procrustes, the legendary cruel robber-giant of Attica dealt with his victims. Procrustes would lure travelers to his home and when they would lie down on his bed, he lopped off as much of their limbs as was required to make their length equal that of his bed; or if they were too short, he stretched them. Hence, the word "procrustean" has come to stand for the trait of reducing events of reality

to fit preconceived forms of force or mutilation.

The Fascist and Nazi movements which came to power in Italy and Germany came from precisely the same radical root as did the Communist movement which gained power in the Soviet Union—and shared the same hostility to capitalism and to the concept of private property. Methvin notes that Mussolini, at the time of his switch from the Italian Socialist Party in 1914, ". . . was backing up to the point from which Karl Marx departed in the fall of 1843 when, as a young messianic philosopher . . . he decided 'the proletariat' would be the horse the intellectual could ride to glory. Mussolini, from the same point, decided that the 20th century required a revaluation and new conclusion: the revolutionary radical must ride the nationalist masses—and build nationalist 'consciousness'—instead. Again, no change in objectives, merely in propaganda, myths and slogans. He simply substituted the myth of national solidarity for the myth of proletarian solidarity."

Mussolini made a virtue of having no program. Throughout his ascent to power, he experimented with slogans, always seeking the combination that would work. According to the author, "He foreshadowed the American SDS radi-


cal Mark Rudd's famous 1968 answer: 'First we will make a revolution; then we will find out what for.' Mussolini in 1922 answered "Our program is simple: we wish to govern Italy. They ask us for programs, but there are already too many. It is not programs that are wanting for the salvation of Italy, but men and will power."

The appeal used by Hitler in Germany was similar. "Hitler," notes Methvin, "used the slogan 'the broad masses' as frequently as orthodox Marxists referred to 'the working class.' This was his target audience—the same as Lenin defined in his basic works on propaganda and organization: 'All classes, every droplet of discontent.'"

Hitler and the Communists felt an affinity because, like them, he was a revolutionary. Methvin notes that, "No self-styled 'leftist' would have trouble accepting his views of revolution." The two revolutionary movements—Communism and Nazism—drew on the same reservoirs of recruits. Reminisc-

ing in 1941, Hitler recalled the famed Coburg street fight of October, 1922 in which he and 800 storm troopers routed the Communists: "Later on the Reds we had beaten up became our best supporters. When the Falange imprisons its opponents, it's committing the gravest of faults. Wasn't my party at the time of which I'm speaking composed of 90 per cent left-wing elements?"

"There is more that binds us to Bolshevism," Hitler declared, "than separates us from it. There is, above all, revolutionary feeling . . . The petit bourgeois Social Democrat and the trade-union boss will never be a National Socialist, but the Communist always will."

For both Nazism and Communism, it was the "bourgeoisie" which constituted the enemy. Those who believe the roots of so-called "left" and "right" wing revolutionary movements are antithetical would do well to read Eugene Methvin's book. They would learn a far different story. 



# the Freeman

VOL. 23, NO. 9 • SEPTEMBER 1973

- |   |                                  |            |
|---|----------------------------------|------------|
| <b>No Shortage of Gold</b><br>When money is politically managed instead of market-determined, the result is inflation and economic chaos.   | <b>Hans F. Sennholz</b>          | <b>515</b> |
| <b>Down with National Priorities</b><br>Let each pursue happiness in his own way at his own risk.   | <b>Arthur S. Mode</b>            | <b>523</b> |
| <b>Portrait of an Evil Man</b><br>The world-impact of Karl Marx and his message.  | <b>Erik von Kuehnelt-Leddihn</b> | <b>525</b> |
| <b>Hobson's Choice</b><br>Not the head politician but the individual citizen determines the nature of the economy and body politic.         | <b>Edward Y. Breese</b>          | <b>533</b> |
| <b>The Limits of Credulity</b><br>An analysis of the dilemma of revisionist historians in their attempt to justify post-war foreign policy. | <b>Roger Donway</b>              | <b>537</b> |
| <b>If I Were King</b><br>To even wish for power over others makes one a slave.  | <b>Leonard E. Read</b>           | <b>547</b> |
| <b>Competition: Classroom Theory vs. Business Reality</b><br>If consumers had no choice, anyone could manage a business.                    | <b>Mark Peterson</b>             | <b>550</b> |
| <b>A Weary Distance</b><br>By the sweat of one's brow does his garden grow.   | <b>R. W. Demers</b>              | <b>555</b> |
| <b>Was Plato a Collectivist?</b><br>Plato outgrew his youthful dreams of communal living.   | <b>John J. Roberts</b>           | <b>557</b> |
| <b>Economics and the Press</b><br>Why the press must be free of subsidies.  | <b>Brian Summers</b>             | <b>564</b> |
| <b>Imitation</b><br>Imitation of the idle rich, while despising productivity and abundance, is a form of mass suicide.                      | <b>R. J. Rushdoony</b>           | <b>566</b> |
| <b>Book Review:</b><br>"Eyewitness to History" by Isaac Don Levine  |                                  | <b>573</b> |

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "Imitation."



# No \$HORTAGE of Gold

MANY ECONOMISTS seem to agree on the virtues of the gold standard. It limits the power of governments or banks to create excessive amounts of paper currency and bank deposits, that is, to cause inflation. And it affords an international standard with stable patterns of exchange rates that encourage international trade and investments. But the same economists usually reject it without much hesitation because of its assumed disadvantages.

The gold standard, they say, does not allow sufficient flexibility in the supply of money. The quantity of newly mined gold is not closely related to the growing needs of the world economy. If it had not been for the use of paper money, a serious shortage of mon-

ey would have developed and economic progress would have been impeded. The gold standard, they say, also makes it difficult for a single country to isolate its economy from depression or inflation in the rest of the world. It does not permit exchange rate changes and resists government controls over international trade and payments.

It is true, the gold standard makes it difficult to isolate one country from another. After all, the common currency that is gold would invite exchanges of goods and services and thus thwart an isolationist policy. For this reason, completely regimented economies cannot possibly tolerate the gold standard that springs from economic freedom and inherently resists regimentation. It is true, the gold standard also exposes all countries that adhere to it to imported inflations and depressions.

---

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer on monetary and economic affairs.

But as the chances of any gold inflation—and depression that would follow such an inflation—are extremely small, the danger of contagion is equally small. It is smaller by far than with the floating fiat standard that suffers frequent disruptions and uncertainties, or with the dollar-exchange standard that actually has inundated the world with inflation and credit expansion.

It must also be admitted that the gold standard is inconsistent with government controls over international trade and payment. But we should like to question the objection that the newly mined gold is not closely related to the growing needs of business and that a serious shortage of money would have developed without the issue of paper money. In fact, this popular objection to the gold standard is rooted in several ancient errors that live on in spite of the refutations by economists.

### ***Gold in History***

There is no shortage of gold today and there has been no such shortage in the past. Indeed, it is inconceivable that the needs of business will ever require more gold than is presently available. Gold has been an item of wealth and a medium of exchange in all of the great civilizations. Throughout history men have toiled for

this enduring metal and used it in economic exchanges. It has been estimated that most of the gold won from the earth during the last 10,000 years, perhaps from the beginning of man, can still be accounted for in man's vaults today, and in ornaments, jewelry, and other artifacts throughout the world. No other possession of man has been so jealously guarded as gold. And yet, we are to believe that today we are suffering from a serious shortage of gold and therefore must be content with fiat money.

Economic policies are the product of economic ideas. This is true also in the sphere of monetary policies and the organization of the monetary system. The advocates of government paper and foes of gold are motivated by the age-old notion that the monetary system in scope and elasticity has to be tailored to the monetary needs of business. They believe that these needs exceed the available supply of gold, which deprives it of any monetary usefulness and thus makes it a relic of the distant past.

### ***The Monetary Needs of Business***

With most contemporary economists, the notion of the monetary requirements of business implies the need for an institution, organization, or authority that will de-

termine and provide the requirements. It ultimately implies that the government must either establish such an institution or provide the required money itself. These writers, in fact, accept without further thought government control over the people's money. Today, all but a few economists readily accept the apparent axiom that it is the function of the government to issue money and regulate its value. Like the great classical economists, they blindly trust in the monetary integrity and trustworthiness of government and the body politic. But while we can understand the faith of Hume, Thornton, and Ricardo, we are at a loss to explain the confidence of our contemporaries. We understand Ricardo when he proclaimed that "In a free society, with an enlightened legislature, the power of issuing paper money, under the requisite checks of convertibility at the will of the holder, might be safely lodged in the hands of commissioners . . ." <sup>1</sup> The English economists had reason to be proud of their political and economic achievements and confident in the world's future in liberty. However, it is more difficult to understand

any such naive confidence today. After half a century of monetary depreciation and economic instability, still to accept the dogma that it is the proper function of government to issue money and regulate its value, reflects a high degree of insensibility to our monetary plight.

#### **A Persistent Fallacy**

And yet, the world of contemporary American economics blindly accepts the dogma. It is true, we may witness heated debates between the Monetarists and Keynesians about the proper rate of currency expansion by government, or the proper monetary/fiscal mix of Federal policy. But when their squabbles occasionally subside they all agree on "the disadvantages" of the gold standard and the desirability of fiat currency. They vehemently deny the only alternative: monetary freedom and a genuine free market.

The money supply needs no regulation; it can be left to the free market in which individuals determine the demand for and supply of money. A person wants to keep a certain store of purchasing power, a margin of wealth in the form of money. It does not matter to him whether this wealth is represented by a few large units of money or by numerous smaller units with the same total purchas-

<sup>1</sup> Ricardo, David. *Principles of Political Economy and Taxation* in "The Works and Correspondence of David Ricardo," ed. by Piero Sraffa, Vol. I, Cambridge, 1951, p. 362.

ing power. And he is not interested in an increase in the number of units if such an increase constitutes no addition to his wealth. This is not to deny that people frequently complain about their "lack of money" or their "need for more money." What they mean, of course, is additional wealth, not merely more monetary units with smaller purchasing power. But this popular mode of expression probably has contributed to the spread of erroneous notions according to which monetary expansion is identical with additional wealth. Our present policies of inflation seem to draw public support from this primitive confusion.

More than 200 years ago John Law was victim of this confusion when he stated that "a larger quantity (of money) employs more people than a smaller one. And a limited quantity can employ only a proportionate number." It also made Benjamin Franklin denounce the "want of money in a country" as "discouraging laboring and handicraft from coming to settle in it." And it made Alexander Hamilton advocate currency expansion for the development of the "vast tracts of waste land." But only additional real capital in the shape of plants and equipment can employ additional people at unchanged wage rates, or develop

new tracts of land. It is true, even without additional capital, a market economy readily adjusts to additions in the labor supply until every worker who seeks employment is fully employed. But in this process of adjustment wage rates must decline on account of the declining marginal productivity of labor. Monetary expansion tends to hide this wage reduction as it tends to support nominal wages, or even may raise them, while real wages decline.

The "full-employment" economists, such as Lord Keynes and his followers, recommend monetary expansion because of this very wage reduction. They correctly realize that institutional maladjustments may prevent a necessary readjustment and thus cause chronic unemployment. The labor unions may enforce wage rates that are higher than the market rates, which inevitably leads to unemployment. Or political expedience may call for the enactment of minimum wage legislation that causes mass unemployment. Under such conditions the full-employment economists recommend monetary expansion as a face-saving device for both the labor government and labor unions. But while it alleviates the unemployment, it causes a new set of ominous effects. It originates the economic boom that will be followed by an-

other recession. It benefits the debtors at the expense of the creditors. And while it depreciates the currency, it causes maladjustment and capital consumption and destroys individual thrift and self-reliance.

### **Consequences of Depreciation**

In fact, the effects of currency depreciation, no matter how expedient such a policy may be, are worse than the restrictive effects of labor legislation and union policies. Furthermore, monetary expansion as a face-saving device sooner or later must come to an end. If not soon abandoned by a courageous administration, it will destroy the currency. If it is abandoned in time, the maladjustments and restrictive effects of labor legislation and union policies will then be fully visible.

No matter how ominous and ultimately disastrous this array of consequences of currency expansion may be, it is immensely popular with short-sighted and poorly-informed people. After all, currency expansion at first generates an economic boom; it benefits the large class of debtors; it causes a sensation of ease and affluence; it is a face-saving device for popular but harmful labor policies; and last but not least, it affords government and its army of politicians and bureaucrats more rev-

enue and power than they would enjoy without inflation. But all these effects that may explain the popularity of currency expansion do not prove the necessity of expanding the stock of money for any objective reason. In fact, *an increase in the money supply confers no social benefits whatsoever.* It merely redistributes income and wealth, disrupts and misguides economic production and, as such, constitutes a powerful weapon of conflict within society.

In a free market economy, it is utterly irrelevant what the total stock of money should be. Any given quantity renders the full services and yields the maximum utility of a medium of exchange. No additional utility can be derived from additions to the quantity of money. When the stock is relatively large, the purchasing power of the individual units of money will be relatively small. And when the stock is small, the purchasing power of the individual units will be relatively large. No wealth can be created and no economic growth can be achieved by changing the quantity of the medium of exchange. It is so obvious, and yet so obscured by the specious reasoning of special interest spokesmen, that the printing of another ton of paper money does not create new wealth. It merely wastes valuable paper re-

sources and generates the redistributive effects mentioned above.

Money is only a medium of exchange. To add additional media merely tends to reduce their exchange value, their purchasing power. Only the production of additional consumer goods and capital goods enhances the wealth and income of society. For this reason, some economists consider the mining of gold a sheer waste of capital and labor. Man is burrowing the ground in search of gold, they say, merely to hide it again in a vault underground. And since gold is a very expensive medium of exchange, why should it not be replaced with a cheaper medium, such as paper money?

If gold were to serve merely as medium of exchange, new mining would indeed be superfluous. But it is also a commodity that is used in countless different ways. Its mining, therefore, does enrich society in the form of ornaments, dental uses, industrial products, and the like. Gold mining is as useful as any other mining that serves to satisfy human wants.

#### **The Law of Costs Applies to Money**

Actually, the great expense of gold mining and processing assures the limitation of its quantity and therefore its value. Both gold and paper money are subject to the "law of costs," which ex-

plains why gold has remained so valuable over the millenia and why the value of paper money always falls to the level of costs of the paper. This law, which is so well-established in economic literature, states that *in the long run the market price of freely reproducible goods tends to equal the costs of production*. For if the market price should rise considerably above cost, production of the goods becomes profitable, which invites additional production. When more goods are produced and offered on the market, their price begins to fall in accordance with the law of demand and supply. Conversely, if the market price should fall below cost and inflict losses on manufacturers, production is restricted or abandoned. Thus, the supply in the market is decreased, which tends to raise the price again in conformity with the law of supply and demand. Of course, the law of costs does not conflict with the basic principle of value and price. Their determination originates in the consumers' subjective valuations of finished products.

The law of costs obviously is applicable to gold. When its exchange value rises, mining becomes more profitable, which will encourage the search for gold and invite mining of ore that heretofore was unprofitable because of low gold content or other high



mining costs. When additional quantities of gold are offered on the market, its exchange value or purchasing power tends to decline in accordance with the law of supply and demand. Conversely, when its exchange value falls, the opposite effects tend to ensue, thus discouraging further mining.

### ***A Delayed Reaction***

That paper money is subject to the law of costs is vehemently denied by all who favor such money. After all, they retort, the profit motive does not apply to its production and management. Its exchange value may be kept far above its cost of manufacture through wise restraint and management by monetary authorities.

It must be admitted that the law of costs works slowly on money, more slowly indeed than on other goods. It may take several decades before the paper money exchange value falls to the level of manufacturing costs. After all, the fall is rather considerable, from the value of gold — for which the paper money first substitutes — to that of the printing paper. Few other commodities ever experience such a large discrepancy between market value and manufacturing costs when the law of costs begins to work. But this original discrepancy does not refute the applicability of the law;

it merely offers an explanation for the length of time needed for the price-cost adjustment.

It must also be admitted that a certain measure of restraint prevents an immediate fall of the paper money value to the level of manufacturing costs. Popular opposition prevents the monetary authorities from multiplying the quantity of paper issue too rapidly, which would depreciate its value at intolerable rates and lead to an early disintegration of the exchange economy. In a democratic society these monetary authorities and their political employers would soon be removed from office and be replaced by others promising more restraint.

But no matter who manages the fiat money, the law of costs is working quietly and continuously. After all, the manufacturers do profit from a gradual expansion of the money supply. The profit motive is as applicable to money as it is to all other goods. The only difference between the manufacturer of fiat money and that of other goods is the monopolistic position of the former and the normally competitive limitations of the latter. Who would contend that the incomes and fortunes of central bankers and the jobs of many thousands of their employees do not provide a powerful motive for currency expansion? To


stabilize the stock of money is to deny them position and power and thus income and wealth.

### **Political Motivation**

The profit motive for fiat money expansion is even stronger with the administration in power and thousands of politicians seeking the votes of their electorates. Election to high political office usually assures great personal fortune, prestige, and power, and successful politicians quickly rise from rags to riches. But in order to be elected in a redistributive conflict society, commonly called the welfare society, the candidate for political office is tempted to promise his electorate any conceivable benefit. It is true, he may at first propose to tax the rich members of his society whose few votes may be ignored. But when their incomes and fortunes no longer yield the additional revenue needed for costly handouts, called social benefits, the welfare politician resorts to deficit spending. That is to say, he calls for currency expansion that facilitates the government expenditures that hopefully win the vote and support of his electorate and thus assure his election. When seen in this light, the profit motive is surely applicable to the manufacture of paper money.

Or, the politicians in power conduct full-employment policies through easy money and credit expansion. In search of the popular boom that would assure their re-election, they spend and inflate and thus set into operation the law of costs. Who would believe that such policies are not motivated by the personal gains that accrue to the politicians in power?

But this profit motive must be sharply distinguished from that in the competitive exchange economy. When encompassed by competition, the motive is a powerful driving force for the best possible service to the ultimate bosses, the consumers. It raises output and income and leads to capital formation and high standards of living. But in the case of the monopolistic manufacture of paper money by government authorities, the profit motive finds expression in currency expansion, which is inflation. In the end, when the law of costs has completely prevailed and the exchange value of money equals the cost of paper manufacture, not only the fiat money is destroyed but also the individual-enterprise private-property order. For inflation not only bears bitter economic fruits but also has evil social, political, and moral consequences. ●



# Down With National Priorities

ARTHUR S. MODE

THERE IS a great deal of talk about "re-ordering our national priorities," and insistence that the public must speak up and be heard. Seldom identified is the fact that the concept of "national priorities" refers to objects of *government* spending. Seldom noted is the fact that consumers, acting privately in a free market place, always have had a choice of priorities. Whenever a person chooses product A over product B, he is ordering his priorities. Only busybodies try to tell their friends what the latter's priorities—tastes, values, preferences—should be. Therefore, the whole notion of setting "national priorities" reduces us, in effect, to a nation of busybodies.

The concept of "national priorities" implies that a choice exists between governmental func-

tions of *unequal* importance. When government is restricted to its proper functions—the police function, the judicial function, and providing for the defense of the country—there can be no question of "priorities." Each of these functions is equally necessary if the preservation of individual rights is to be more than a slogan. The army, the police, and the courts are all equally indispensable for such protection. To ask citizens to compare in importance these three functions with other government activities—for example, the police function versus the development of a mass transit system—is to miss the difference between the essential and the non-essential, between jobs that *must* be done by government to carry out its purpose and jobs that could just as well be done by private enterprise, with no loss of individual rights (with a gain in fact).

Note that the need for police, judicial, and military services is, by the nature of the adversary, limited. But when the government is funding a whole raft of economic, social, educative, and health programs, where the goals are always, by their nature, unlimited and nebulous (for example, "a decent life for every American"), there can never be enough resources available to fund all of

---


Dr. Mode is an M.D. in Stamford, Connecticut.

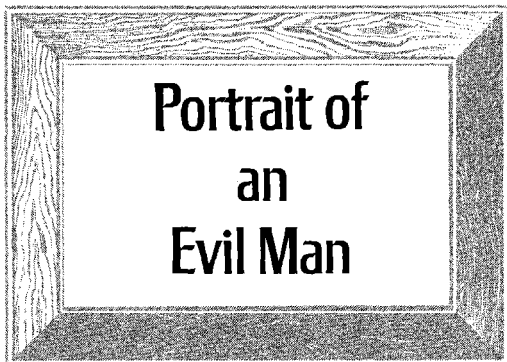
them as much as their backers would like, so some have to be funded less than others. But by what standard should the "mores" be selected? Answer: there can be no reasonable standard for selecting one over the other, because there is no common denominator by which to measure the relative values of such diverse endeavors as, say, cancer research and the Tennessee Valley Authority. So, arbitrary standards must be used.

One way of picking priorities is to have an autocratic leader, but Americans have traditionally shunned overt totalitarians. A variation of autocracy is unlimited majority rule — democracy — with dictatorial powers wielded by "the 51 per cent" rather than by the individual leader. Again, Americans traditionally have had too much respect for the rights of the minority to permit unlimited majority rule. Another way of selecting is by continual tests of strength between vying special interest groups. This is what we have now. Less politely, we have gang warfare between different groups, each with a vested interest in government funds. Medical researchers lament when "their" funds are threatened. Welfare rights groups lament any diminution of "their" funds. And so it goes. Of course, they do more than lament: they issue frighten-

ing forecasts, demonstrate, occupy buildings, start legal suits, and the like. In time, the politically strongest groups get their desires met first. This necessarily leaves many other groups (or nonorganized individuals) with their desires for public funds unmet. Therefore, the initial idea of giving the entire public a voice in setting "national priorities" is doomed to defeat. Some voices will be heeded, others will not. This is inevitable under our present system.

Therefore, I say: down with "national priorities"; up with individual priorities! In the free and competitive market place, *all* voices can be heard. Each citizen arranges his own preferences, but not his neighbor's. No one has his choices overridden by stronger political pressure groups. For instance, a worker who wants to buy an automobile doesn't have to cancel his order because the mass transit lobby convinced legislators to make mass transit a "national priority," resulting in higher taxes that left the worker with insufficient funds to buy the car.

In that case, the government can devote itself wholly to its three essential functions. It can serve simply as an umbrella, protecting us from the reign of force and fraud, as each of us pursues his own brand of happiness. 



ERIK VON KUEHNELT-LEDDIHN

IN THE "German Democratic Republic" they tell the story about a weary old man who tries to gain entrance into the Red Paradise. A Communist Archangel holds him up at the gate and severely cross-questions him:

"Where were you born?"

"In an ancient bishopric."

"What was your citizenship?"

"Prussian."

"Who was your father?"

"A wealthy lawyer."

"What was your faith?"

"I converted to Christianity."

"Not very good. Married? Who was your wife?"

"The daughter of an aristocratic Prussian officer and the sister of a Royal Prussian Minister of the Interior who persecuted the Socialists."

---

Dr. Kuehnelt-Leddihn is a European scholar, linguist, world traveler, and lecturer. Scheduled for early 1974 release by Arlington House is his latest book, *Letitism: From de Sade to Marcuse*.

"Awful. And where did you live mostly?"

"In London."

"Hm, the colonialist capital of capitalism. Who was your best friend?"

"A manufacturer from the Ruhr Valley."

"Did you like workers?"

"Not in the least. Kept them at arm's length. Despised them."

"What did you think about Jews?"

"I called them a money-crazy race and hoped that they would vanish from the Earth."

"And what about the Slavs?"

"I despised the Russians."

"You must be a fascist! You even dare to ask for admission to the Red Paradise—you must be crazy! By the way, what's your name?"

"Karl Marx."

Man, indeed, is a very strange animal. This has been proved in

many ways, but especially by the Marx-renaissance of recent decades. And yet the ideas of this odd and by no means constructive thinker are responsible all over the world for rivers of blood and oceans of tears. There can be no doubt that without the Communist challenge National Socialism, its competitor, would never have succeeded. Hitler boasted to Rauschning that he was the real executor of Marxism (though "minus its Jewish-Talmudic spirit"); thus the macabre death dance of our civilization in the past fifty years is due to that scurrilous, evil and unhappy man who spent half his life copying endless passages from books in the British Museum Library's reading room. Yet, with the exception of numerous pamphlets and the first volume of a book, he left nothing but badly assembled, unpublished manuscripts and a mountain of notes. It was his friend Friedrich Engels who, with the most laborious efforts, had to bring them into shape.

#### ***New Interest from the Left***

This Marx-renaissance is due largely, but not solely, to the rise of the New Left which argues that the dear old man had been thoroughly misunderstood by the barbaric Russians. Also a number of men and women would be hor-

rified to be called Socialists or Communists but still have a soft spot in their hearts for a man who "at least was filled with compassion for the poor and was an admirable father and a tender husband." Surely, Marx was a complex and contradictory person, and the renewed attention paid to him has produced a number of German books analyzing this most fatal figure of our times. Destructive ideas almost unavoidably derive from a destructive and — in this case — rather repulsive person.

Karl Marx was born in Trier, of Jewish parents, in 1818. Only a few years earlier this Catholic bishopric was forcibly incorporated into the Kingdom of Prussia and Karl Marx's father embraced the Lutheran faith of the Prussian occupants. The children and the rather reluctant mother were baptized by a Prussian army chaplain only at a later date. The deism of Enlightenment was the true faith of Heinrich Marx who, however, was a cultured man and a devoted father. Young Karl finished high school-college with flying colors at the age of seventeen and set out to study law which he shortly abandoned for philosophy, eyeing the possibility of an academic career. He first matriculated in Bonn, then in Berlin where he fell under the spell of the Hegelians. He received his Ph.D. from

the University of Jena, but renounced the idea of becoming a professor. He also gave up writing his self-centered poetry and his dream of running a theatrical review. He then married into the Prussian nobility and established himself as a free-lance writer in Paris where he soon clashed with the more humanitarian French socialists. He moved to Cologne, then returned to Paris and, finally — expelled from Belgium as an enemy of the established order — he took a permanent abode in London where, with interruptions, he remained until his death in 1883.

So much for the facts of his life. Within the last decade three books have been published in German analyzing Marx psychologically. These tomes are very different in scope but they hardly vary in their judgments. The authors belong to no "school" in particular, but all are serious students of our "hero's" works and personal history. These books are *Marx*, by Werner Blumenberg, a small, but exceedingly readable paperback (1962), *Karl Marx, Die Revolutionäre Konfession* by Ernst Kux (1967) and *Karl Marx, Eine Psychographie* by Arnold Künzli (1966). The last two have not been published in the United States and whoever is acquainted with the tremendous difficulties encountered by translations of

learned books in the United States will not be surprised. The reasons for this state of affairs are not solely of a financial nature. This article is partly based on the work of these authors.

### **A Generation Gap**

Let us return to the personality of the founder of socialism and communism. Even as a young man Marx does not appear to have been attractive. As a student he is liberally provided with money by his affluent father, and spends his annuity of 700 Thalers — a nice middle class income would then be around 300 Thalers — in a manner still unexplained. In spite of his love for Jenny von Westphalen he is an unhappy, "torn" person and writes in these terms to his father. Heinrich Marx ticks him off: "To be quite frank, I hate this modern expression — 'torn' — used by weaklings if they are disgusted with life merely because they cannot get without effort beautifully furnished palaces, elegant carriages, and millions in the bank." And in another letter the old gentleman, knowing his son only too well, tells him that he suspects his heart not to have the same qualities as his mind. "If your heart is not pure and human, if it becomes alienated by an evil genius . . . my life's great hope will be dashed."

Karl Marx was impatient. In this connection it is worthwhile to have a look at his doctoral dissertation on Epicurus, the materialistic Greek philosopher who, as the founder of Epicureanism, made sensual pleasures the main purpose of life. Here Marx quoted several lines from Aeschylus in which Prometheus rants against the gods and ridicules the idea of being an obedient son to Father Zeus. The figure of Prometheus was, indeed, as Kux and Künzli demonstrate one of the guiding stars in Marx's life. The revolt against God (and the gods), the rebellion against the entire existing order, all quite natural in youth, remained his *leitmotiv* until his death. Marx, as our authors insist, never really grew up. His entire relationship to other people continued to be juvenile, if not infantile.

Marx's basic vision was that of a humanity freed from all oppression, repression and controls and thus open to an egotistic "self-realization" — primarily of an artistic order. There was, as he believed, a Raphael, a Michelangelo, a Shakespeare, a Bach in every man. This great liberation, however, could only be achieved by the rule, the dictatorship of the poorest and most tyrannized people, the working class. These were the ones, he thought, who could

be indoctrinated to destroy the existing order entirely — and then to build a new one. They were ordained "by history" to carry out his murderous dreams.

The trouble was that he had no knowledge of the mind and mentality of the workers nor any affection for them. He only knew "statistically" about their situation, their living conditions; and these were humble, inevitably so, because at the beginning of *any* industrialization (be it capitalistic or socialistic) the purchasing power of the masses is still low and the costs of saving and investing (i.e. the buying of expensive machinery) are bound to be very high. In the period of early capitalism the manufacturers, contrary to a widespread legend, lived rather puritanically and were by no means bent on luxury. But none of this endeared the workers to Marx in any way. He had only words of contempt for them, except as they might be mobilized against the "bourgeois" society which Marx so hated.

### **Glaring Inconsistencies**

Despite his entirely "bourgeois" background this is the way his lifelong opposition against his family, above all against his parents, took shape. Interestingly enough, Marx's anti-middle-class complex was not accompanied by



any marked loathing for the aristocracy to which his wife belonged. He probably preferred her father to his own. The young leader of the German Worker's Movement directed his wife to have her calling cards printed: "Jenny Marx, née baronne de Westphalen." He also sported a most feudal-looking monocle and was a real snob. His two closest friends belonged to the hated *grande bourgeoisie*: Friedrich Engels, the Presbyterian textile manufacturer; and August Philips, a Dutch banker, a Calvinist of Jewish origin who was his maternal cousin.

Apart from these two, Marx had no real friends. Budding friendships he destroyed almost automatically through his pettiness, his envy, his rancor and his urge to domineer. He was one of the greatest haters in modern history, and one of the reasons why he never really got ahead in his basic work was his endless hostile pamphleteering. If he felt slighted by anybody, if he saw in some writer a possible competitor, if an innocent author had written about a theme of interest to Marx but with conclusions differing from his, Marx immediately dropped every serious research object, sat down and wrote a vitriolic reply or an entire pamphlet. He had the most poisonous pen under the sun and used the most unfair personal

arguments. Even as a scholar he never could refrain from going off on a tangent. He sometimes copied half a book which had nothing to do with his main subject; hence the mountains of undecipherable notes and casual remarks on small slips.

### **A Vindictive Nature**

He was a brilliant talker who dominated conversations with his caustic remarks. A Prussian lieutenant named Techow, a convert to socialism, after visiting Marx said in a letter that he would be ready to sacrifice everything for him "if only his heart were remotely as good as his mind." Marx, needless to say, vilified almost everybody within his reach and despised especially the German refugees, the 48-ers, in whose company he had to live most of the time. (Significantly enough, he had hardly any contacts with genuine Englishmen who probably could not stand his manners and mannerisms.) Marx had nothing but contempt for women in general and never engaged in genuine conversations with his wife who was decidedly an intelligent and sensitive woman with a good educational background.

Part of Marx's worst ire was directed against the Jews. In this he was not in the least inhibited by his Jewish descent. His hatred

for Jews had certain religious aspects but was primarily a racism of the most wicked sort.

No, Marx certainly was not a "good man". In his memoirs, Carl Schurz, the German democratic revolutionary, who later became a U. S. Senator, has given us his impressions of Marx: "The stocky, heavily built man with his broad forehead, his pitch black hair and full beard, attracted general attention . . . What Marx said was indeed substantial, logical and clear. But never did I meet a man of such offensive arrogance in his demeanor. No opinion deviating in principle from his own would be given the slightest consideration. Anybody who contradicted him was treated with barely veiled contempt. Every argument which he happened to dislike was answered either with biting mockery about such pitiful display of ignorance, or with defamatory suspicions as to the motives of the interpellant. I still well remember the sneering tone with which he spat out the word *bourgeoisie*. And as *bourgeois*, that is to say as an example of a profound intellectual and moral depravity, he denounced everybody who dared to contradict his views."

Arnold Ruge, a well-known German essayist, with whom Marx collaborated in Paris in a literary venture and who soon fell out with

him, wrote to Fröbel (nephew of the famous educator of the same name) that "gnashing his teeth and with a grin Marx would slaughter all those who got in the way of this new Babeuf. He always thinks about this feast which he cannot celebrate." Heinrich Heine, who also quickly learned to dislike Karl Marx, called him a "godless self-god."

#### **Unkempt and Undisciplined**

Karl Marx was in no way an attractive man; he had no hidden charms. A Prussian detective, sent to London in order to find out what this intellectual wire-puller of Socialism was like, informed his government that Marx was leading "the true life of a gypsy. To wash, to comb his hair or to change his underwear are rare occurrences with him . . . if he can, he gets drunk . . . he might sleep during the day and stay up all night . . . he doesn't care whether people come or leave . . . if you enter his home you have to get used to the smoke of tobacco and the coal in the open fireplace with the result that it takes some time until you can see properly the objects in the rooms."

Gainful work was alien to him and when he landed a part-time job as the correspondent for the *New York Tribune* (under Charles A. Dana, an early American social-

ist), it was his friend Engels who had to write most of the articles during the first year. Marx could have earned money by giving language lessons, but he refused this and continued to sponge on Engels, who really made Marx. (Once Marx, as a true socialist, tried to gamble at the London Stock Exchange, but failed.) Engels was his "angel" from every imaginable point of view.

### **A Most Unhappy Family**

The sufferings of the Marx family, and especially of poor faithful Jenny, are difficult to describe. Though they did have a housekeeper and though Friedrich Engels spent in the course of the years at least 4000 Pounds on Karl Marx, they lived in abject misery. The death of one child, a boy, is directly attributable to poverty and neglect. Family life must have been absolutely terrible, but Marx could not be moved — neither by entreaties, nor by tears, nor by cries of despair. For two chapters of *Das Kapital* he needed fourteen years. No wonder that only the first volume was published during his lifetime and that it was Engels' headache to assemble and to rewrite the rest, so that — as one author suggested — we should speak of Engelsism rather than of Marxism. Yet it would be a mistake to think that Marx suffered

silently and proudly. By no means! In his letters and in his conversations he never failed to complain and to lament. He had a colossal amount not only of self-hatred, but also of self-pity, but no human feelings for others, least of all for his wife whose health he had ruined completely.

Marx liked his daughters. These were — intellectually, linguistically, artistically — extremely gifted girls, but the spiritual background of the family had an adverse influence on them. Marx was a fanatical atheist, a disciple of Feuerbach who thus succinctly formulated his views: "*Der Mensch ist, was er isst* — Man is what he eats." And in an early poem Marx had declared: "And we are monkeys of an icy god." Jenny, too, had completely lost her childhood faith and her sufferings had made her practically despondent toward the end of her life. She was older than her husband and preceded him in death.

The oldest of his daughters, also named Jenny, the most beloved by the father, died of cancer at the age of thirty-nine. Karl Marx survived her only by two months. Laura, for reasons unknown, committed suicide together with her husband later in their lives. The French Socialist Party was stunned; at their grave one of the speakers was a Russian refugee,


Vladimir Ilyitch Ulyanov, better known under his pen-name: Lenin. Years later, each time he looked up from his desk in the Kremlin study (now transferred to the Lenin Museum in Moscow) he saw on his desk not a crucifix, an ikon or a picture of his wife, but the statuette of a reddish ape with an evil grin. "We monkeys of an icy god!"

Eleanor, the third daughter, a quite hysterical child and later a passionate socialist and feminist, admitted that she "saw nothing worth living for." She also committed suicide. Still, in her farewell letter to her nephew Jean Longuet, she exhorted him, above all, to be worthy of his grandfather.

Who can explain the influence of this queer and sinister man on the world? Undoubtedly he was talented in many ways, but there is nothing truly valuable about his extremely negative, nay, even absurd message. However, history is not reasonable. Mankind is not either. Surely, all the prophecies of Marx in the economic and historical field have proved wrong. His philosophical insights are totally obsolete. They are not even worth refutation except, maybe, as an exercise for high school students or college undergraduates. They are, above all, proved to be

wrong *empirically*. But what does it matter? Material victories or publicity triumphs are one thing, truth or goodness very different ones.

The Children of Darkness have always been more clever than the Children of Light. Socialism, moreover, has always been a "clear, but false idea." A free market economy, on the other hand, is far more complex and cannot be explained in a nutshell. In the political arena it competes poorly with the notion of collective ownership and central planning — until the latter's bankruptcy is proved in *practice*. The ideas of the hate-swollen bookworm in the library reading room can only be shown up in *life*. Here the method of trial and error, however, has its terrible pitfalls. To experience Marxism entails a captivity from which, as we know, escape is not so simple. The poor East Europeans realize all this only too well.

More than a hundred years ago the German classic poet and writer Jean Paul wrote that "In every century the Almighty sends us an evil genius in order to tempt us." In the case of Marx the temptation is still with us, but as far as the perceptive observer can see, in spite of the renewed interest in the "Red Prussian," it is now slowly, slowly subsiding. 



# HOBSON'S CHOICE

EDWARD Y. BREESE

IN SPITE of all the hopes and the fears, the planning and the hard work, the promises and rationalizations — it really doesn't matter who they call the winner in November of a Presidential election year.

This isn't an attempt to be cynical about the reliability or the intent of party platforms or campaign promises. We're used to taking these with tongue in cheek. We don't really expect a winning candidate to do what he said he would do.

This time though, let's assume that A and B held radically different views and that both men honestly believe what they say and are determined and dedicated to make those views a part of our domestic and foreign policies.

Go even a step further and assume that each candidate has managed to convert to his views a con-

siderable segment of the people who voted for him. He has, then, a following of true believers in the general public, including some politicians, some very capable men, and some zealots.

When the dust clears in November, our man A is on his way to the White House; and B, who held totally different views on practically all issues, is out.

Why, then, do I say that the voters have had Hobson's Choice?

A government—any government — can be called a "body politic." Like the physical body, it has a head, brain, heart, circulatory system, arms and legs, internal organs and so on right down to cells and atoms. In our case the head can be the President, the blood which nourishes the body is the flow of tax money in and out, and so right down to a buck private in the army, a sweeper in the Treasury building, or a trusty in one of our Federal Prisons.

The trouble, when it comes to "reform" or even a simple change, is that the body politic resembles

---

Mr. Breese has taught Industrial Management at Georgia Tech and headed the Department of Humanities at Embry-Riddle Aeronautical Institute in Florida. At present he is a free-lance writer.

in fact the body physical in that the head does not really control very much in either case. Decide that you would like to be two inches taller, for instance, or have brown eyes instead of blue, and you'll see what I mean.

### **Uncontrolled Bureaucracy**

The body politic is like that. Call the President and his personal appointees at top level the head — and its effective span of control extends barely as far as the chin. Down at the extremities — hands and feet — the bureaucracy goes on behaving exactly as it always has done no matter who sits in the White House.

The head of the independent executive agency gets his top level directive and files it neatly. He may even pay it a fair measure of lip service. Out in the field offices throughout the fifty states the staff pays little or no attention. Each office goes on building itself up (in the face, let's say, of a directive to economize) because that's what it considers to be its purpose.

In practice, a Presidential Directive is like a brick dropped into a barrel of molasses. By the time it gets toward the bottom, it moves slowly and disturbs very little.

So, there isn't really anything significant to either cheer or de-

plore after the votes are counted.

Does that mean there's no hope at all of changing things and really getting at some of the major problems we face today? Of course not. It just means we have to change our notions about how to go about it. Instead of thinking we can elect a "Leader" who can or will do the job for us, we have to start tackling the problems on an individual basis, at the level where each of us has an effective span of control.

Instead of looking to government for a capsule solution to inflation, each man and woman can start a personal program of living within his means and without a subsidy at taxpayer expense.

Instead of deploring corruption in high places, I can start practicing personal honesty and integrity in my own life.

On the surface, of course, the people in high places today find themselves immune to any effective control by us. They control courts and legislatures and make the laws to suit themselves. It looks like a sure thing — but it isn't. When enough people put a high priority value on integrity, the whole system of "robbing Peter to pay Paul" breaks down.

Not even the "body politic" itself is immortal or invulnerable, despite surface appearances. Like the body physical it is subject to

and under the control of natural laws. Like certain of the seemingly invincible dinosaurs, it can grow too big to function. Like a victim of malaria, it can be brought down by mosquito bites. There are those who claim that the Roman empire fell because the humble mosquito destroyed its system of agriculture through weakening and killing off the slave gangs on the latifundia.

Let's look at that again. The empire of the Caesars and the legions brought down by a mosquito? Yes — because the mosquito changed the *economy* of the empire adversely, and the State was actually an economic rather than a political creation. The "body politic" should have been called a "body economic" all along.

Tolstoy said much the same thing in different words in his *War and Peace* when he told us that the great political figures of history have not led — but only ridden the crests of waves which they did not and could not control.

This is and has to be just as true in our day as in those of Hadrian or Napoleon.

The government — that is, the formal, legal government and the bureaucracy — will essentially be controlled not by itself but by the economic system of which it is a part.

The operations of a free econo-

my will set viable prices for goods and services, if it is allowed to operate. In all the history of control or socialism of any sort, a workable substitute for market pricing has never been found, for even a short period.

The system of control of the economy by a government or authority has a built-in self-destruct. The larger the social (or political) unit and the more involved and advanced the technology, the more quickly and surely will the self-destruct begin to operate.

On the other hand, the control of the government is determined inevitably by the nature of the economy in which it operates. A study of the records of social history will show that this has been so from the earliest times — and there is no reason to think the rule has been suspended.

Just as a free economy sets up an economic competition leading to the advancement of the fittest individuals, firms, technologies, and market entrepreneurs and creates a maximum opportunity for the individual — so also it has always created a political climate in which only the simplest and most efficient systems of government can survive.

So, the comparative absence of political controls among the settlers of America and the limitless opportunity provided by a wide

open continent bred first a Mayflower Compact and then societies of economically free and politically independent men who inevitably wrote the American Constitution.

### **A Vote for Freedom**

In our own days, then, there is still a way that you and I can cast a meaningful vote in the shaping of our own lives and the governments — local, state and national — within which we live. It is a very important vote — a very real vote — and if cast by enough of us in our own lives and businesses or professions it will accomplish everything we desire.

This is to opt for a free rather than a regulated economy, and to embody these principles in our thoughts, our actions, and in the examples we set to those about us.

Here is a mandate of the people which no bureaucracy can long ignore or effectively sabotage.

Control does not come from the top — which is why the election of even the best of political leaders (or, fortunately, of even the worst of the lot) can really change very little.


I'm not saying here that we should not vote or take an active part as individuals in the functioning of that body politic of which we find ourselves a part. Of course, that is important. We must

realize, however, that the final determinant will be economic rather than political.

In the economic field each one of us has a "span of control" in the way in which he makes and spends his income. In even the most controlled economy, the individual — as a consumer — has some choice and some effective control. Add together all those individual control spans and the result must be an irresistible economic — and political — force.

In the balloting booth we may indeed have been offered only Hobson's Choice. As I've pointed out, this can be so even when the men we elect honestly agree with our ideas and try to put them into action.

In the market place, however, you and I — everyone of us — has an entirely different sort of vote, not to be cast just once every four years. This is a vote that has to be cast every day, sometimes many times a day. It's effect may be slow and cumulative rather than dramatic and sudden — but it is nonetheless sure.

When enough of us live and believe and think and act as free men, we will have the sort of government which free men can and will produce. A tyrannous government cannot survive the association of free men in a free economy. 



# The Limits of

# Credulity

TWENTY YEARS AGO, most people would probably have identified the following quotations as descriptions of the Soviet Union: "a vast power that requires total world integration not on the basis of equality but of domination" "pursuing a policy that had now become a denial of the spirit of man" "taking its place as one of the great and hated oppressor nations." But of course these are not descriptions of the Soviet Union; they are supposed to be descriptions of the United States. Nor are they taken from Albanian tabloids; they are from popular college texts, written by scholars, published by reputable houses.

These are the revisionist historians, and they have succeeded where their students failed: they have brought home the war, both

Vietnam and its Cold War context. Our enemies (before we declared them friends) used to say that America was compelled by economic necessity to move abroad as an imperial power, dominating, subjugating, repressing. Today, that is the going word at American colleges.

. . . during the postwar era the government and key sectors of private capital adopted a common, complementary strategy that led to state aid to American capitalism not only to maintain and extend its prosperity into the postwar era, but not the least also to preserve the larger global political-economic structure within which long-term capitalist interests and power might function.

So say the revisionists Joyce and Gabriel Kolko, who obviously revise history more easily than they revise their sentences.

Collectors of Bright New Ideas will recognize the imprint of the

---

Mr. Donway, a recent graduate of Brown University, continues to deal as a free lance student and writer with the social implications of certain philosophical issues.

Antique Left everywhere on these fresh-thinking historians: the Kolkos' indictment is a particularization of an argument pushed sixty years ago by the Marxists; in *The Roots of War*, Richard J. Barnet rehearses the Lenin-Kautsky debate to determine the degree of necessity in capitalist imperialism; William Appleman Williams, sometimes called the dean of this historical school, asserts that America's foreign policy has proved Marx correct; David Horowitz, an editor of *Ramparts*, published excerpts of his book *Corporations and the Cold War* with Paul Sweezy, among the oldest of the old, old guard, a self-proclaimed Marxist, and the Sweezy of *Sweezy v. New Hampshire* fame; Sweezy's magazine, *Monthly Review*, also ran a ten page puff of Gabriel Kolko's *Roots of American Foreign Policy and Politics of War; We Can Be Friends*, often cited as the beginning of cold-war revisionism, was written by Carl Marzani, convicted in 1947 for denying prewar affiliations with the Communist Party; Rexford Tugwell is included in the ranks for his book *A Chronicle of Jeopardy*; and so on. When Norman Mailer asked Dotson Rader where the New Leftists would end, Rader said in despair "We are going to end like Gus Hall." In originality, at least, they already *are*

Gus Hall, and so are their academic compradors.

Not that there is anything wrong with old ideas. They just are not new ideas. It would be more honest if the Left admitted, what seems to be true, that it perseveres like the Church, saying what it has always said. There is, after all, a kind of nobility in standing by traditional notions, just as there is a kind of boldness in advancing outrageous hypotheses. But for the Left to trot out seedy cliches as the latest in daring suggestions is simply hypocritical. Whatever else, the staunchest defender of the Apostle's Creed never called himself innovative for reciting it.

#### **Revisionism Like Inflation — Always More**

This wave-of-the-future image probably reached its limit with Walter LaFeber's flight into apocalyptic literature. In "The Impact of Revisionism," LaFeber went beyond past and present to shew unto his servants things which must shortly come to pass.

And finally this historiography will move into and beyond revisionism as present middle-of-the-roaders accept revisionism in many of its parts, thus allowing the present revisionists . . . to become more revisionist in their view of history.

Unfortunately, LaFeber may be correct. In *The New York Times Magazine* (April 29, 1973), Gaddis Smith portrayed an early revisionist, D. F. Fleming, as having set forth the new moderate position, "a vast improvement over the closed-minded chauvinism of the orthodox position." To be sure, Smith contrasts Fleming's view with the more recent, excessive left-revisionism of Kolko, but that was to be expected on LaFeber's analysis: the liberals will always come a discreet three steps behind (twelve years, in this case), but they will come: they must be "with it," even when it means revolution; they must "swing," even when it means the gibbet.

To take another case: in a 1966 letter to the *New York Review of Books*, Arthur Schlesinger, Jr., said "Surely the time has come to blow the whistle before the current outburst of revisionism regarding the origins of the Cold War goes much further." But only a year later, he put together the following sentence: "For revisionism is an essential part of the process by which history, through the posing of new problems, and the investigation of new possibilities, enlarges its perspectives and enriches its insights." Such liberal reappraisals are a telling victory for revisionism, which in point of fact breaks about as much fresh

ground as the Council of Trent. (Revisionist doctrines on imperialism go back, through the Marxists, to J. A. Hobson's *Imperialism, A Study*, published in 1902. Or they may be said to go back a bit further: in a burst of historical appropriateness, Hobson got many of his economic ideas from an acquaintance named Mummery.)

### A Generation Gap

With liberal backing, the dogma of capitalist imperialism, though it is not getting any younger, is getting some of the young; not entirely to the pleasure of older, or more orthodox, advocates. After decades of shelving their underconsumed ideas, these uncompromising ideological retailers had perhaps begun to think of themselves more as curators; they look askance at their brash parvenu customers, so lacking in an appreciation of well-made theories.

Writing in *Social Policy*, Harry Magdoff grumbled that ". . . some popularizers on the Left formulate the issue purely in terms of 'economic necessity' — as if every political and military action were in response to an immediate economic need, or a telephone call from a corporation executive." Mr. Magdoff is criticizing the heresy of replacing class analysis with elitist analysis, an old bane.

The young, generally less rigorous, seem drawn to elitist theories, whether revisionist, liberal, or ultramontane. Perhaps it is because elitist analyses can serve as a surrogate for soap operas and fan magazines; they carry the same catharsis of shock and indignation, the same formula of who-was-seen-doing-what-with-whom. C. Wright Mills made a discreet attempt at slaking this desire with *The Power Elite* (and was chided for it by Paul Sweezy.) But it is the new reporter-historians who bode to make a true genre of elitism. Academic analyses of presidential politics were left in the library dust by Theodore White's *The Making of the President*. David Halberstam's *The Best and the Brightest* showed a similar flare for the insider's anecdote that tells while it sells. And in the Spring, 1973, issue of *Foreign Policy*, Godfrey Hodgson published an article called "The Establishment," which threatens to reduce even the tone of the enterprise to the level of the gossip column, with lines like "When I talked to him recently in the Ford Foundation's strangely Piranesian headquarters on 42nd Street . . ."

### **People and Plots**

Proper revisionists, of course, are supposed to shun such superficial historiography. Writers who

stress personal associations give the impression that the world is run to suit the whims of a small group of men, whether the favored group is the Council on Foreign Relations, the defense complex, or the prestigious New York law firms. And the more personally entwined they picture their ruling clique, the more its own eccentric assumptions appear to replace objective forces as the basis for action. That is why Sweezy characterizes elitist theories as "historical voluntarism." By the time one reaches David Halberstam's Great Groton Conspiracy, talk of necessity in America's foreign policy is completely implausible; it's all the fault of that damned school motto.

Revisionists reject such tight-little-world views. ". . . the impressions of old school days wear off," says Kolko, "and the responsibilities of men are measured in the present rather than the past." After all, the antideterminism of elitist analyses might tempt one to the clearly counter-revolutionary notion that "all" we need is a group of leaders with different ideas.

It is this illusion of the "accidental" quality of the role of the United States in Vietnam and elsewhere that has led over the past years to a kind of specious liberalism which believes one simply re-

places individuals in office with other men, such as a Kennedy or McCarthy . . .

A leftist who was that soft on determinism might find himself denounced as a meliorist like Karl Kautsky, or even as a hired coolie of the pen.

### **Ideological Coordination**

The "proper" theory of historical causality is less direct, almost Malebranchian. Washington, we are told, does not take orders from Wall Street, and certainly Wall Street does not take orders from Washington. "There is no conflict of interest because the welfare of government and business is, in the largest sense, identical." The harmony of business and politics results from ideological coordination, not personal subordination. Association is the product, not the cause, of their harmony. The head of the octopus is not a capitalist, but capitalism itself; businessmen and politicians are, to steal a phrase from Ogden Nash, simply the arms that do the legwork.

But despite this sensitivity to elitist voluntarism, the revisionists insist on calling themselves a school of antideterminists. In his introduction to *The Origins of the Cold War*, Thomas Paterson says "Most revisionists deny that the Cold War was inevitable, and

stress alternatives." This is paradoxical, but easily proved. The Cold War resulted largely from the class-serving desires of American leaders; had they sought other ends, things would have been otherwise; for instance, had they sought an accommodation with Russia, they could have had an accommodation with Russia. What we are not reminded of, in this context, is the revisionists' belief that, given its social structure, America could not have had leaders who would have willed another course. The leaders' desires were given by the nature of the economy.

The theory, then, is rather analogous to Jonathan Edwards's theory of determinism. Edwards's dictum was that we can do what we will, but we cannot will what we will; only grace can change the nature of our desires. Similarly, revisionists seem to hold that America's postwar leaders could have done whatever they wanted, but they could not want whatever they wanted, at least as a class. The counterpart of Edwards's dictum may be Lenin's cryptic remark that a capitalist country could be non-imperialist only if it were not capitalist. A nation's objectives can be changed only by the converting grace of revolution or radical alteration, "by depriving [the existing system] of

access to power and levers for controlling society," in Kolko's words.

With that as the professorial note, it is not surprising that the cry from the ranks is "Ecrasez l'infâme," now enunciated with that cocksure whine that is the laryngeal affliction of the New Left. But they have jumped to their conclusion. All we have been told so far is that the leaders of the social system are those who agree with its principles, which is surely one of sociology's minor surprises. That these leaders should attempt to preserve the system is also less than startling. The connection that must be made is: how did the goal of preserving a capitalist society lead to imperialism? Few listeners, it seems, stay to question or even notice the arguments offered on this central point. In better days, they would have been beneath notice.

### **The Economics of Trade**

As it turns out, this whole grotesquerie of America's need for expansion hangs on two slender lines of argument, dealing with the economics of importing and exporting. Of these, the argument from imports is probably the less persuasive today. We are in no mood to hear about the sins of the buyer. We can admit that a total embargo on raw materials would

plunge the quality of American life — what *would* one do without one's morning coffee — but after all we do pay for the stuff (twenty cents a cup; no refills), and if the bean does not get its cut, well, that is the bean's lookout.

The argument from exports better symbolizes the revisionists' "cosmic inversion," (to use Hilaire Belloc's phrase), for here they take what appears to be charity and convert it into imperialism. The argument begins by observing that (1) *America was booming at the end of the war*. In 1945, our industrial plant was 65 per cent larger than it had been in 1939, and our gross national product was 100 per cent larger, in constant dollars. Revisionists conclude that the productive capacity of the United States had grown unproductively large, and consequently, in the postwar years, that institutionalized form of misery which is capitalism would pour forth more than it knew what to do with.

Then (2) *exports had been and would be essential to maintaining this boom*. After all, a fair amount of this growth had come in response to economic demand from foreign governments involved in the war; the home market might not be able to purchase all the goods that they had bought. There were, yes, the extra savings that

Americans had accumulated during the war when there was little better to do with money, but this would not long take up the slack. The only solution was to sell abroad. (Often cited as the post-war goal was the 1944 figure of 14 billion dollars in exports, more than four times the 1939 figure. Less often cited is the 11 billion dollar chunk of that 14 billion which was shipped under Lend-Lease. Since most Lend-Lease was never repaid, this casts some doubt on the truly foreign origins of the wartime demand.)

Prime revisionist text on exports comes from Will Clayton, Assistant Secretary of State for Economic Affairs, and, we are reminded with arched eyebrows, a millionaire. He declared, at a Foreign Trade Convention, no less: "We need markets — big markets — around the world in which to buy and sell." A somewhat Chamber-of-Commerce remark, one might think, especially under the circumstances, but with elocutionary training, it *can* be given an air of rapacity. The more common-sense interpretation was given to it by Clayton's Deputy, Professor Edward S. Mason of Harvard, when I talked to him recently at his strangely unpiranesian office in Cambridge: "Certainly, the U.S. wanted to re-establish trading relationships. But I never

heard that we needed desperately to have the European market for our exports."

### **International Pump-Priming**

If one did assume the necessity for exports, though, one faced the fact that (3) *foreign countries by themselves could not afford to buy American goods*. Until their economies were rebuilt, they would have little to offer us in trade. The answer conceived was (4) *the United States had to loan these governments money*. Thus in the first stage, they would buy American capital goods and agricultural commodities; and once restored they would produce goods to trade for ours, and so maintain our exports on the long run.

As the heart of an argument designed to show the imperialist tendencies of capitalism, steps (3) and (4) have rather missed their calling. Quite simply, the loans constituted an international pump-priming scheme; they were a bit of inflation designed to link up America's surplus capital goods with Europe's idle labor. Apart from any dispute over the usefulness of pump-priming, we can at least agree that it is not capitalist. Indeed, the attempt is made to pin opposition to pump-priming on capitalists as a badge of their simple-mindedness. In a *Playboy* interview (June, 1968), Professor

Galbraith said that Henry Hazlitt, a leading capitalist economist, had overlooked "the very elementary point" that pump-priming is carried out in a situation of idle capital and idle labor. For the record, Mr. Hazlitt considers pump-priming under exactly these conditions in his book *The Failure of the "New Economics."* He finds it unnecessary, uncertain, dangerous, and unjust.

But capitalist or no, this scenario for international pump-priming contained a further condition: the United States had to be assured that once it gave foreigners the ability to buy our goods, their governments would give them permission to buy our goods. Cost was no object in developing trade, so long as trade did develop, but we were not about to cast our seed money on the ground. In other words, (5) *the scheme would work only if debtor governments moved toward a laissez-faire, or at least pro-American, stance; and to this end our diplomacy was directed.*

Thus far the argument can be put together from statements made by members of the Truman Administration. (Though the importance of the plan has been disputed by Alfred E. Eckes, Jr., in *The Journal of American History*, March, 1973.) For the rest, revisionists merely point out that

since we urgently needed countries to move to the right, (6) *America had to oppose the assumption of power by leftist elements; in Containment and Change, Carl Oglesby says we needed "access and no revolution in order to have high production."* This meant encouraging rightist governments to suppress leftist movements, and thus were we forced by the capitalist system to play a repressive role, directly or through surrogates. Finally, in order to make this politically palatable, we had to push the fiction that the left was not popular and democratic, but Russian-inspired and totalitarian. This posture naturally exacerbated relations with the Soviet Union and the European Left generally.

Like the old Marxist argument, the essential reasoning of the six points can be analyzed in a basic two-step: does the capitalist system produce general surpluses; and what does the capitalist system do when confronted with a surplus?

On the first point, revisionists seem little inclined to argue; they prefer to quote testimony or make assertions. For instance, W. A. Williams cites Dean Acheson's remark: "You don't have a problem of production. . . . The important thing is markets. We have got to see that what the country pro-



duces is used and sold." Even less willing to offer evidence, Carl Oglesby says "Our economic system functions in a state of disequilibrium. The better it works, the greater the surplus."

### **Capitalist Over-Production**

To find a genuine argument connecting capitalism and excess production, one must turn to the hard, ingenuous Left, which argues as follows: Since a capitalist's status depends on the amount of capital under his control, he engages in production without reference to the possibility of finding a market. Paul Sweezy says:

Here, then, we can see the elements of what Marx in one place calls "the fundamental contradiction" of capitalism: production entirely lacks an objective unless it is directed towards a definite goal in consumption, but capitalism attempts to expand production without any reference to the consumption which alone can give it meaning.

Obviously, this is not an argument one would want to trot out unless absolutely required to do so; in fact, it is simply an assertion of mania, not worth discussing.

It appears, therefore, that the postwar situation is a special gift to the revisionists. The large expansion in investment was not the product of irrationality in the

business community; it was the product of our effort to win the war. It could hardly be called malinvestment, but the plant developed (revisionists say) would produce more than available markets could consume. It looks as if the revisionists can get their first premise, of an investment beyond demand, without resorting to foolish psychological theories about the business mentality.

As often happens, though, the evidence adduced by the revisionists (more testimony) proves exactly the opposite of the conclusion they want. When Vinson, Clayton, Wallace, and so on, went before committees to support the so-called British loan, they did indeed tell Congressmen that they were looking at the loan's effect on the economy, were much interested in it, never let it out of sight. But the effect they were looking at was not the alleviation of surplus; it was the exacerbation of scarcity. When they actually confronted the swollen war-time plant, the problem was that it was not big enough for peacetime demand.

A few, but very few, fields were mentioned at that time as having surplus, and even these references seem blatantly political. When Secretary Vinson mentioned cotton as being among the goods Britain would want, Senator Bankhead of

Alabama asked narrowly if he meant cotton *goods* or raw cotton. Another question as to what Britain would buy drew the answer "You could be sure of some tobacco," which sounds much like "You could be sure of some pork-barrel." When used honestly the argument from over-production was based on expectations about the economy, which puts us right back to the argument about the biases of capitalism.

Since revisionists have little heart for arguing that point, there remains only the second question: what, under capitalism, would one do with a surplus? The revisionists' answer, that the government would force it down the throats of unwilling consumers, is simply not economics; it is pandering: I dreamed of oppression in my black pajamas. I presume that the capitalist answer is well known: if a businessman produces more of a good than he can sell (say an Edsel), the capitalist response is to point out that he has produced more of the good than he can sell. He can try to increase his sales by advertising to high Heaven; he can try to sell abroad; he can take a loss and cut production; all that

is capitalist. One thing he cannot do is involve the government in restructuring his market. That is just typical liberal interventionism. Revisionists may reply that it happens in America, which is true, but if it happened in William Graham Sumner's home town the point would be irrelevant. Others, such as Richard J. Barnet, may try to call it "state capitalism," but the phrase conveys little, since it is a contradiction in terms.

This is the pattern: on the rare occasions that revisionists do decry an evil, they are not looking at capitalism; they are staring straight at the denaturing elements of our mixed economy. The evil is blamed on capitalism (it's a capitalist system isn't it); the solution is more intervention, leading to more evils. And the momentum develops. Which is perhaps the element of truth in LaFeber's analysis: if a liberal will not rethink, he must revise, more and more. If he does rethink, he must rethink his leitmotif "We cannot go back;" he may even have to discover the historical irony, that when we went past capitalism we were going in reverse.

No man is wise enough, nor good enough, to be trusted with unlimited powers.

— Caleb C. Colton



## IF I WERE KING

LEONARD E. READ

TO IMAGINE I were king is pure fiction, merely suggestive, for my first act would be to abdicate. Kingship is not my cup of tea.

Perhaps a better caricature of omnipotence would be a genie — as the actress in the TV show, “I Dream of Jeannie.” She simply folds her arms, makes a wish, and blinks her eyes. Presto! The wish instantly becomes the reality.

The question I am pondering is this: If I possessed such power, would I use it to rid the world of all I believe to be evil? For instance, what of these few specifics among the thousand and one forms of human behavior I deplore:

- 1 — War, murder, thievery, slavery?
2. — Dictatorial know-it-allness?

3 — Medicare, “social security,” and similar welfare programs?

4 — Control of prices by government and of wages by labor unions?

5 — Government in such business as mail delivery and education?

I have listed these samplings in the reverse order of their popularity or public acceptance. Nearly everyone deplores war, murder, thievery, human slavery. There is a common desire to be rid of these evils. But note how the popular attitude changes as we move down the list: common acceptance instead of rejection by the time we have reached “social security.”

The point is this: I would be applauded were I to use my magic

power to do away with murder, but roundly condemned were I to eliminate government "education," though the latter seems unprincipled and impractical to me.

### **The Principle of Universality**

On what forms of behavior, then, would I fold my arms, make a wish, and blink my eyes? *Not one, not even murder!*

I aspire exclusively to those forms of power which I readily concede to all other human beings. What may they be? The power to exercise and improve my own faculties, to grow intellectually, morally, spiritually. What power will I not willingly concede to any other person and — by the same token — refuse to use myself? The power to interfere with or to control in any respect the *creative activities* of anyone, whoever or wherever he may be. The lack of such power simply leaves me in my place, makes a noninterfering citizen of me, forces me to attend to my own business.

Suppose I could eliminate murder and all else which seems evil to me through a simple wish. In that case, according to my principle of universality, I would have to concede that identical power of legerdemain to everyone else. What would be the result?

Everyone would direct his magic against his pet dislikes. So

certain are millions of people about their panaceas for a perfect world, and so varying are their nostrums, that every societal institution would be erased from the face of the earth! Not only would murder, wars, thievery, slavery be at an end, but so would everything else — mail delivery, private or public; education, private or public; business, private or public; churches, catholic or protestant. Certainly, man and all his institutions would disappear — perhaps the entire planet!

### **Coercion Rampant**

Return to mankind as he now exists and to the world as it is — with no genies among us. But if that power were possessed, would it be used? Yes, and by millions of people. How can one be so certain of this? By observing what these millions do in the absence of this magic power: they resort to coercion to get their way! Unable to reform others by a blink of the eyes, they try to implant their "wisdom" by physical force — "Do as we say, or else!" They seize the police power of government and use it to serve their devious and contradictory ends — frustrated genies with guns!

If these coercionists could work their will upon others by blinking their eyes, would they do so? Of course, and with the aforemen-

tioned disastrous results. To the extent that they get their way by coercion, to that same extent is disaster inflicted upon mankind, as we can readily observe all about us.

### **The Power of Good Example**


Those who condemn the use of coercion must be cautious lest they condemn themselves in the process, so general is the domineering trait. One meets these persons on every hand and in all walks of life. Ever so many would rule our lives if they could; all they lack is the political power. I have learned not to argue with these self-designated miracle workers; I just don't drink tea with them.

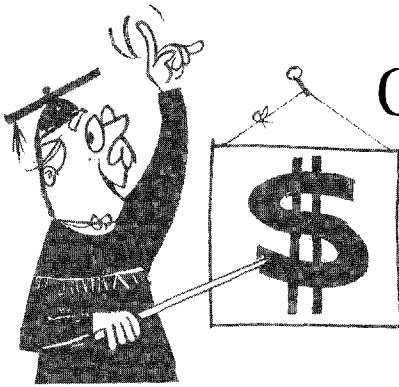
As to those who have gained power and do in fact control our lives, what can one do in opposition beyond setting a better example? You and I can try to understand and explain why we would not wave either the magic wand or the policeman's club. We can demonstrate why it is both immoral and impractical to even hope for a free lunch or to wish that others might be carbon copies of ourselves. For anyone to hold such power over others, as I see

it, is an absolute contradiction of the Cosmic Plan.

If we want "two chickens in every pot," we must learn to raise more and better chickens with less effort. Similarly, with all the goods, services, and ideas we desire. Learn to overcome by excelling, this being the sole means to individual growth. If another's way of life is superior to mine, let him demonstrate it to the point where I can grasp the truth he perceives. Let him explain in terms I can understand. By so doing, he grows — and perhaps I will. But to coercively impose his way upon me is to stunt both his growth and mine. This attempt at lording it over others is characteristic of little folks foolishly trying to play God. I share this conclusion from the *Journal Intimé* of Amiel:

I have never been able to see any necessity for imposing myself upon others.

And so, if I were king, I would renounce the throne. This would free me from the baleful superstition that mine is a "Divine Right" to rule and, at the same time, leave others free to live their own lives. 



# COMPETITION:

Classroom Theory  
vs.  
Business Reality

MARK PETERSON

**PUNITIVE ANTITRUST.** Overregulation of business. The “break-up-GM” and “break-up-IBM” syndrome. Deep-rooted suspicion of business. All this and more are in a large way traceable to Eco. 101, the undergraduate course in microeconomics, including basic competition and price theory.

I submit that a key reason why competition is so widely misunderstood is because of the way it is generally taught in colleges and universities.

In my judgment, the essential source of the confusion between theory and reality is a static view of a dynamic world: the model of “perfect competition” and its related model of “pure competition.” Perhaps nothing in our social realm is perfect or pure, of course, but most academic economists still

use perfect competition as a static yardstick with which to measure dynamic competition in the real world.

For example, Nobel Prize winner Paul A. Samuelson in the eighth edition of his bestselling textbook, *Economics*, states: “The competitive model [of perfect competition] is extremely important in providing a bench mark for appraising the efficiency of an economic system.”

He adds: “Once the rules of perfect competition are left behind, there is no Invisible Hand principle which sets up a presumption that the working out of *laissez faire* is likely to be in the direction of satisfying wants most efficiently.”

The standard treatment of perfect competition by Professor Samuelson and other textbook writers usually sets up four requirements:

---

Mr. Peterson is a graduate student in economics. He also has served as a summer research assistant at the Federal Reserve Board.

1. Perfect knowledge of market conditions and instantaneous resource mobility (a requirement usually dropped as obviously unattainable and thereby resulting in "pure competition" — and it is pure competition to which Samuelson refers when he treats "perfect competition")

2. A large number of sellers in an industry (so large that none supposedly has any influence on price)

3. A standardized or "nondifferentiated" product throughout an industry (thus, no brand names nor advertising)

4. Free entry (meaning relatively costless admission of a new operating company into an established industry)

Having thus defined perfect competition, Eco. 101 textbooks generally describe the other models of lesser competition in terms of their failure to meet these four requirements. Thus "monopolistic competition" is basically pure competition without the standardization requirement met. Also, "oligopoly" (from the Greek, meaning "few sellers") is basically pure competition without the many sellers requirement met.

Naturally, the polar opposite of perfect competition is monopoly in Eco. 101 textbooks. Monopoly is said to consist of one seller selling a unique product (the product has

to be unique because there is only one seller). And it also is said to be "protected" by high costs of entry, of which more later.

#### *The Number-of-Sellers Requirement*

So much for the textbook treatment of perfect competition and its corollaries. Sadly, the treatment is not just an ivory tower matter.

Consider, for example, the number of sellers requirement as it is applied outside the classroom. This requirement is largely the focus of modern antitrust policy. Indeed, Chief Justice Earl Warren stated in the landmark *Brown Shoe* decision (1962):

"It is competition, not competitors, which the [Clayton] Act protects. But we cannot fail to recognize Congress' desire to promote competition through the protection of viable, small, locally-owned businesses. Congress appreciated that occasional higher costs and prices might result from the maintenance of fragmented industries and markets. It resolved these competing considerations in favor of decentralization."

Thus, modern antitrust policy, borrowing from classroom theory, prefers to maintain a relatively large number of sellers even at the expense of efficiency.

This conflict between numbers and efficiency points up the essen-

tial weakness of the number of sellers requirement under pure competition: Little is said about the determinants of the number of sellers. But consumer sovereignty, management ability, and economies of scale are important factors affecting the number of sellers. The presence of few sellers may well be a sign of significant efficiency benefits for the consumer from mass production, mass distribution, and mass research.

For example, the auto industry, called an "oligopoly" in virtually all textbooks, is actually quite competitive, despite the presence of a few domestic producers — GM, Ford, Chrysler, and AMC. In the early years of the twentieth century, there were literally hundreds of small sellers. But the consumer — through Henry Ford — drove out many sellers, as Ford steadily reduced his costs through mass production techniques and dramatically lowered his price. Surely this was competition, and the most basic kind — price competition.

Alas, however, Henry Ford would today probably be considered an imperfect competitor by most students taking Eco. 101. Now he would also be faced by a gamut of antitrust suits, both public and private (from competitors), much as is IBM today.

Apart from efficiency considera-

tions, other factors, which are omitted by the numbers requirement, enter into actual competition — i.e., dynamic competition. For example, there are also uncountable *potential* sellers not quite able to enter an industry — entrepreneurs, usually in related industries, who are waiting for a rise in demand, a technological breakthrough, or some ineptitude on the part of the existing suppliers, before joining the established sellers. Rohr, an aerospace producer supplying San Francisco's BART rapid transit system, is a case in point of a potential seller converting into an actual.

**Competition is Market-Wide,  
Not Confined to a Given Industry**

Another example of an omission in perfect competition theory is competition among individual industries. Interindustry competition exists because for any product there is usually a range of substitutes. To his credit, Samuelson explains that pure competition theory excludes competition between industries such as steel and aluminum.

Perhaps this omission by perfect competition theoreticians can be explained as the confusion of an industry for a market. The point of view of an "industry" is generally that of the seller; the



point of view of a "market" is generally that of the buyer.

But the consumer, not the producer, is sovereign. In the market place, it is the consumer's view that prevails. The buyer's market perspective includes a full range of choices available to him in all competing industries (and even in noncompeting industries in the sense that all industries compete for the consumer's dollar). Witness, for example, the demise of the once blue-chip streetcar industry, which fell prey to the motor car, i.e., to the sovereignty of the consumer.

Or consider a personal example. Not long ago I had to get from Newark, New Jersey to Washington, D.C. I considered three options: driving a rented car, taking the air shuttle, or riding the Metroliner. To me, the sovereign consumer, the three were very much in competition—interindustry competition. This is but another example of how in the eye of the consumer a market inevitably transcends an industry or even several industries.

### *The Forgotten Consumer*

But under the doctrine of perfect competition inherent in modern applied antitrust policy, the consumer plays second fiddle to the Justice Department. The consumer, for example, built up IBM,

democratically; now the Justice Department seeks to tear it down, arbitrarily.

Thus, the number of sellers requirement in perfect competition variously conflicts with actual dynamic competition. The other requirements do, too. Product differentiation, for instance, is considered wasteful by many economists. They deplore the cornucopia of choices available to the consumer, although they might inconsistently deplore the lack of choice in, say, some development housing.

Here, again, theory is at odds with reality. A producer who strives for product innovation—for quality competition, as opposed to price competition—is branded as an imperfect competitor. But are not attempts to improve products salutary? Many economists may not like quality competition, but consumers do. Take King Gillette and his revolutionary safety razor of a half century ago, for instance. Here, technology and quality competition seemingly launched a "monopoly." But did it?

Further, is it feasible for an economist of the imperfect competition school to enter the market place himself, so to speak, and declare with all the weight of his academic credentials that this product or that is or is not wasteful? Is it really in this economist's

domain to pass a scholarly opinion on whether, say, the deodorant soaps of today, or even the tailfins of the 1950's, constitute "waste?" The individual consumer can better decide such questions, for only the consumer knows exactly what he or she wants. (And this proposition holds true for the sovereign corporate consumer as well — e.g., General Motors is a consumer of U.S. Steel and vice versa.)

The requirement of free entry also does not correspond with competition in the real world. Any entry involves cost, of course, as does all economic activity. But to posit a model of perfect competition in which the costs of entry are very low, runs against common sense.

According to this low-cost argument, economies of scale create a protectionist "barrier to entry" because of the heavy investment involved. Thus, mass production is doubly evil in the eyes of perfect competition: it reduces the number of sellers, and creates barriers to entry. But the contribution of economies of scale to lower prices tends to be played down, along with the fact that many firms with economies of scale can be overtaken (such as Ford by General Motors in the 1920's and Sperry Rand by IBM in the 1950's).

Another example of a barrier to

entry cited by quite a few economists is advertising. These economists pick on advertising — apart from its "wastefulness" — because new entrants must pay more in advertising costs than established sellers. True, but they must do so in order to win the consumer's acceptance. For new entrants, advertising is frequently a vital means of gaining acceptance. Restrictions on advertising, which are recommended by some economists, would hurt new entrants and potential competitors.

Thus, all the requirements of perfect competition have severe shortcomings. In a word, all these requirements and their regulatory and other repercussions reflect a concept of competition that is essentially static.

But actual competition is dynamic, not static. The dynamics include the reduction of costs by mass production techniques and new technology, the competition from substitute products, the competition from potential sellers, and the incentive of sellers to improve their products — all under the most dynamic factor of all, the watchful eye and hard decision of the consumer, individual and corporate.

In sum, the conflict between classroom theory and business reality in our understanding of competition is anything but academic.

# A Weary



# Distance

R. W. DEMERS

THE MAN with the hoe slowly straightened his arched back. Taking the straw hat from his head, he wiped away the beads of sweat from his forehead with the back of his dusty hand. Slowly he moved out of the heat of the sun into the shade of a great maple tree growing between his garden fence and a country road. As he stood in the comforting cool, surveying the lush, green, orderly rows of his garden, a neighbor, driving by, pulled up close to the fence and also took note of the neat, and abundantly fruitful garden. He turned to the man in the cool shade and nodding his head with fine approval toward the garden, he said with profound authority: "Yes sir, a mighty fine garden, you sure are a lucky man!" The gardener replaced his straw hat, lifted his hoe, and with a singular, "Yup!" moved

back out into the hot sun as the dust from the departing auto drifted over the green crops.

Because he was the man with the hoe, he had long since learned that it is futile to respond to such a comment; 'tis better to quietly return to that which he knows is more than "luck."

Webster refers to *lucky* as: "happening by chance." The neighbor's observation and subsequent statement are representative of a dangerous half-truth so prevalent these days. Perhaps he knows what many know who have no particular acquaintance with gardening: that the weather, the helpful or harmful climate, is pretty much beyond man's control. Therefore, when he notices verdant crops, neat, orderly rows, abundant healthy growth, all representative of a bountiful harvest, he seizes upon this "element of chance" and utters his half-truth. The most important factor,

---

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

which he has failed to grasp, has to do with the knowledge, industry, and application the gardener must put forth, and without which, good or bad weather notwithstanding, the crop would be a failure.

Orestes A. Brownson, in *The American Republic* in 1866, said the same thing, but in a little different way which broadens the perspective:

Conception is always easier than its realization, and between the design and its execution there is always a weary distance.

Remaining with the garden a little longer—little effort is expended as the garden is planned by the warm hearth during the cold winter months which precede the new birth of spring. But then the plot must be laid out, the soil fertilized and tilled, the seed sown and carefully watered, the weeds pulled again and again, before the plan for the garden moves toward fulfillment. Meanwhile, time and energy, know-how and tender care, and patience have come to represent “a weary distance.”


What does “a weary distance” mean? It means an extended period of time during which there has been an exhaustive expenditure of vigor, endurance, and freshness, an intensive acquisition and appli-

cation of know-how, and a diligent exercise of responsibility.

Leaving behind now the garden green, and considering in greater depth what makes “a weary distance,” it is easy to see that here lies, seldom used and rusting away, a most successful formula.

Despite this age of flip marriage and frequent divorce it seems appropriate to seriously consider a more compatible marriage between “conception” (a general idea) and “realization” (the real accomplishment), between the idea man—the stem-winder—and the fellow who “gets the job done.”

Instead of continued subscription to expediency, and obeisance to the false notion of the “easy way”, there needs to be a recommitment to the full assumption of responsibility, which inevitably means some element of sacrifice blended with just plain hard work. Continued infatuation with “chance” and “wishing will make it so” will mean continued failures.

The present harvest of unchecked inflation, which is robbing everyone—most shamefully the very young and the very old—is the direct result of the refusal to take the route of “a weary distance.” It is in this regard, that, as a people, we need a baptism of common honesty. 

# Was Plato a COLLECTIVIST

JOHN J. ROBERTS

IDEAS have consequences, the late Richard Weaver was fond of reminding us; it is an argument dear to the heart of every student of liberty. And no ideas have so permeated Western intellectual history as have those of Plato. Indeed, the whole history of Western thought, as Alfred North Whitehead suggested a few years ago, may be seen as a series of footnotes to Plato.

It is, consequently, much to the embarrassment of many individualists that Plato is frequently claimed by collectivists as one of their own. The claim is doubly discomfiting because individualists are inclined to give much weight in their world-views to the place of tradition and ideas.

The simple truth is that individualists yield Plato to the collectivist ranks all too acquiescently. The Plato known to most men, of course, is the author of the *Republic*, with his utopian proposals for a strictly regulated society under the benevolent mailed fist of a single philosopher-king. The society depicted in this book is truly a far different thing from that envisioned by lovers of individual liberty. Such liberty is sacrificed in the *Republic*, as in every slave society since, for the sake of an alleged greater communal welfare.

But there is another Plato, less well known. The *Republic* was a comparatively early work; Plato's growth was hardly arrested at this stage. Perhaps his last completed work is the *Seventh Letter*, in certain ways a much more significant

---

Dr. Roberts teaches English literature in Boys' High School of The Westminster Schools, Atlanta, Georgia.

document than even the *Republic*.

This epistle was written in 353-352 B.C., when Plato was about 75 years old, to the relatives and comrades of his own friend and former pupil, Dion of Syracuse. The letter, in reply to a request for aid in avenging the assassination of Dion, is an extended *apologia pro vita sua*, a spiritual autobiography in which the old man, now only five or six years from death, surveys in retrospect his long life.

"In my youth," the letter relates, "I went through the same experiences as many other men. I fancied that if, early in life, I became my own master, I should at once embark on a political career."<sup>1</sup>

#### **Circumstances Change Plans**

These aspirations were frustrated, largely by circumstances beyond Plato's control. The golden age of Pericles had passed; Plato grew up during the twin disasters of the Peloponnesian Wars and the collapse of the Athenian Empire. These dual catastrophes resulted in bitter power struggles between democrats and oligarchs in Athens, culminating in the year of anarchy, 404-403 B.C.

Plato's family, on both paternal

and maternal sides, was aristocratic, and naturally aligned itself with the old Athenian Right Wing. This group, which included Plato's uncle Charmides and his cousin Critias, succeeded in establishing the Tyranny of the Thirty in 404.

"They at once invited me to share in their doings, as something to which I had a claim," Plato remembered in the *Seventh Letter*. "The effect on me was not surprising in the case of a young man. I considered that they would, of course, so manage the State as to bring men out of a bad way of life into a good one. So I watched them very closely to see what they would do."

Plato was only twenty-four when his education in the ways of the world began. For the oligarchy did not — "of course" — bring good government to Athens. Among other outrages, it attempted to implicate Socrates in a murder. Plato, who had been a friend if not actually a student of the aged teacher, was shocked and surprised.

The oligarchy was soon afterwards overthrown by a democratic counterrevolution, and again Plato felt his personal ambitions rise. "And once more," he recollected, "though with more hesitation, I began to be moved by the desire to take part in public and political affairs."

<sup>1</sup> I quote throughout from the text in the Great Books edition (Chicago: Encyclopedia Britannica, 1952).

But he soon discovered that democratic despotism was not significantly different from oligarchic despotism. The new regime itself not only went after Socrates, but convicted him in what has become the world's most infamous trial. Socrates died in 399.

"As I followed these incidents and the men engaged in public affairs," Plato remembered, "the laws too and the customs, the more closely I examined them and the farther I advanced in life, the more difficult it seemed to me to handle public affairs aright."

### *Signs of Maturity*

The young man with all the answers clearly was maturing into his share of common sense. He was also having second thoughts about the practical chances of a political career at this time.

"Though at first I had been full of a strong impulse towards political life," the *Seventh Letter* continues, "my head finally began to swim; and, though I did not stop looking to see if there was any likelihood of improvement in these symptoms and in the general course of public life, I postponed action till a suitable opportunity should arise."

With a certain touching naivete, perhaps characteristic of the extremes of idealism and cynicism to which youth is prey, Plato now

turned against both democracy and aristocracy. He concluded grandly "with regard to all existing communities, that they were one and all misgoverned."

The only salvation, he deduced, was for power to rest in the hands of a wise dictator: "Therefore, I said, there will be no cessation of evils for the sons of men, till either those who are pursuing a right and true philosophy receive sovereign power in the States, or those in power in the States by some dispensation of providence become true philosophers."

While Plato was indulging himself in such speculations, the political temperature in Athens was steadily rising. Not being utterly without discretion, Plato recognized that the time was ripe for some traveling. He left on an extensive grand tour which kept him away from Athens for more than a decade.

At some point in this wandering, he arrived in Sicily, where he had audience with Dionysius the Elder, tyrant of Syracuse, and discovered in the dictator's brother-in-law, Dion, a ready disciple.

### *Plato as Teacher*

In 387 B.C. Plato returned to Athens, where he found the political climate still unfavorable. The bane of all professional educators is that jibe, "Those who can, do;

those who can't, teach." Plato himself, finding it impossible to enter politics, turned to teaching the subject to others.

His suburban school in the grove of Academos heavily emphasized political and juridical theory. Moreover, his students went forth throughout the Mediterranean world as advisors to rulers; Plutarch, among his other considerable labors, compiled an impressive list of the political advisors trained by Plato — including Aristotle himself, who brought up the man later known as Alexander the Great. Shortly after founding the Academy, Plato also began committing to paper his dreams of the philosopher-king he had not yet found in real life. The *Republic* was finally finished around 375 B.C.

Then, in 367, a curious thing happened. That was Plato's sixtieth year; it was also, incidentally, the year Aristotle came to the Academy as a pupil. In this year, Dion sent word to Plato that Dionysius the Elder had died and was being succeeded by his son, who could use a philosopher's guidance.

### **The Lure of Politics**

All the pent-up idealism and lust for personal political involvement in the sixty-year-old Plato responded to Dion's invitation. In the *Seventh Letter*, Plato recalled

having thought to himself that "if ever anyone was to try to carry out in practice my ideas about laws and constitutions, now was the time for making the attempt; for if only I could fully convince one man, I should have secured thereby the accomplishment of all good things."

Unfortunately, Dionysius the Younger proved to be no more attracted to the virtues of philosopher-kingship than are most tyrants. In fact, Plato had been his guest at court only some four months when Dion was banished; the young tyrant had Plato himself put under a kind of house arrest. The aging philosopher eventually managed to return to Athens, but only after considerable personal danger.

And here emerges a thing truly amazing: a few years later, in 361 B.C., Plato made yet another quixotic voyage to Syracuse! Dionysius had been importuning the sage to return, and Dion, although in exile, added his pleadings; both men assured Plato that Dionysius had undergone a change of heart and was now truly anxious to learn the life of philosophy.

Plato's longing to believe this dubious tale was obviously rooted deeply, for he rationalized away his reservations, forsook his wits, and packed his grip.

"I myself had a lurking feeling



that there was nothing surprising in the fact that a young man, quick to learn, hearing talk of the great truths of philosophy, should feel a craving for the higher life," is the rather lame excuse offered in the *Seventh Letter*. "So blindfolding myself with this reflection, I set out, with many fears and with no very favourable anticipations, as was natural enough."

The next sentence is revealing and sufficient: "I had the good fortune to return safely. . . ." Never again did Plato attempt any active political role.

#### **Realism in the "Laws"**

To measure the extent of Plato's disillusionment with dictatorship as well as with oligarchy and democracy, it is instructive to turn to the *Laws*. He began work on this major project around 360 B.C., interrupted it to write his *Seventh Letter*, and was engaged on the final revision when he died in 348 or 347.

In the *Laws*, Plato is no longer concerned with designing an ideal state. He now seeks to frame a constitution applicable to any society of ordinary Greeks in the middle of the fourth century before Christ.

The philosopher-king of the earlier *Republic* is nowhere to be found here. In the *Laws*, Plato dismisses government by personal di-

rection of a benevolent despot as simply not practical. The conditions of actual life rule out the possibility of any one fallible man combining in himself all the virtues requisite to a genuine philosopher-king. Instead, the state's best hope lies in a mixed constitution, balancing in a golden mean the opposite but equally necessary principles of popular control and personal authority ("democracy" and "monarchy," in Plato's terminology).<sup>2</sup>

Economically, the system of the *Laws* also differs considerably from that of the *Republic*. Plato now dismisses his earlier communism, on the same grounds as he does dictatorship: it simply is not practical. Socialism may be the most desirable of all utopian goals, he says, but it just will not work in the real world.<sup>3</sup> The father of Western thought has here, in his old age, achieved a blend of common sense and uncommon wisdom, unfortunately not ubiquitous among subsequent generations.

#### **Age and Experience**

But in another and even more important respect have age and experience modified the young man's utopian idealism. Plato's thought began with the desire to reinstate

<sup>2</sup> See especially *Laws*, III, 693-694.

<sup>3</sup> *Laws*, V, 739-740.

the totalitarian ethic of the old Greek city-state, and a political career seemed the natural corollary of such a macrosocietal premise. However, he came to recognize that the philosopher is a man doomed to failure in the practical world. Plato's own bitter experience is not unique, of course, and he must often have recalled the fate of his friend Socrates. Even today, we still mock as the archetype of the impractical intellectual the Greek Thales, who tumbled into a well because he was gazing up at the stars.<sup>4</sup>

"This is a jest which is equally applicable to all philosophers," Socrates says of Thales. And yet only the philosopher — the lover of wisdom — is truly a free man.<sup>5</sup> Ridiculed and rejected by the world he would save, the wise man must at last, in that magnificent phrase of Socrates from the end of the *Republic*, fall back upon "the city which is within him" (IX, 591).

It is a much-vexed issue to what degree Plato used Socrates as a mouthpiece for his own views in the dialogues, but at this point we seem to have the words of the older man. It is clear, at least, that Plato's initial disappointment at

his own political impotence was not sufficient to prevent his Sicilian journeys after the *Republic* was completed.

#### **Content to Cultivate His Own Garden**

But it is equally clear that the observations of Socrates at the end of Book IX of the *Republic* could just as well have been spoken by the Plato who returned from the final Sicilian trip. Jesus was later to note that a prophet is not without honor save in his own country; likewise, Socrates cynically held that a wise man cannot succeed as a statesman, at least "not in the land of his birth," except by the improbability of divine intervention. He will be a statesman only in that heavenly city of Ideas or Forms, Socrates insisted, and whether such a city "exists, or ever will exist in fact, is no matter; for he will live after the manner of that city, having nothing to do with any other" (IX, 592).


Plato came at last to the conviction of Socrates that the wise man will above all cultivate his own garden, restricting his teaching efforts to selected individuals around him who will then go out to other individuals, including, hopefully, kings and rulers. This ultimate concern with the individual is not devoid of social im-

<sup>4</sup> The story is reported by Socrates in the *Theaetetus*, 174.

<sup>5</sup> See Socrates' justly famous argument in the *Theaetetus*, 173-176.

plications, of course, as Plato makes clear in both the *Seventh Letter* and the *Laws*. The State must have good laws, both written and unwritten, but the best laws ever devised will not prove effective if the State is not peopled with an aristocracy of good men. The individual ethos is of supreme importance; the just society is impossible without it.

At the risk of some simplifica-

tion, we may say that the difference between the early Plato of the *Republic* and the older Plato of the *Seventh Letter* and the *Laws* is the difference between the collectivist and the individualist. If modern statistis isolate and elevate the collectivist biases of the *Republic*, certainly students of liberty may study with profit and claim with pride the older, wiser Plato. 

### *The Man versus The State*

BEYOND the regulative apparatus such as in our own society is required for carrying on national defence and maintaining public order and personal safety, there must, under the *régime* of socialism, be a regulative apparatus everywhere controlling all kinds of production and distribution, and everywhere apportioning the share of products of each kind required for each locality, each working establishment, each individual. Under our existing voluntary co-operation, with its free contracts and its competition, production and distribution need no official oversight. Demand and supply, and the desire of each man to gain a living by supplying the needs of his fellows, spontaneously evolve that wonderful system whereby a great city has its food daily brought round to all doors or stored at adjacent shops; has clothing for its citizens everywhere at hand in multitudinous varieties; has its houses and furniture and fuel ready made or stocked in each locality.... And throughout the kingdom, production as well as distribution is similarly carried on with the smallest amount of superintendence which proves efficient; while the quantities of the numerous commodities required daily in each locality are adjusted without any other agency than the pursuit of profit.

IDEAS ON



LIBERTY



## *ECONOMICS and the PRESS*

BRIAN SUMMERS

MOST PEOPLE agree that a free press is a vital component of a humane society. Yet many of these same people assert that the free enterprise system is not only superfluous to achieving and maintaining a humane society, but is, in fact, the one great obstacle to its fruition. That is, they believe that freedom of the press can somehow be preserved while economic freedom is being destroyed. Let us give this matter a little thought.

A good place to begin is the question of property. Who is to own the printing presses, buildings that house the presses, and land on which the buildings are situated? If the institution of private property is abolished, then

they must be owned by the state. Human nature being what it is, it is extremely doubtful that government presses in government buildings on government land would print much copy that displeased the government. This alone is probably enough to ensure that publications like *Pravda* will never be anything other than state propaganda sheets.

Even if a socialistic government decided that publishers are somehow different from everybody else and granted them the exclusive right to own property, this would by no means guarantee journalistic independence. Where are the publishers to get their supplies? Who is to manufacture and distribute the newsprint, ink, spare parts, and all the other paraphernalia needed to keep the presses running? As publishers in

---

Mr. Summers is a graduate student in mathematics at the State University of New York at Stony Brook.

Chile have recently found, government control of these supplies can be an effective lever against dissent.


As these examples show, constitutional guarantees of press freedom can prove meaningless if the state has some control over the economic factors of publication. To pursue the matter further, let us consider the publisher's sources of revenue. If he does not want to find himself beholden to the state, his sources had best not include the government. In capitalistic countries the two main sources are private in nature: sales and advertising. In fact, some publications are free — they exist entirely on their advertising revenues. Without such privately financed advertising, numerous independent journalistic voices would be stilled.

In socialist countries there is little need for advertising because there is little or no competition. The government manufactures the only products being offered on the market, aside from whatever imports it may permit. Being a monopolist, the state has little or no reason to place advertisements. If the government does buy advertising space, publishers are well aware of where the money comes from.

Even in a mixed economy, such as we have in the United States,

government advertising can have a chilling effect on journalistic independence. Many newspapers operate on the border between profit and loss. To more than one small paper a contract for legal advertising for the county has meant the difference between red and black ink.

The free enterprise system is important to the publisher for more than just maintaining his journalistic integrity. Even if he maintains his integrity, he must still deal with a problem facing all entrepreneurs: staying in business. Government interventions in the economy often make this problem insurmountable. To cite just three examples, the publisher must contend with government inflation of the money supply, rising taxes, and laws that prohibit the hiring of nonunion workers. The last have been particularly damaging, for they have not only increased overhead, but they have also led to lengthy strikes that have temporarily, and sometimes permanently, put newspapers out of business.

As even this cursory examination reveals, freedom of the press, which so many Americans hold as sacred, is not an isolated freedom. Rather, it is based on the economic freedoms which many Americans, particularly members of the press, view with disdain. 

# IMITATION

R. J. RUSHDOONY

THOMAS A KEMPIS (1379-1471) wrote a devotional manual entitled *On the Following* (or *Imitation*) *of Christ*, said by some to be, after the Bible, the most widely read book in history. The title sums up the major cultural goal in the history of Western civilization, the attempt to create a social order in terms of Christ and Scripture. With the Renaissance, and then with the Enlightenment and the French Revolution, another cultural goal came into existence, the imitation of the non-working rich, royalty, or nobility. The object of envy and imitation became the idle classes, men beyond work, men who could live in contempt of monetary considerations, morality, and law. The rake and the dandy became heroes; they seemed to

live a life without reckoning, and without a day of economic or religious judgment.

The beginning of the era of revolutions did not lead to a proletarianization of culture. Instead, the new classes in power began to imitate the vices of the old aristocracy and to flaunt their contempt of economics and religion as a means of proving that they had arrived. In France, from Louis XIV on, the court was marked by gambling on a massive scale, and sexual immorality. Nineteenth century France saw the new classes imitate royalty, and courtesans triumphed as never before. In Red China, the elite communist cadres put the old war lords to shame with their more systematic exploitation of women, their use of power to promote their idle fancies, and their childish and senseless pride.

Each new generation of leaders has imitated the older idle rich

---

Rev. Rushdoony is President of Chalcedon, an educational organization dedicated to furthering Christian research and writing. He is author of numerous books and a frequent campus lecturer. This article is reprinted by permission from *Chalcedon Report*, May, 1973.

and have built houses, not in terms of convenience and utility, but as imitation palaces, and furnishings still are prized because they echo the ornate vulgarity of the Bourbon styles. The "proletarian art" of Marxist countries is officially required to imitate the older styles of royal Europe in the name of socialist realism, whereas non-Marxist art despises the same tradition in art because the middle classes borrowed and used it for a time. Modern art strives instead for a new elitism which is non-utilitarian in a radical sense.

### **The Training of Gentlemen**

In education, the goal on the part of the traditional scholar is the training of gentlemen. Witonski thus deplors the instrumentalism of American universities, where, "Instead of studying, say, Latin poetry, a student can study urban race relations, an instrumental course that will be of little use to him in the real world." (Peter Witonski: *What Went Wrong With American Education*, p. 112. New Rochelle, N.Y.: Arlington House, 1973.) But of what "use" is Latin poetry "in the real world"? Witonski's idea of a liberal education is hopelessly obsolete. A liberal education is an education in the art of freedom, of being a free man (*liber* meaning free), and Witonski, as an Oxford

and Harvard scholar, has a view of freedom which is irrelevant to our world, and, in its own way, almost as worthless as courses in hotel management. The scholar as a member of the idle class, a man who *is* rather than *does*, is meaningless increasingly. The scholar who *does* seeks to imitate the "social relevancy" of agitators. The academic scholar thus has been unable to define himself in our era because he lacks a faith which makes for valid definition. This underscores his increasing irrelevance to the future in any constructive sense.

The styles of men and women in the age of aristocracy stressed clothing which made people useless for work. Women emphasized this by their hair-styles, shoes, and finger-nails: they were beyond work. The goal of most moderns is the same non-utilitarianism and the same lust for an aristocratic idleness. The hippies have also manifested the same contempt for the world of work: they drop out of study and work. They emphasize hand crafts and aristocratic arts as alone relevant to their cultural goals.

"The Puritan work ethic", as the antithesis of this imitation of the non-working or idle rich, has been especially under attack. In the 1920's, as a boy in Detroit, one of the most remarkable facts

was the pride of workers in automobile factories: they urged friends to take the guided tour through, for example, the Ford plant, to see the assembly line. Instead of boredom, there was a delight in the high volume of production and a boastfulness about what their work was doing to change the world. The reason for this attitude was the "Puritan work ethic." The increasing signs of boredom today mark not only the automobile workers but white collar workers, executives, intellectuals, and men in every area of work. The reason is a change of faith, the growth of a delight in idleness rather than work. Increasingly, men no longer live to work, but work in order to be able to play. The *Playboy* dream is to cultivate the appearance of being a member of the idle rich from college days on.

The idle rich were a reality, but always a sign of approaching death and collapse. The nobility of France, for example, became idle and useless when Louis XIV required their presence at court and stripped them of power to prevent revolts. As a growing bureaucracy took over, the monarchs themselves became idle and finally irrelevant. Today, because of the proletarianization of the dream of idleness, men of all classes are determined to make themselves ir-

relevant and to commit cultural suicide.

***Imitating the Idleness,  
Not the Greatness, of the Rich***

The hatred of capitalism is largely inspired by the old dream of imitating the nobility and royalty, not in their greatness, but in their decadence. The life style of the future requires, we are told, living in terms of fun and games. We are asked to despise mass production in favor of handcrafts, and to love the new morality rather than to obey God.

The rich have always been with us, as have the poor. The lines, historically, have been very sharply drawn. To the horror of the nobility, the Industrial Revolution not only created a new rich class, the industrialists and merchants, but it made good living cheap enough for the middle and lower classes. Capitalism undermined the old aristocracy and dramatically benefited the masses. As Hazlitt notes, "Before the Industrial Revolution the prevailing trades catered almost exclusively to the wants of the well-to-do. But mass production could succeed only by catering to the needs of the masses." (Henry Hazlitt: *The Conquest of Poverty*, p. 54. New Rochelle, N.Y.: Arlington House, 1973.) The result was the rapid rise in the standard of living



among all peoples in Western Europe.

A savage counter-attack came from the two major branches of the old aristocracy, the lords and the intellectuals. A series of "investigations" were launched in England to dredge up every case of capitalistic exploitation in order to build a case against the new class. Since no class is exempt from sin, such examples were found and publicized by both the lords and also by the intellectuals. (See F. A. Hayek, editor: *Capitalism and the Historians*. The University of Chicago Press, 1954.) Socialists and aristocrats made common cause in their hatred of the levelling influence of the free market. Karl Marx, by virtue of being an intellectual, entered the ranks of the aristocracy and married into the nobility. In *The Communist Manifesto*, he echoed the aristocratic hatred of the Industrial Revolution while admitting its revolutionary impact on the world. Marx charged, "The bourgeoisie, wherever it has got the upper hand, has put an end to all feudal, patriarchal, idyllic relations. It has pitilessly torn asunder the motley feudal ties that bound man to his 'natural superiors', and has left no other nexus between man and man than naked self-interest, than callous 'cash payment'." The bourgeoisie had

replaced the old aristocracy, with its junior members, the intellectuals, with a new upper class, the producers, and Marx could not forgive them for that offense. While ready to admit the remarkable effects of industrialism, he took offense at its by-passing of the intellectual. He countered with an Hegelian dream in which the seduced masses, rejoicing in the new affluence, were offered even more affluence if only they followed the intellectuals as their philosopher-kings. One point Marx saw clearly. Power had belonged to the royalty and landed nobility, because, in the old order, they largely controlled property. This old aristocracy had made room for the intellectual; a Ph.D. had standing as a junior member of the aristocracy, and, if he were a Goethe or a Voltaire, with or without a degree he was an uncrowned king. That eminence had been shattered. Capitalistic production had created new and cheap property, good property, and even landed property was being taken over by the middle and lower classes with their new wealth. In *The Communist Manifesto*, Marx declared, "The distinguishing feature of Communism is not the abolition of property generally, but the abolition of bourgeois property. . . . In this sense, the theory of Communism may be summed up in the single sentence:

Abolition of private property. . . . Capital is therefore not a personal, it is a social power." Once a feudal aristocracy had controlled this social power, property. Marx now proposed that a new feudal aristocracy, the dictatorship of the proletariat, the intellectual elite, control this social power. The Marxist "revolution" was the ultimate in counter-revolutionary thinking: it was aimed at undoing the effects of the Industrial Revolution.

### **Sabotaging Production**

In a variety of ways, the New Left continues in this reactionary, counter-revolutionary tradition. "Detroit" is a symbol of the hated mass producer. Production has polluted the world, the ecology people hold, ignorant of the greater pollution which preceded the Industrial Revolution, or of the times when the rivers of Europe were dead streams in a way beyond our present knowledge. The goal of the New Left is to sabotage the great seducer of the common man, production. Instead of realistic attempts at dealing with pollution, the "eco-freaks", the New Leftist exploiters of ecology and conservation, concentrate instead on *destroying production*. Through legislation and sabotage, production is hampered. Oil shortages are one result. The oil reserves in America

alone are enormous, despite the statements to the contrary, but drilling is restricted, and new refineries are not built because of restrictions. Off-shore drilling has a remarkable record of safety; the Santa Barbara incident had overtones of sabotage. Today, guards are necessary on off-shore installations to prevent sabotage by groups who want to create destruction in order to make production anathema. It is the mark of the New Leftist aristocracy to despise mass production in the name of the masses, to hate an abundance which enables "the common man" to have as much as an intellectual. One well-paid university professor climaxed and concluded a long tirade against capitalism by declaring, "Do you realize that my plumber makes more money than I do?" This was the ultimate insult: the free market economy had given a plumber more money than a professor! The professor's contempt of capitalistic materialism had a materialistic ring. In every age, disproportions have existed such as the professor cited, and in every society. They are not corrected by envy and mass suicide.

We see also a horror of abundance in the New Left and a desire to *destroy abundance*. The delight of the New Left in handcrafts is revealing. What they produce is

sometimes good, sometimes crude and childish, but, in either case, it has for them the virtue of being a scarce product. Scarcity is prized and abundance is despised. There is a contempt in every area of the common and the abundant. For example, to have a lovely flower or shrub in one's garden which grows and blooms readily is somehow despised and frowned upon. The idea is to coax growth out of something which does *not* do well in that locale. Achievement is not seen as beauty but as scarcity and exclusiveness. For many, a flower is not beautiful if it is common. In my university days, I heard professors on a few occasions ridicule the Californian's affection for his state flower, the poppy. In those days, tens of thousands of acres were covered with poppies every spring. Since then, cultivation and the extension of farming into new areas has caused the poppy to recede. A student has told me that he has heard professors denounce the destruction of the California poppy by the extension of farming. This is typical: abundance is despised, and scarcity is prized, because only the elite can afford the scarce item.

To cite one more example among many, *styles* reflect the same hatred of that which all men can enjoy and the same lust for the aristocratic. The aristocratic in

this definition is not the superior but rather the exclusive and the scarce. Whether the style is in dress or in a fad, as long as it is the mark of the *avant garde*, everybody is ready to imitate and adopt it. The imitation of the idle rich, the jet set or any other group, is a major passion. Is it chic to see a certain pornographic film, to favor homosexuals, or to adopt a style? Then all climb aboard the bandwagon of liberal or radical chic, hippy chic, or what have you. However, when it becomes popular, it perishes. Is everybody doing it? Then forget it.

The imitation or the following of Christ had as its goal life. The imitation of the ideal of the idle rich, of aristocracy as imagined in the modern era, has as its goal *irrelevance*.

The *privileged* groups of the monarchist era in France had as their social goals and principles four things. First, they believed in inequality, however much they idolized Rousseau and his gospel of equality. It was an article of faith with them that some men are more equal than others. Second, they believed in the autonomy of the aristocracy; they were exempt, or should be, from the laws which bind common men. Third, they were "different" and hence could not be included in the body politic in the same way as other men.

Fourth, even though they had little power, they regarded the exercise of state power as their natural right. It is this heritage which the intellectuals and the New Left (as well as the Old Left) have largely adopted. It is a policy of studied irrelevance, and its only real power is, not to produce, but to destroy.

Another factor which has since been added is *madness*. The extent to which madness is a theme of importance in modern culture is rarely appreciated. Before Freud, the cultivation of new and aristocratic mental illnesses was already prominent. Psychoanalysis became an "in-thing" for a time for the self-styled elite. In fiction, television, and motion pictures, the subject of madness is a common one, and an appealing one to many. Mental illness is in fact systematically courted as a liberating process by sensitivity and encounter groups, and industry for a time recently worked to cultivate mental illness as though it offered a way to a higher status and health. This cultivation of mental illness is still a "growth industry", typical of the new, non-productive growth "industries" of our time. Gene Church and Conrad D. Carnes, in *The Pit, A Group Encounter Defiled* (New York: Outerbridge & Layard, 1972), gives us an account of the kinds of de-

pravity cultivated in the attempts to gain leadership and aristocracy through induced madness.

An age which despises production and abundance and pursues scarcity, idleness, and irrelevance will certainly gain all these things, and will destroy itself in the process. Scarcity is ahead, and irrelevance, and death as well. The age of the state, the world of humanistic man, is committing suicide. We will be hurt in that process, but it is also a forerunner of our deliverance. More than ever, we must work to re-establish our roots in the Biblical faith and order, to establish new schools and institutions to rebuild society.

In 1961, in the concluding paragraph of my book, *Intellectual Schizophrenia, Culture, and Education*, I wrote: "The end of an age is always a time of turmoil, war, economic catastrophe, cynicism, lawlessness, and distress. But it is also an era of heightened challenge and creativity, and of intense vitality. And because of the intensification of issues, and their world-wide scope, never has an era faced a more demanding and exciting crisis. This then above all else is the great and glorious era to live in, a time of opportunity, one requiring fresh and vigorous thinking, indeed a glorious time to be alive." More than ever, this is true today. ☉

# Eyewitness to History:

## Memoirs and Reflections of a Foreign Correspondent for Half a Century

Isaac Don Levine, who describes himself as a "mutualist" (meaning that, like Leonard Read, he believes in "anything that's peaceful"), has for many years been our most vigorous and competent authority on the machinations of the Communists. You would think that he would be full of honors for his many services to freedom, but the strange thing is that he still suffers from being ahead of popular opinion in his efforts to arouse a sleeping Republic to various totalitarian menaces. His fascinating autobiography, *Eyewitness to History: Memoirs and Reflections of a Foreign Correspondent for Half a Century* (Hawthorn, \$10), is a compendium of journalistic "firsts" that few people accepted as truth at the moment, even though events have invariably sustained the Levine point of view.

When Don Levine was growing up in Czarist Russia before World War I, he was conscious that there

was a New World on the far side of the globe where "live and let live" was the rule and the doctrine of mass terror was unknown. His father wanted to give him an orthodox Hebrew education, but he persisted in imagining that the Dnieper River was Mark Twain's Mississippi. He read *Tom Sawyer* and *Huckleberry Finn* in Russian translations, along with Fenimore Cooper's *The Last of the Mohicans*, and when, on the occasion of Mark Twain's death in 1910, a local paper printed a dispatch about the erection of a statue to Twain on the river bluffs at Hannibal, Missouri, Don asked the editor if he would like an eyewitness report of the statue's unveiling.

When the editor expressed amusement, the young Don took it as encouragement. Accepting the editor's interest as evidence of a bona fide assignment, Don surprised his skeptical friends by getting a passport, which was not an

easy thing to do. He arrived in New York in October of 1911, intent on shaking the mud of the Dnieper River banks from his boots in favor of real Mississippi mud. In pursuit of his dream he wound up in Kansas City, where the mud was Missouri mud. Intent on making himself as much of a native as possible, Don entered a high school in the most exclusive residential area of the city. He was going to be a midwest American, and nothing else.

### **Came the Revolution**

The Russian Revolution intervened. The trouble with Don Levine was that he knew Russian, and there was a journalistic market for informed articles on what was happening as Kerensky rose and fell and the Bolsheviks made their bid to take over. Don translated some Russian handbills for Gareth Garrett, then the managing editor of the New York Tribune, and they turned out to be the first news bulletins of the Revolution. This curious news beat made Don an expert, and it wasn't long before the boy who had wanted above all to be a midwest American found himself back in Russia, working for Victor Lawson, the publisher of the *Chicago Daily News*.

Don Levine was never taken in by the Bolsheviks, which meant that he had "liberal" America to

fight. On the other hand, he didn't make the journalistic mistake of thinking Lenin and Trotsky were in danger of defeat by the White Russians and Admiral Kolchak. Cleaving to the truth, Don described Trotsky, for example, as a great actor in a live drama, but no hero or genius. Lenin, to Don, had a closed and unoriginal mind and did nothing to change the inner character of the State. And when Don Levine wrote the first extended biography of Stalin, he saw him as a Tammany Hall figure, a "boss" without idealistic features. (This was before the big trials and purges of the Nineteen Thirties had revealed the real bloodiness of the Stalin character.)

Out of phase with the Western "liberals" who insisted on seeing the Russian "experiment" even under Stalin as something holy, Don Levine remained a minority voice among the intellectuals of the Twenties and the Thirties. His pattern, which was that of the youth who insisted on pointing out that the naked emperor was indeed naked, was set, and it was perhaps a foregone conclusion that he would be unable to get President Franklin D. Roosevelt to listen to Whitaker Chambers's revelations about the extent of Soviet spy infiltrations at the time of the Nazi-Soviet Pact.

Levine met Chambers—or "Carl,"

as he had been known when he was a Communist courier — through Herbert Solow, a specialist in Soviet intrigue who later became a most gifted editor of *Fortune* magazine. It took a good deal of doing to get Chambers together with Assistant Secretary of State Adolf Berle, who was willing to guarantee, at least implicitly a promise of immunity from prosecution to an ex-spy who could furnish evidence that would benefit the country. Chambers was a most reluctant witness (he had no vindictive spirit against Alger Hiss), but he told enough about the spy rings working in Washington to frighten Berle. When the information went to the White House, however, Roosevelt scoffed at it. So nothing happened for seven long years until the House Committee on Un-American Activities, reacting to the Cold War, started digging into the subject of Soviet penetration of the Washington bureaucracies.

### ***Insights and Revelations***

The Chambers story is a high spot in Don Levine's book, but it is only one of a number of revelations that correct the historical record of our times. Don Levine ferreted out more facts bearing on the assassination of Leon Trotsky than anybody else was able to dig out. He had interesting contacts with Albert Einstein, who was willing

to help him when it came to exposing the Nazis but who timidly froze up when asked to apply an anti-totalitarian standard to the machinations of the Communist Party. He investigated the slaughter of the Romanoff royal family, giving us unforgettable pictures of what happened both before and during the hail of bullets that cut down Czar Nicholas, Czarina Alexandra and their five children in the cellar at Ekaterinburg.

With his knowledge of the terrorist mind and tradition, Don Levine was probably the first journalist to grasp the meaning of Lee Harvey Oswald's assassination of President Kennedy. Oswald brought the Che Guevara-Maoist terror to American soil, where it was to rage throughout the later Nineteen Sixties, resulting in the murders of Martin Luther King and Bobby Kennedy and in the disruption of universities all over the country.

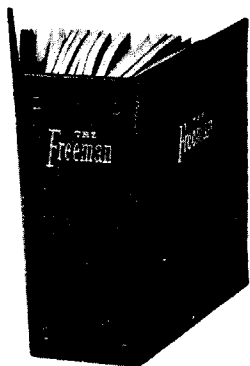
### ***No Compromise with Communism, But a Balance of Powers***

Levine's final chapter shows him going against the prevailing hopes of detente with the Communists. The conflict between tyranny and freedom won't end, he says, until there is a world of free men everywhere. But he sees "a road to safety for the United States and the rest of the free world" in the

contest between Moscow and Peking for the domination of Asia. He has listened respectfully to refugees from the Chinese interior province of Sinkiang who say, "The salvation of the free world lies in the continuance and acceleration of the Sino-Soviet conflict." He worries a bit about a possible Japanese-Chinese entente in Asia and an embryonic Russo-German rap-

prochement in Europe. He hopes these won't be allowed to sprout, for if they do it is bound to augment the burden of the arms race the U.S. must carry.

Therefore, Levine suggests, the U.S. should strengthen ties with West Germany and Japan, leaving Russia and Red China to their own devices.



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533

---



# the Freeman

VOL. 23, NO. 10 • OCTOBER 1973

- Is Escape from the Poverty Trap Possible?** Bertel M. Sparks 579  
The blessings of freedom are possible to those not bound by the burdens and temptations of the welfare state.
- The American Dream** John E. Nestler 593  
When principles give way to materialism, the dream becomes a nightmare.
- Challenges of the Communications Explosion** Philip Lesly 598  
Examining new patterns in our human climate that challenge our stability and progress.
- Appeal to the Intellect** Leonard E. Read 609  
If we would attract, we must appeal to the best, not the worst, in ourselves and in others.
- Who Profits from East-West Trade?** Eugene Guccione 612  
The record of successful market exchange with socialists is very discouraging — to non-socialists.
- The Market, or the Welfare State** Paul L. Poirot 621  
How the market and its money system serve especially the laboring poor.
- Capitalism and Morality** Edward Coleson 625  
The bad reputation of the market economy cannot be justified from the record.
- Book Reviews:** 634  
"The Western Marxists" by Neil McInnes  
"The Morals of Markets" by H. B. Acton  
"Passing of the Modern Age" by John Lukacs

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "Capitalism and Morality."





# Is Escape from the Poverty Trap Possible?

BERTEL M. SPARKS

IN PRESENT-DAY America one cannot listen to either radio or television for long without being told about somebody being in a poverty trap. According to the usual script, not only is somebody *in* that unfortunate trap, but he is so *held* there that escape is impossible without outside help. And of course the viewer or listener is looked upon as an appropriate source for that help.

In so far as these commercials are expressions of sympathy and concern for the welfare of fellow human beings, they are to be commended. But the more thoughtful viewer or listener cannot avoid looking beyond the immediate emergency and inquiring into the meaning of the word "poverty" and the word "trap" and all the other trimmings and emotion-laden words that go with such pleas. He is moved to ask such questions

as what is a poverty trap, who sets the trap, and why isn't the culprit arrested and brought to justice? Inquiries such as these might lead to some surprising embarrassments.

Webster defines a trap as, "Something by which or in which one is unsuspectingly caught, injured, [or] led astray. . . ." The same source defines poverty as, "Any deficiency in what is desired or desirable or in what constitutes adequacy." Maybe these two definitions can be put together to give some rational meaning to the expression, "poverty trap." When that is done, a poverty trap appears to be a condition of deficiency in which one is unsuspectingly caught. Like all efforts to reduce ideas or concepts to words, that definition is less than perfect. But it does set forth a framework within which one may at least consider the question, "Is escape from the poverty trap possible?"

Within that framework the ques-

---

Bertel M. Sparks is professor of Law at Duke University School of Law, Durham, North Carolina.

tion becomes, "Is it possible to escape from this condition of deficiency in which one is unsuspectingly caught?" Here again the thoughtful inquirer is likely to want further clarification. He will want to know what kind of deficiency or what kind of poverty. He will realize that there are such things as poverty of thought, poverty of soul, and many others, any one of which could occupy a lifetime of study. But it seems reasonably clear that the poverty being discussed in the ever-present radio and television commercials is economic poverty and that the deficiency is a deficiency of material well-being. Even within that limited context, poverty is still a relative term. It is a deficiency of what is desired or desirable. And what is desired by one person might be abhorred by another. In a sense every human being is in poverty because no one has everything he desires. The unsatisfied desire, however, is itself desirable in that it is often the catalyst for increased production.

#### **Relative Affluence**

But these insatiable desires are not the things that come to mind when one is talking about an escape from the poverty trap. Some element other than desire alone must be considered. It is a known fact that material well-being is not

evenly distributed. In one historical setting the general level of well-being is likely to be quite different from what it is in a different period. In any given society it might be substantially different from what it is in another society within the same historical period. And even within a society that is restricted and confined to one moment of time and to a very small area of the earth's surface, there are always some individuals who are blessed with far more of this world's goods than are other individuals. If escape from the poverty trap means anything at all, it must have something to do with movement from among the least well-to-do toward those on a higher plane in a material sense. With that understanding, the question, "Is escape from the poverty trap possible?", can be re-stated as follows: Can an individual caught on the lower levels of economic well-being move from that position toward the upper levels within his own society, and can one society which is presently on the lower levels of human existence move itself as a society toward the more affluent societies of the earth? There are at least two ways of approaching this question.

There is the philosophical approach and the experience approach. The philosophical approach usually means that the

members of a group undertake to think about the problem, pool their individual opinions, and agree upon a common answer before any action is started. The weakness of this method is that it tends to ignore the lessons of experience. If the present generation were the only people ever to inhabit the earth and if every person now living had from the date of his birth to the present always been in the same relative position with regard to his material well-being, the philosophical process might possibly be a suitable way to begin. Rational thought honestly exercised might point the way toward a solution. But this absence of experience does not exist. The human race actually has a few thousand years of recorded history to examine and it might be worthwhile to look at the record. Have any societies or any individuals ever escaped from poverty, and, if they did, how did they do it? The best abstract thought of which the human mind is capable is likely to look pale against so much as a small segment of that record of experience.

#### **An Early Example**

If an under-developed country is needed as an exhibit for study, there could hardly be found a better example than the United States. Have a look at that na-

tion's beginnings. See its inhabitants as a small band of foreigners on a rocky, unimproved, hostile shore where there were no houses, no factories, no drug stores, and not even any neon signs to brighten up the horizon. Were they in poverty? Was there a way of escape?

The known fact is that they did escape. Within a short time that unwelcome hoard of intruders had grown into one of the wealthiest nations on earth. Even before their first one-half century of nationhood had been completed, the country was characterized by a visiting Frenchman as being a land without paupers.<sup>1</sup> And by the 1970's it could be said that although they occupied only one-sixteenth of the land surface of the world and constituted only about one-fifteenth of the world's population, they were enjoying about three-fourths of the world's television sets and consuming about two-thirds of its petroleum products, one-half of its coffee, and two-thirds of its silk.<sup>2</sup> One wonders what the visiting Frenchman of the Nineteenth Century might say if he could pay a return visit. At the very least, an under-developed country did escape the

<sup>1</sup> Tocqueville, *DEMOCRACY IN AMERICA*, Vol. I, 235 (Arlington House).

<sup>2</sup> Opitz, *Our Disordered Lives*, 23 *THE FREEMAN* 399, 401 (July, 1973).

poverty trap without the benefit of foreign aid.

### **The Key?**

How did it happen? Why did people leave the older, the more developed and the more affluent nations of Europe in order to get here? What is more important, why was this the place and the time where there developed the highest level of material well-being the world has ever known? Why didn't that development take place somewhere else or at some other time? And before offering the easy response that it was our fabulous natural resources that made the difference, it is suggested that the reader first review his geography a little. This might lead to no small degree of wonder as to why the affluent society didn't develop in South America rather than North America. Why didn't it happen in Africa? Why didn't it happen in India? These questions cannot be answered or explained in terms of the presence or absence of natural resources. There has to be another reason.

Is it possible that there was something about the goals that brought the Seventeenth Century settlers to these shores that accounts for their unparalleled economic progress after they arrived? Most of them came here to escape oppression of one kind or

another in the old country. Sometimes it was religious oppression; sometimes it was political oppression. In either event, that very oppression gave them a yearning for freedom that would not die. It was that yearning combined with a confidence in their own worth as persons that shaped their destiny and marked them as new creatures by the time they left the ships that brought them here. That confidence in their own worth as persons sometimes made Americans unattractive, both to the outside world and to each other; but it also gave them an unconquerable spirit which did not allow room for fear of the impossible. A search for the source of that confidence leads to the conclusion that it was, in no small degree, a product of their religious faith.

Throughout Tocqueville's writings on *American Democracy* he placed surprising emphasis on the extent to which religion was the driving force in the development of free institutions in this country. If that is true, even in part, it is fair to ask what kind of religion? It was a religious experience that was just emerging from the period of the reformation which had placed new emphasis upon the dignity and worth of each individual. The offspring of such an experience could no longer look to government as a source of

either human rights or material well-being. They were too proud for that. They considered themselves endowed by a divine creator with certain inalienable rights which no human agency could either give or take away. That was their secret. With that confidence in individual worth and dignity, there could be no conflict between devout religious faith and the practical work essential to material progress. Even the ships on which these early settlers were transported to the New World were launched by profit-seeking joint stock companies. And they carried with them the dreams of the merchants seeking adventure and a new source of trade no less than the dreams of others seeking religious freedom.

#### **A Nobility of Work**

The settlers brought with them a new nobility. It was a nobility of work. They left countries where those of the upper social strata did not often work with their hands. They tended to remain aloof, to live in the better houses, and to depend upon others for most of their material support. Some of that sort were included among our early colonists. They identified themselves as "gentlemen." They usually defined gentlemen as men who abstained from physical labor. But whether they

arrived in the rocky hills of New England or in the humid valleys of the Delaware and the James Rivers, they found that that philosophy didn't work. It was abhorrent to both the physical surroundings and the new doctrine that each individual was responsible for his own welfare. In a land where there were no homes, no machinery, no factories, and no roads, there was no room for one class to live at the expense of another. The force of necessity dictated that each man was entitled to all the fruits of his own labor and nothing more. A gentleman became one who could stand on his own feet, develop a trade, and earn his own living. He knew that he was not a worm to be trampled upon by some "upper class" but he also knew that he was not a god controlling the lives or the wills of other human beings. It became fashionable for gentlemen to till the soil and to get their hands dirty. That is the philosophy that laid the foundation for an industrial empire that was to become the number one wonder of the world. It was a philosophy within which escape from the poverty trap was not only possible; it was inevitable.

But that philosophy has not always prevailed. There have been departures. There were experiments with public relief through

communal living right at the outset in both Jamestown and Plymouth. Both experiments failed. Governor Thomas Dale soon discovered that "martial law did not grow corn" in Virginia and Governor Bradford later learned the same lesson in Plymouth. Governor Dale has been criticized for his apparently harsh edict that those who did not work could not eat. But those who do the criticizing have probably overlooked the fact that Governor Dale was simply quoting from the author of the famous essay on love of the Christian New Testament. St. Paul had offered the same rule of conduct to the citizens of Thessalonica centuries before.<sup>3</sup>

And why should such a rule have come from the pen of the same writer who could say that if you have not charity you are nothing?<sup>4</sup> Again it was an essential part of the dignity of the individual. It was recognizing an inherent human value in the labor of the man or woman who produced the food as well as in the pleasure of the one who was to eat it. Didn't the producers have dignity? Were they not entitled to the integrity of their own bodies? And did not that include the fruits of their own labor? There is a distinction between a voluntary

act of compassion and being the victim of a forced taking.

A doctrine that everyone is entitled to the fruit of his own labor calls for a recognition of private property. And if private property is to ripen into specialization and division of labor, there must be freedom of exchange. But neither private property nor freedom of exchange are possible without limited government. There must be government to protect against intruders and that government must be limited to prevent the government itself from becoming an intruder. A limited government then is one that is strong within its proper sphere but is restricted in its power to venture beyond that sphere. The proper sphere includes such functions as maintaining order, enforcing contracts, and punishing dishonesty, cheating, stealing, and violence. It does not include dictating to individuals the kinds of employment in which they shall engage, the kinds of houses in which they shall live, or the prices they choose to place upon either their labor or its product.

#### *Things Began to Happen*

Once these principles were firmly established in the new country, the lack of material prosperity ceased to be a problem. As each human being set about to pursue

<sup>3</sup> II THESS. 3:10.

<sup>4</sup> I COR. 13:2.



his own safety, security, and happiness in his own way, things began to happen. Crude huts became comfortable homes, wilderness trails became highways, and impossible forests became fertile fields. A War of Independence was fought and won against odds that seemed impossible and which no amount of military logic can explain.

Even as the new country matured, additional settlers continued to arrive by the millions. The significant thing about these new settlers was that they were free people who were voluntarily leaving the older and more firmly established communities of Europe to move to a new and a strange land. The countries they left might have had tyrannical governments and the citizens themselves might have been an oppressed people, but they were free in that their choice to come here was of their own making. They chose to come even though the choice usually meant a sacrifice of a high order. It meant abandonment of friends, relatives, and a known way of life. It often meant giving up several years of hard-earned savings to pay for their transportation and for the privilege of arriving penniless in an unknown country. Why did they do it? Was it still the appeal of freedom that had tempted the first arrivals? Was it the attrac-

tion of the high level of economic prosperity which the fact of freedom generates? Can the two be separated?

### ***No One Told Them***

In any event they came to an under-developed country that hadn't been told it couldn't absorb under-developed people. They were received and they were absorbed and Nineteenth Century United States presented to the world the most fantastic industrial growth the world has ever witnessed. The fact that the American society as a society moved constantly upward toward higher and higher levels of economic well-being is too well known to require comment. As viewed from the Twentieth Century heights of comfort and luxury, that earlier period might appear less than ideal. But compared with what had gone before, the steadily improving quality of life dazzles the imagination. The dawn-to-dusk drudgery of the farm was being abandoned for the comparatively easier life of the ten- or even twelve-hour day of easier work, higher pay, and more comfortable living to be found in the cities. And that work day (unreasonably long by current standards but short by the standards of the era in which it was instituted) was gradually shortened as the invention of newer and better tools

multiplied and the resulting increase in the productive capacity of each worker made the shorter day possible. At the same time Cyrus McCormick, John Deere, and others were getting newer and better tools out to the farm to reduce the amount of labor required for the production of food there. Escape from the poverty trap, whether on the farm or at the factory, was commonplace. As better machinery and better tools were developed, the hours of human labor required to produce the necessities of life were constantly reduced. Time to produce luxury items and time to enjoy such items after they were produced were being realized. The poverty level, for those who might have thought in such terms, was continuously redefined upward; and with each new definition, a whole nation continued to rise above it. So rapid was the economic growth that the individuals on the very lowest level of material existence at any particular time were almost invariably abundantly affluent as compared with their counterparts of a decade earlier.

### ***Mobility Within***

Nor was the escape of a society from poverty the end of the story. There was constant movement of individuals within that society. The poorest did not remain at the

bottom nor did the wealthiest remain at the top. The financial magnates at any given moment were often individuals who had begun their lives at the very bottom of the economic ladder and only occasionally were corporate presidents the inheritors of great wealth. It was a free society where free people were permitted to enjoy the fruit of their own labor. In such a society the only way one can benefit himself is by serving others. He must offer for sale goods or services which others want and for which others are willing to pay. And in such a society the route upward is necessarily open to all comers, the newly arriving immigrants no less than the American born. It was open to the newcomer who had nothing to offer except a willingness and a capacity to serve. Youth who were reaching adult years in the Appalachian hills without ever having owned a toothbrush or enjoyed a balanced diet for so much as a single day were migrating to the industrial centers of Ohio, Pennsylvania, and Michigan by the thousands to become affluent home owners and often the new managers of substantial business enterprises that were just being born. The "hopelessly deprived" of New York's lower east side who had never known any playground except a street were clawing their

way to the top of the financial world or becoming the major political figures of the Empire State. They were escaping the poverty trap — if there was one.

### **Andrew Carnegie**

A Scottish immigrant family that arrived in 1848 included a thirteen-year-old boy who was deprived of a high school education when it became necessary for him to take a job as a bobbin boy in a cotton factory in order to help support the family. Even with that handicap, he found a way to go to night school, learned certain secretarial skills, became a telegraph operator, and from there moved to a job as secretary to the president of the Pennsylvania Railroad. That would seem to be enough for one of such humble origins. But it was not enough for Andrew Carnegie. He soon found himself superintendent of the railroad's Western division, eventually entered the steel business, and became the founder of United States Steel Corporation. The miracle of the free market was being demonstrated. The rise of one man was giving the nation an improved product at a lower cost and supplying the needed foundation for numerous allied industries ranging all the way from railroads and automobiles to tableware and garden tools. At the

same time millions were being employed at wages undreamed of a generation earlier.

But the skeptic still asks, can it be done in a mature industrial society? Can it be done where industrial empires are already well established and the magnates of great wealth are already secure in their positions? The logical answer is that in a free society there is no such thing as financial security. The wealthy can remain wealthy only so long as their fortunes are wisely invested in the production of goods other citizens want. But an even better answer is, look at the record. Fortunes have continued to rise from the least promising beginnings.

### **Lena Himmelstein**

Who would have anticipated that the sixteen-year-old Russian immigrant named Lena Himmelstein who debarked in New York in 1896 would ever be more than a burden to her newly adopted land? Orphaned as a baby in Lithuania, she was not excessively educated and did not speak English. Her passage to the United States had been paid for by relatives who were already here and who anticipated her becoming the bride of their son. When Lena met the prospective groom, she abandoned that idea rather hurriedly. She found a job in the garment indus-

try where she began at \$1 per week. Four years later she had left her job, had become a bride, then a mother, and then a widow with a son less than one year of age. Her prospects did not look good. Her maternal obligations made return to her old job out of the question. Tax-supported day care centers had not been invented. She remembered that in the garment industry she had learned to sew. She pawned a pair of earrings, the only item of value she had from her deceased husband, made a down payment on a sewing machine, and began taking in contract jobs as she could get them at her small New York apartment. Much of her sewing in those days was done with her infant son on her knee. But she did earn a living and by the time of her death in 1951 her venture had grown into a multi-million dollar industry with a chain of retail outlets extending throughout most of the United States. Lena Himmelstein is known to the clothing trade as Lane Bryant. She escaped from the poverty trap.

#### **Tom Murray**

But is the escape route still open in the final half of the Twentieth Century? It was open to Tom Murray when he arrived in this country as an Irish immigrant just one year before Lena Himmel-

stein's death. It was his luck to find a job as a bellboy in a Detroit hotel where he soon found himself manager of the same establishment. The hotel business was enough for Tom until he read an announcement from the United States Postmaster General that junk mail and third-class mail were dragging down postal income to such an extent that rates for these classes would have to be increased by one-third. He had doubts as to whether such an increase was really necessary and he couldn't help wondering what might happen if a private industry suddenly announced a thirty-three per cent price increase. How many Representatives and Senators would hurt themselves falling over each other to see which one would become chairman of the appropriate investigating committee? A little private investigating by Tom revealed that while the United States Government maintained a monopoly on the delivery of first-class mail, the third-class and junk varieties were open to private competition if anyone chose to enter the field. With \$500 in borrowed capital, Tom entered in February, 1968. He delivered the mail at only 60% of the Federal rate, made a profit, and in 1971 grossed \$10,000,000 and was still expanding as rapidly as new delivery machinery could be put

into place. He was also reaching out for contracts in foreign countries and was saying that he would not be satisfied until he was delivering third-class and junk mail to Moscow.<sup>5</sup> He just might do it.

Tom Murray rose above the poverty level. Hundreds of others are still doing the same thing every year. But Tom and others of his generation are encountering difficulties not faced by those of the Nineteenth Century. Government regulations have multiplied. New infringements on personal freedom have appeared on the American scene. Governmentally imposed restraints on the release of creative human energy are providing the real substance of whatever poverty trap exists for either the society as a whole or the individual within that society. As one speculates and wonders about the future of America, he might do well to speculate and wonder about what might have happened if present-day restraints had prevailed in the Nineteenth and early Twentieth Centuries.

What would Lena Himmelstein have done if, as a widowed mother, she had been given an apartment in a public housing project and had been told that if her income

---

<sup>5</sup> For more information on the Post Office and certain other related problems see Crane, *What's Going On?*, 1 IMPRIMIS 1-4 (No. 2, July, 1972, Hillsdale College).

rose above a certain level, she would have to vacate? As her income approached that level, would she have dared the risk of allowing herself to earn too much? Indomitable little woman that she was, she might have accepted the challenge. And she might not. Even if she had, what would she have done if, when preparing to hire that first employee, she had learned that on each payday she would be compelled to withhold two different kinds of taxes from the employee's wages and hand both sums over to the Federal government for whom she would also be required to keep accurate financial records available for official inspection? Would that have been too much for a foreign-born, "disadvantaged" person who was too timid to ask for a correction in the spelling of her own name when a bank clerk made a mistake?<sup>6</sup> Questions such as these tend to suggest that the poverty trap has tightened considerably since Lena Himmelstein got her start.

And what choice might Andrew

---

<sup>6</sup> The name of the young widow's deceased husband was David Bryant. When she was ready to open her first bank account, she found the bank's marble lobby a bit awesome for one of her humility. Apparently her hand shook as she signed the deposit slip. The bank clerk misread it as "Lane" and opened the account in that form. Rather than complain about the error, she allowed her business name to remain Lane Bryant.

Carnegie have made if movement from bobbin boy to telegraph operator had brought with it a sufficient increase in pay to terminate the receipt of food stamps by the family his income was helping support? Could he have afforded the transition? Would he have been willing to receive an income that would, not only terminate welfare benefits for his family, but would just barely bring him into the category of those paying taxes to help support his contemporaries who were content to remain bobbin boys? These are questions that must be faced by the prospective Andrew Carnegies and Lena Himmelsteins of the Twentieth Century. And they are not easy. They are stultifying, discouraging questions for all who are close to that hairline division between the recipients of tax-supported benefits and those who are called upon to supply the benefits. Only those who have been critically close to one side or the other of that line can grasp the full meaning of the risk involved in its crossing. Those who are only slightly above the line are strongly tempted to give up the struggle as they see their neighbors on the other side who are avoiding all economic responsibility and still living on substantially the same level as the workers. And those below the line find that the very

laws that are designed for their benefit have become the binding cords holding them down. They are being dared to even try to improve themselves.

### **Never Say Die**

When an individual accepts defeat in his efforts to improve himself, not only does he lose his dignity as a human being, but society itself is deprived of the potential value of that individual as a producer. Likewise, the individual who remains a producer, although from purely selfish motives, cannot help benefiting the society in which he lives. Whether it is Andrew Carnegie, Lena Himmelstein, Tom Murray, or any one of hundreds of others who could be named, their personal triumphs over poverty do not tell the whole story. The significant part of the story is that as they helped themselves, they carried thousands or even millions along with them into areas of improved standards of living for all. In a free society it cannot be otherwise. Let it be repeated that the harsh rule of the free market is that no one can serve himself without serving others. That service manifests itself both in an increase in the supply of goods and in better incomes for the personnel participating in the production. The entrepreneur can increase in wealth

only when he provides a good or a service others want at a price they are willing to pay. As he does that, more goods and services are produced and more workers are needed. Every new machine that can take over tasks previously performed by human labor creates new demands for still newer products that will provide greater comfort or leisure or will relieve some form of human drudgery or suffering.


### *Increasing Obstacles*

Escape from the poverty trap is still possible. The experience of Tom Murray demonstrates that. But it is not easy; it never has been. If it is more difficult now than it was in an earlier day, it might be wise to ask what things have changed. The most significant change appears to be a constant increase in governmentally imposed restraints on the release of creative human energy. The fact that the substance of poverty is a scarcity of goods is all but forgotten. Whether it is the Square Deal, the New Freedom, the New Deal, the Fair Deal, the New Federalism, the New Frontier, the Great Society, or the New Republicanism, the central theme seems to be an attack on the producer. In this attack the identity of the producer has been ignored. He has been assumed to be a per-

son of great wealth. Sometimes he is. More often he is one with a potential for becoming wealthy if allowed the freedom to produce the goods and services other people want. Quite often he is the farmer of modest means in the Appalachian hill country who is still trying to grow corn while paying taxes to provide payments to his neighbor who has already given up the struggle and put his land into the soil bank. He is the coal miner who, when his mine closed, moved a short distance to an industrial city where he could get a job in order to pay taxes to provide welfare benefits for his fellow miner who elected not to move. He is the janitor in a New York City apartment house who has been offered a job as building superintendent but knows that if he accepts the promotion he will lose his own claim to live in subsidized housing provided by taxpayers for "low income" families. He is a college student who spends his summer as a laborer with a construction crew and then returns to college to find that his tuition has been increased in order to provide a scholarship for his fellow student who chose to spend the summer on a pleasure cruise in the Mediterranean and is now broke. He is the independent grocer on Bleeker Street who felt so oppressed by the extensive busi-

ness records he was compelled to maintain for the Internal Revenue Service that he chose to close his store and take a job as cashier in a dime store on Sixth Avenue. He is the Texas poultry farmer who felt compelled to destroy 20,000 baby chickens when a government regulation told him he would not be permitted to sell them as broilers at a price sufficient to cover the cost of feeding them.

Somewhere among these producers there just might be found a dollar-per-week employee in the garment industry who has the potential for introducing a whole new concept in ladies garments, a bobbin boy who will one day be a

builder of heavy industry, or a bellboy who has dreams of operating an international mail service. Why penalize these people? And why penalize a whole society by depriving it of the goods that might otherwise be produced? If citizens are being held in a "poverty trap," that is to say, in a condition of deficiency in which they are unsuspectingly caught, why not loosen the condition and allow them to escape? And if the "condition" happens to be a maze of laws and regulations which, although designed to help the entrapped persons, actually operates to their detriment, maybe just identifying the trap will hasten their release. 

### ***Emotion vs. Reason***

IDEAS ON



LIBERTY

PEOPLE who would be among the first to deny that prosperity could be brought about by artificially boosting prices, people who would be among the first to point out that minimum price laws might be most harmful to the very industries they were designed to help, will nevertheless advocate minimum wage laws, and denounce opponents of them, without misgivings.

HENRY HAZLITT, *Economics in One Lesson*





## The American Dream

THE AMERICAN DREAM. The term has a nice ring to it, doesn't it? At one time, people were proud to believe in it, Horatio Alger was a national hero, Europeans dreamed of the day when they could migrate to the land of opportunity. But now the American Dream is no longer a subject of admiration. Instead, the use of the term is confined to satiric remarks, those who believe in it are considered naive, and to be proud of it is proof of romantic sentimentality.

I believe this change to be due to a metamorphosis of the American Dream itself — this as a result of a change in the American mentality.

A few decades ago, the American Dream was synonymous with opportunity: opportunity to endeavor after "life, liberty, and the pursuit of happiness." This opportunity was social, economic, and

spiritual. As I well know from my own family, Hungarian refugees who immigrated after World War II, America was seen as the land where you could make a decent living by the sweat of your brow, where no one would tell you how and for whom to vote, and where your religious and moral beliefs could enjoy open profession.

It was precisely for this reason that Friedrich von Gentz, the eighteenth-century German philosopher, in his pamphlet comparing the French and American revolutions, granted the American Revolution validity, but not the French.<sup>1</sup> The American Revolu-

<sup>1</sup> See Friedrich von Gentz's *Über den Ursprung und Charakter des Krieges gegen die französische Revolution* and other works.

Stefan Possony has added an appendix to Gentz's work in which he also compares the Russian Revolution to those of America and France. He concludes that the Russian Revolution was invalid for the same reason the French Revolution was invalid — it did not dispel the evils it arose against, it merely substituted new evils.

Mr. Nestler is a pre-med student at Haverford College, Pennsylvania, majoring in Chemistry and German, but much interested in politics and philosophy.

tion succeeded in replacing tyranny with a free and moral system of government. The French Revolution merely followed the path of previous revolutions which, as Bernard Shaw observed, "have never lightened the burden of tyranny; they have only shifted it to another shoulder."

### **Caution!**

I do not know whether I would have supported the American Revolution. Being a traditionalist, I would have been cautious and wary of sudden change; but, then, so were the signers of the Declaration of Independence. Few of them truly welcomed the revolution — the Thomas Paines were the exception, not the rule.

But I like to think that I would have possessed the discerning eye of an Edmund Burke, who, as had Gentz, forcefully denounced the French Revolution but gave his fullfledged support to the American Revolution. The cries of "laissez-faire" which resounded when Frenchmen stormed the Bastille found a home, not in France, but across the ocean.

The American Dream was imbued with the concept of the individual: each man would reap the fruits of his own labor. America was the land of the rugged individual, who carved out his life with his own hands and accounted to no

one but himself for his failures. This is not to say that America was regarded as a land of permissiveness; to the contrary, only a blunt mind would equate freedom with license. Rather, America was regarded as the personification of those ideals of freedom which lay in the hearts of most men.

### **Today, In Contrast**

Let us compare this view of the American Dream with that of today. Whereas the American Dream was once equated with certain principles of freedom, it is now equated with things. The American Dream has undergone a metamorphosis from principles to materialism.

Decades ago, a man would have said he wanted a day's wages for a day's work. Wasn't that materialism? No, because what was being emphasized was that each man, as a free and individual agent, has the right to as much as the market will pay for his efforts. Today, a man would say merely that he has a right to live comfortably; the fact that comfort must be earned is ignored; the question of whether the person is deserving of comfort never arises.

I am reminded of the welfare recipient on the *David Susskind Show* a few years ago, who demanded that she receive a more substantial Christmas welfare bonus. When asked why she held this

opinion, she replied: "Because I have a right to a color T.V. set and things like other people. I am a human being, too, you know." This attitude has permeated our society: things are what is important, principles are not.

When people are concerned more with the attainment of things than with the maintenance of principles, it is a sign of moral decay. And it is through such decay that loss of freedom occurs.

This metamorphosis of the human spirit did not come about unforeseen. Although he was not writing specifically about America, Jose Ortega y Gasset, in his *The Revolt of the Masses*, clearly delineated the process by which the individual would eventually be sacrificed to the mass-man; the mass-man thereby destroying that which made possible his very existence.

In the disturbances caused by scarcity of food, the mob goes in search of bread, and the means it employs is generally to wreck the bakeries. This may serve as symbol of the attitude adopted, on a greater and more complicated scale, by the masses today toward the civilization by which they are supported.<sup>2</sup>

Respect for the rights of the individual has been the foundation

<sup>2</sup> Jose Ortega y Gasset, *The Revolt of the Masses*, (W. W. Norton & Co., Inc.), 1932, p. 60.

for America's greatness; it was the reason for the immigration to America from all around the world. It is precisely this respect which has deteriorated as a result of the efforts of the mass-man in America, this laying the groundwork for a totalitarian welfare state.

The fact that individualism was once revered and welfare abhorred does not mean that people were heartless and unconcerned about one another — this being the picture most often presented by our liberal media. In fact, there were more private charitable organizations *before* the advent of the welfare state than since. A more personal concern existed among men, because an individual was *free* to aid another individual if he *wished* to. That was charity in the true Christian sense.

### **No Longer by Choice**

Nowadays, we are *forced* to contribute to the welfare of others, whether we wish to or not, whether others are deserving or not. That is said to be true humanity. But, assuming for the moment that it is humane to aid others (which, of course, does not hold true for the indiscriminate distribution of aid), is a person humane or virtuous if he so acts only when forced at gun-point? Obviously not. Yet, that is the welfare state we "philosophically" admire, the one

that *coerces* every individual to sacrifice his own interests and indiscriminately aid others. It is not charity I oppose, but robbery.

Let me try to make my position clear. I do believe in the viability of the free market and in the right of men to govern themselves, but I do not believe every man always is moral or that the free market would solve all human ills. Freedom entails responsibilities, and too few of us are willing to assume responsibility. Fortunately, tradition forms the basis for laws and provides us with guidelines, although imperfect, on what is correct human conduct.

For example, I will defend any man's right to express his opinions, but I will not allow anyone to utter obscenities to my sister. I would call on the police to apprehend such an individual. I believe there is a difference between right and wrong, and defend or excuse no man's persistence in the latter.

Such problems as what is meant by freedom of speech do not disturb me. As a conservative, I view human nature as tainted, prone to error. In fact, too often have I seen libertarianism used as an excuse for libertinism. Therefore, I disagree with those who offer unlimited and unprincipled liberty as the ultimate solution, for I view such a belief as Utopianism.

No system can compensate for man's inherent defects.

### **The Totalitarian State**

A recent article by Erik von Kuehnelt-Leddihn in *National Review*<sup>3</sup> points out, for example, that what "Hitler aimed at was 'a century of the common man' in the sense in which Henry A. Wallace used the term in the 1940s." Here we may substitute mass-man for common man — a frequent misuse of terms. Hitler implemented this plan not through a military coup but through "Germanic democracy."

The totalitarian welfare state is emerging in America, through democratic means, just as it emerged in Hitler Germany. The individual is no longer sacrosanct, and Ortega's prediction of the sacrifice of the individual to the mass-man seems more realistic every day.

National Socialism and Communism are alike in that both systems are socialistic; that is, both systems regard the individual as a pawn for manipulation for "the greater good of the community." It was this concept of socialism that was responsible for Tocqueville's vision of the coming of "democratic totalitarianism." 🌐

<sup>3</sup> Erik von Kuehnelt-Leddihn, "From the Continent" in *National Review*, July 20, 1973, p. 790.

America has *already* changed, and this change is noticeable in the metamorphosis of the American Dream. The individual's free will is reduced by taking away the opportunities for exercising individual and voluntary decisions. This is immoral, and contrary to Christian precepts.

This change is not causeless — it is the result of moral deterioration, of the mass-man's turning the concepts of good and evil to his own purpose. The mass-man prefers materialism over principles, and the American Dream

reflects the efforts to enforce this preference.

Yet, we must not despair, the situation is far from hopeless. The solution is to assert the old principles, our concepts of right and wrong, our belief in the inalienable freedom and liberty of the individual. Then, the American Dream will regain its former identity, and America will remain the best of all possible lands, admired by all the world. But this will come about only with the active participation of us all, and by the grace of God.

### ***Crowd Culture***

BY THE MERE FACT that he forms part of an organized crowd, a man descends several rungs in the ladder of civilization. Isolated, he may be a cultivated individual; in a crowd, he is a barbarian — that is, a creature acting by instinct. He possesses the spontaneity, the violence, the ferocity, and also the enthusiasm and heroism of primitive beings, whom he further tends to resemble by the facility with which he allows himself to be impressed by words and images — which would be entirely without action on each of the isolated individuals composing the crowd — and to be induced to commit acts contrary to his most obvious interests and his best-known habits. An individual in a crowd is a grain of sand amid other grains of sand, which the wind stirs up at will.

GUSTAVE LE BON, *The Crowd*

IDEAS ON



LIBERTY

# Challenges of the Communications Explosion

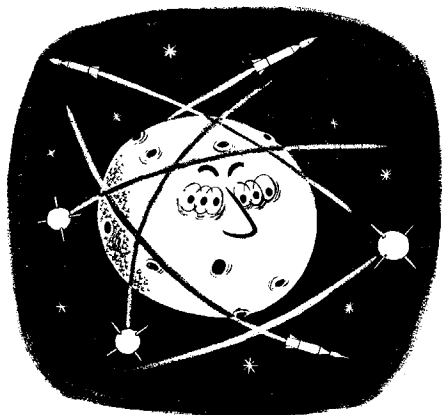
PHILIP LESLY

ALMOST EVERYONE is aware that there has been an explosion of communications in recent years. But while billions have been spent exploring outer space, the invisible virus and the ocean bottom, little perceptive study has been given to what that communications explosion has meant to the institutions that are the living tissues of civilization.

Almost all the premises and practices for dealing with the human climate have been transformed in the past few years. So it seems pertinent to ask, What are some of the new patterns in our human climate that challenge our stability and progress?

- Our population is now segmented in many ways. It is di-

Philip Lesly, president of The Philip Lesly Company, Chicago, is a leading public relations counsel and an authority on public relations and public affairs. Outstanding among his several publications is *Lesly's Public Relations Handbook* (Prentice Hall, 1971).



vided almost evenly between those who have been trained through written media and those who are visually oriented. It is fragmented by the growing specialization in all career fields. It is split between those who seek achievement and those who seek escape. It is segmented between white and colored, between the affluent and the poor, between the educated effete and the hard hat ethnics, and, yes, between men and women.

- Rather than finding conflict an occasional aberration to be overcome, now antagonisms are built into our society and are permanent.

- Almost unnoticed, the liberal ethic that insists on maintaining the innocence of any *individual* until he has been proven guilty is also insisting that every *organization* must be presumed guilty un-

til it has proved its innocence.

- We have a whole mosaic of new life styles, new values, divergent morals and a wide spectrum of viewpoints on all questions. Where one or two elements in our equation used to be changing at any time, now virtually all the factors are changing at the same time and affecting each other even as they change.

Where our concept of purpose used to be one-dimensional, we now must recognize that nothing can succeed except through the systems approach of coordinating many simultaneous factors.

The old wisdom that when we seek to communicate with the public we must try to lead our target becomes banal when it is not only difficult to tell the course of the target but even what the target will be the next time we look.

We must see the full mosaic of the world we must cope with... recognize that events follow a chain reaction... and realize that the important move — the one that will really determine the results of our communications efforts — is the move after the move after this one. As in chess, the amateur sees one move at a time; the master is planning many moves ahead.

- Our people have come to take

for granted the massive multiplication of results made possible by computers and automation in routine paper work and factories. Now they have transferred these expectations of mass results to fields where *human* factors, that cannot be multiplied, are involved, such as in education and health care.

- We now have a majority of our population that has not developed an immunity to frustration, as all previous generations did, by having to face severe restrictions on its dreams and aspirations almost from birth. Millions grow to adulthood before they encounter the frustrating reality of a world that, until a generation ago, contained far more frustrations of desires than fulfillments. So when they faced restrictions on their urges and dreams of Utopia, they lashed out at whatever symbol seemed to stand in their way — parents, college presidents, the government, or “the establishment.” It is not a coincidence that the cooling off of the violence and anarchism coincided with the recent recession, as well as with the winding down of the war in Vietnam. For the first time the reality of limits imposed by the world became clear to millions of people. But the conditions that created the aggressiveness are still

present and could break out in some new direction at any time.

- Millions of people have now been educated to think they should have a *special* role in our society. Colleges have been holding out degrees as the key to freedom from routine roles in life and as the marks of leadership . . . even while they propound the doctrine of equality for everyone. Only a few can find the kind of influence that they were led to expect, and are disillusioned when the world does not bow to their wisdom.

Those who have been led to expect great things then seek to justify themselves. They have the time, the inclination and the opportunity to attack the structure they feel is unfair to them. It is ironic that the increased leisure and affluence that the system makes available enables them to increase their attacks on the system.

- As a result, we are creating . . . as a by-product of the development of our people far more rapidly than the society can absorb their expectations . . . a many-pronged assault on our social structure. We now have many groups whose primary outlook on life is to force major changes. Among the media, in our colleges, among social workers, many gov-

ernment agencies and other groups, it is presumed that the member's worth will be measured by how much he can poke holes in the way things have been. In these areas, one often is assumed to be a failure if he or she merely contributes to the stability of our system.

Another strong trend arising out of the widespread free time and affluence now available is the sharp and *varied* changes in life styles. It is another irony that one of the great charges against our system is that it reduces each person's ability to fulfill himself as an individual . . . and yet almost everyone now has far more choices for what he does with his life and how he spends a major part of his time than most people have ever had. The great diversity of life styles — ranging from devout fundamentalist religion to pure Communism in remote living centers — further fragments the purposefulness and cohesion of our society.

The impetus for most of the changing currents has come from our youth. Although we cannot predict what the new pressures of youth will be, we can be reasonably sure they will not be the same as they are today or have been. The focus of youth agitation has shifted approximately every two years since 1960: From activ-



ism for Negroes to freedom from authority to the Vietnam war to "the system" to ecology to the "Jesus revolution" and now to personal fulfillment. Every thrust of the youth culture is vitiated as soon as it is "in" long enough to be identified with one age group. About the only sure thing about the thrust of youth activism is that it will be different in a couple of years.

- Every message directed to every audience is unique in its time and impact. The individual is different from the frame of mind he was in when some previous message was aimed at him. And the importance to him of each message is a vital factor. So it is not possible to predict the response to any message on the basis of what the response has been to any previous message. A notable example was the reaction to President Nixon's announcement of his trip to China. There was no possibility of predicting the response by looking at opinion polls of previous responses of the public on even somewhat related matters.

- For communication to take place, the audience must be in what can be called a "posture of receptivity." This receptivity combines the background and heritage

of the individual with his predisposition toward the source. That means that when an organization's actions and statements have developed a high degree of good will, every other message from that source will receive much more acceptability.

- There is a "threshold of consciousness" that must be passed before an idea becomes a factor in any attitude. Every idea or image of a person or organization that does "arrive" in the public consciousness has passed through the massive barriers that people have erected.

- In today's highly complex and diverse world, it is necessary to use a "multiple-channel approach" in projecting an idea to the public. There is no one or a few media that can achieve this penetration. It is necessary to surround the audience with the concept to make it become part of its mental framework.

The more closely a communication is beamed to a specific audience, the more likely it is to be received and accepted.

The early reaction to events or communications may disguise their actual effects. Great publicity and furor may *seem* to create public opinion because of their immediacy, visibility and force.

But often there is a reaction against that furor that becomes the permanent effect. Much of the public desire to cool off the racial issues has been due to reaction against the trumpeted violence of the Black Panthers a couple of years ago.

More and more, as our organizations become bigger and more diversified, they are politically hamstrung internally, sometimes to the point of immobilization. Yet the problems of the human climate are external and must be approached forthrightly.

The prevalent feeling is that the period of multiple assaults on our institutions is a phase we are going through. Actually, there is reason to feel that it is building up inevitably and will continue to grow. Our society, by holding out the magic that a college education is supposed to bestow, is mass producing dissidents. And even when they attain any of their objectives, they are not likely to fade away but will go on to seek new and more demanding causes.

The multiplicity of causes is already bringing militants into conflict with each other. The gross overexpectations that have been built up are often aimed at opposing goals such as providing all needs and comforts for everyone at low cost and devoting massive resources to environment, employ-

ing the unqualified at high cost and other expensive goals.

The position of many organizational leaders today is anomalous. The managers of American institutions and enterprises are admired all over the world as magnificently trained and disciplined for operating complex organizations. An executive trained at a good graduate school has, by his original personality and the disciplined training he has received, been indoctrinated with the importance of the facts, the tangibles, the measurable. He is told that it is fuzzy minded to consider what can't be included in the equation, that can't be computerized or brought down to the bottom line. The managers of America are masterful in coping with the tangibles of their operations — budgets, personnel requirements, materials, facilities and so on.

### ***Dealing with Intangibles***

Now these managers are faced increasingly with problems that are *intangible* — mostly based on human attitudes and not on the measurable, the predictable, the factors that can be included in computerized evaluations. The problems deal with the attitudes of youth, contributors, activist groups, employees, potential employees, minority organizations,

government agencies, legislators and others.

There are a number of emerging conditions that confront those who need to communicate with the American public:

1. This is an age of action and visibility, requiring that we deal with problems in depth and yet immediately.

2. Organization and corporate leaders who are accustomed to *determining* events are now faced most of the time with *coping* with events. Many of them are not prepared for such a diametrical shift. They want to impose their disciplined methods on the human climate. They expect predictability and measurability from communications efforts; just as they do in finance, production, purchasing, bookkeeping and other areas.

3. Those people who are trained to withhold judgment until the facts are in . . . to give precedence to reason over passion . . . to base their case on merits rather than on emotions, are the most vulnerable to activist dissent. A high level of professionalism leads professors, lawyers, physicians, clergymen and others to abhor public combat.

In an age of activism and visi-

bility, the profession with high standards, that deplors aggressive appeal for support and prefers to work in dignified silence, is a sitting duck. Academicians, lawyers and doctors, who scorn efforts to capture favorable attention, face being swept into subjugation by the nature of our times.

4. The explosion of instant and visible communication has not only made a now society, but has made visibility the factor that determines what occurs in it. Repeatedly we find that it is not the facts of a situation but what it *seems* to people that becomes the real reality. When the television screen shows police using force on milling youth, the public concludes that the police attacked the crowd. When millions see only disheveled and obscene youth marching on campuses, it concludes that the whole young generation is like that.

5. People have seen massive advances made in those aspects of our system where technology is the key. Automation, using electronic techniques, has multiplied the output of our industrial cornucopia. Computers handle masses of information and records that would inundate human capacities. But people expect the same multi-

plications of capabilities where human capacities are still the key. The process of teaching cannot be revolutionized by installing automated equipment. Health care cannot be turned over to great programmed machines, but still depends on the skills and dedication of highly trained people.

How often we have heard, "If we can put a man on the moon, we can solve our problems here on earth by applying the same effort and dedication." But our scientists knew exactly where the moon would be on July 20, 1969. All factors could be fed into their considerations with a certainty they had a fixed target. But all *human* problems are in a constant state of change and of interaction with each other. The only certainty is that conditions ten years hence will *not* be just as we visualize them when we set our targets.

6. All the currents of passion and emotion and illogic, as well as reason, make it vital for *every* group to cope with the climate of attitudes. Yet almost every group is still concentrating on its traditional concerns. Business devotes most of its attention to production, finance and marketing — while its existence is being undermined on the issues of consumerism, minority hiring, preservation

of the environment, invasion of management functions by labor and government, the reluctance of bright young people to work in large companies, and other forces that are all in the minds of men. Doctors continue to focus on caring for patients — while groups and government clamor for "restructuring" the health care system, drafting doctors for areas that lack them, and other issues that are forces in the minds of men. The colleges, despite their traumatic tumult of recent years, are still essentially concerned with courses, faculty and research — while student groups and government assault them to revolutionize not only their structures and functions but their very reasons for being.

All these professions labor conscientiously in their vineyards. But the climate of attitudes that will determine whether they will be able to function at all — and on whose terms — is being developed by the outside forces that shape public attitudes in an electronic age of action and visibility.

7. The battlefield for the human climate is the communications media and no aspect of our society has changed more than the media.

Only a few years ago a few magazines and a few major newspapers constituted the important

communications network. Today we have an explosion of media — hundreds of magazines, newspapers, television, radio, books, journals, newsletters, sound tapes. No subject short of a catastrophe now can claim the attention of more than a portion of the public.

There is bitter competition for space in any of the media. The competition among ideas has expanded manifold. A new generation of journalists is attuned to "involvement," by which they mean changing the world instead of reporting on it. The multiplication of media creates competitive pressures to grasp for attention. In this climate, the reporter who produces a sensation is rewarded; the one who comes in with a solid but unspectacular report finds it hard to be appreciated. A media man who doesn't find a riot or crisis he can cover is tempted to wish for one.

8. The epitome of what may be the greatest of all the revolutions now facing us is that there are two electronic revolutions going on at the same time. One is the electronic revolution of TV — instant emotion and involvement . . . putting emphasis on "human feelings" and quick solutions . . . opposing the "inhumanity" of slow-moving mechanisms and institutions. The other is the electronic

revolution of management of information and of systems — exemplified by the computer. It stresses facts, organization, hard reality, elimination of the nuisance variables.

Our youth are creatures of the TV revolution. Our institutions, with their libraries and their fruit of generations of thought and weighing of ideas, typify management by facts and data.

Our institutions are based on rules and standards, like computers; TV is based on emotion. Our institutions are based on history and tradition; TV on immediacy and novelty.

#### ***Required to Affect Public Attitudes***

In light of the emerging problems and changing conditions, what are the requirements for anyone who needs to affect public attitudes?

1. He or she must become a very broad-gauged person. He must know the best thought in the social sciences and in mass communications by living with the best books, journals, seminars and especially the best people.

2. He must learn to see the whole picture in which his organization functions, including the whole scope of our society. He must know and understand where the various wheels mesh, where the trends are going, where the

interrelationships between groups take effect.

3. He must think and work *ahead*—trying to command the future human climate rather than being swept along by it.

4. He must *master* the skills and knowledge involved in effective mass communication today, or hire that mastery.

### **Guidelines to Influence Opinion**

There are a number of guidelines for anyone seeking to influence public opinion on behalf of an organization today:

1. He should recognize that the *internal* politics in the organization are a basic problem. They can immobilize an organization and prevent effective functioning. It is important to separate decision-making and functioning in the human climate areas from the internal machinations of the organization.

2. Administrators must recognize that in our present social climate, communication is no longer a prerogative of management; it is the essence of management. Communication determines whether anything really happens and what the consequences will be.

3. In our fast-moving times, any reading based on what people used to think or even what they think now is likely to be out-of-date by the time any new action

or communication can take effect. To base plans and communications on what has gone before, or even what is occurring now, is to base one's future on *reaction* rather than action.

4. Every organization must help create the climate in which it will function, rather than let that climate develop and then try to cope with it. *Initiative* in communication is increasingly important.

5. The publics that must be reached by communications should be clearly defined. The process of segmentation means that what will evoke a response from one group will fail with some and perhaps repel others. Each communications activity must reach *specific* publics in ways that can gain *their* interest and motivate *their* support.

6. *Involvement* and *face-to-face interchange* with as many publics as possible is important for three reasons:

- It is the surest way to get a feel for how they really think and how they respond to what is said.
- It is demonstrable evidence of real concern for them and their needs.
- It is visible—not the visibility of being on television in thousands of homes at once, but still visibility that represents reality.

7. With today's suspicious public, the impression of secretiveness automatically breeds distrust. If there seems to be refusal to interchange communications with the public, there is likely to be a gap in credibility and confidence.

8. Today's American has an almost arrogant sense of his own importance and interests, and resents what seem to be efforts to use him rather than to serve him. Whatever is said must be couched in the self-interest of the audience rather than in a way that seeks to sell a viewpoint.

9. It is far more effective to inculcate the publics in advance against the virulence of criticism that may come — by establishing confidence and understanding — than to try to overcome the ravages of these attacks after they have occurred.

10. Of all the factors involved in sound communication that leads thought and gets things done, *time* is probably the most vital. Careful contemplation and long consideration are luxuries of the past. The critics live in the real-time world of the television camera and the dramatic event. In an age of instant communication, often a few minutes are critical.

11. The new media-activist pattern is the "smart bomb" of human affairs. It seeks out targets that were formerly hidden or op-

erated with a low profile. In this era of activism, visibility and pervasive media, the institution that seeks to sit things out with its head down is likely to be a sitting duck.

12. The *visible* and the *active* should be stressed. Ideas and facts are important, but it is how they are packaged that determines their effectiveness. Today the overwhelming force for influencing attitudes is the visible media: dramatic events, television, motion pictures, audio-visual techniques, and face-to-face interchanges.

13. It is more vital than ever that only the best possible skills in communication be relied on — for sensing the climate of attitudes, for planning and for execution. With the overwhelming complexity and severity of the challenges, the standard skills are most likely to fail and only the extraordinary skills to succeed.

The challenges of the communications explosion and the multiple revolutions in our society create heightened needs for persons disciplined in the skills of responsible public relations.


There is growing awareness among administrators that the real problems of all institutions are in the attitudes of people — the human climate in which the institution must function. Many

thoughtful managers recognize that they have not been trained to be sensitive enough to the human climate or to have the expertness to deal with it unaided. The human patterns are becoming more complicated rapidly. They are harder to understand and deal with. They demand greater expertness and experience. Communications sense and skills, which have always been vital and have always been scarce, are becoming more vital and scarcer still.

At its best, public relations is a bridge to change. It is a means to adjust to new attitudes that have been caused by change. It is

a means of stimulating attitudes in order to create change.

It helps an organization see the whole of our society together, rather than from one intensified viewpoint. It provides judgment, creativity and skills in accommodating groups to each other, based on wide and diverse experience.

Like all other great changes, the shifts in our human climate and the pattern of communications that shapes it present great challenges to those who strive for a wholesome and productive society. Understanding the new dynamics and utilizing the best knowledge and skills, however, can help master these challenges like all others. 

### *Look to the People*

IDEAS ON



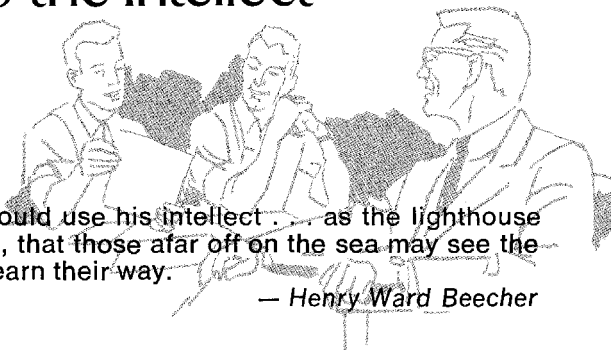
LIBERTY

WHEN THE PEOPLE rise enmass in behalf of the Union and the liberties of this country, truly may it be said, "The gates of hell cannot prevail against them." In all trying positions in which I shall be placed, my reliance will be upon you and the people of the United States; and I wish you to remember, now and forever, that it is your business and not mine; that if the union of these states and the liberties of this people shall be lost, it is but little to any one man of fifty-two years of age, but a great deal to the thirty millions of people who inhabit these United States, and to their posterity in all coming time. It is your business to rise up and preserve the Union and liberty for yourselves, and not for me. I appeal to you again to constantly bear in mind that not with politicians, not with Presidents, not with office seekers, but with you, is the question: Shall the Union and shall the liberties of this country be preserved to the latest generations?



# Appeal to the Intellect

LEONARD E. READ



Every man should use his intellect . . . as the lighthouse uses its lamps, that those afar off on the sea may see the shining, and learn their way.

— Henry Ward Beecher

THERE ARE a thousand and one faults responsible for the sorry lack of moral and intellectual progress we decry; even more serious are the evils which cause the devolutionary plunge so apparent to any discerning eye. No one will ever spot all the errors; but let each one that is spotted be held to the light that others may recognize it.

Here is an error that has been bothering me, at once enormous and malicious, a fault so common that it appears, on the surface, to be a virtue. What might this be? It is the tendency to appeal not to the potential intelligence of others but, rather, to play upon, to take advantage of, their weaknesses. The fact that one's potential — the undeveloped capacity in each of us — is incomparably greater than

his intelligence may explain the deplorable tendency here in question. For, unless one acts as wisely and conscientiously as he can, the road of least resistance must lead to decadence.

To illustrate: Sales researchers have discovered that a price of \$4.95, for instance, gives the impression to most people that the item is more in the \$4 than \$5 range. While nearly everyone believes with Ben Franklin that "a penny saved is a penny earned," it is not necessarily a mark of frugality to spend 99 nickels to save one. It may be false economy and bad arithmetic. But such weaknesses are exploited. This explains why an item may be priced at \$99.99 — 9,999 cents — rather than \$100.

"Why," I asked a passenger

agent in an airport lounge, "do you advertise a trip to Hawaii for \$159.95? Why not \$160?" At least he was honest with me: "It fools people; that figure makes it look like a bargain." However, I must not leave the impression that this appeal to ignorance rather than to intelligence is a practice peculiar to business. We find it featured in every field of human activity.

### **Political Promises**

Appeals to weakness are the stock in trade of politicians. What will the people fall for? If it is something-for-nothing, then political platforms will promise delivery.

So-called teachers, economists, clergymen by the tens of thousands stoop as often to such cheap tricks as do labor unions, chambers of commerce, PTA's, and countless other organizations. Find out what weak and thoughtless people will demand, support, cheer, follow — be it consumerism or socialism — and "away we go."

Further, those who deplore this appeal to ignorance are well advised to look in the mirror. Any such widespread error tends to "rub off" on everyone. Is there an identifiable form of immunity to this malady? Yes; merely observe if integrity prevails. If one is saying or writing only that which his highest conscience dictates as

truth, then, definitely, he is appealing to strength or intellect rather than to weakness. Why this claim?

When one acts with integrity, his eye is not cast on cheers, applause, fame, fortune, profits, and other worldly emoluments. Instead, the pursuit of truth and its accurate reporting commands the individual's attention. Is this to wave aside the things of this world? Hardly! Seek ye first Truth and Righteousness, and these things shall be added unto you.

### **To Reverse the Trend**

How, then, are we to reverse course and be rid of this mischievous habit of appealing to weakness? The answer: *appeal to intellect*. No matter with whom one is communicating — whether a customer, student, voter, employee, spouse, child, or other — assume his intelligence. How? By making certain that every utterance — written or oral — accurately reflects the truth as one sees it. And watch the recipient of the message rise to the challenge. To expect and believe in another's intelligence has a drawing power, an attractive or magnetic effect.


To test this conclusion, simply ask yourself: When do I best respond? When someone assumes I am stupid and tries to "pull the

wool over my eyes," or when he assumes I am as bright as can be? As the famous psychiatrist, Dr. Fritz Kunkel observed: "Immense hidden powers lurk in the unconscious of the most common man — indeed, of all people without exception." Tap these immense hidden powers by an appeal to intellect. Let integrity feature one's every word and deed.

"What? You expect me to give up the practices that are keeping me in business or in office?"

Frankly, I do. I expect better of those who are now or who have been appealing to weakness. But when a switch is made, if at all, it

will be in response to explanations and demonstrations by a few that an appeal to intellect is the way best to serve one's self-interest. No one can prosper for long — materially, intellectually, morally, spiritually — in a society based on appeals to weakness, be the appeals intentional or not.

Always address our appeals to the other person's intellect. For all you or I know, his hidden or latent powers may be greater than yours or mine. In any case, we will have tried our best, not our worst and, by so doing, will have helped ourselves. 

### *Knowledge and Learning*

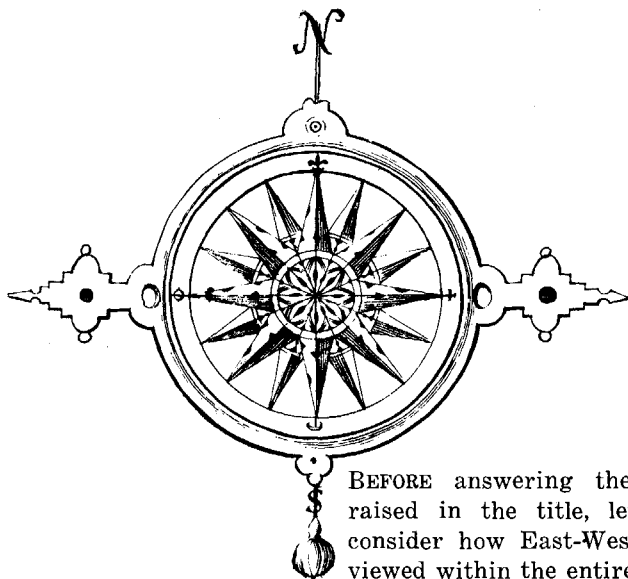
THE INTELLECT, which has been disciplined to the perfection of its powers, which knows, and thinks while it knows, which has learned to leaven the dense mass of facts and events with the elastic force of reason, such an intellect cannot be partial, cannot be exclusive, cannot be impetuous, cannot be at a loss, cannot but be patient, collected, and majestically calm, because it discerns the end in every beginning, the origin in every end, the law in every interruption, the limit in each delay; because it ever knows where it stands, and how its path lies from one point to another.

IDEAS ON



LIBERTY

CARDINAL JOHN HENRY NEWMAN  
*The Idea of a University*



BEFORE answering the question raised in the title, let's briefly consider how East-West trade is viewed within the entire US political spectrum. Essentially, there are four major schools of thought:

# Who Profits from East-West Trade?

EUGENE GUCCIONE

1. *The Peaceful-Coexistence School.* Advocates of this school call themselves free-traders and hold to the premise that: (a) trade benefits all parties involved, hence it is the best tool to achieve peace; (b) US trade barriers should be removed, and the quicker the better; and (c) negotiations, cultural exchanges, and political compromise should be used extensively.

Critics of this school say that: (a) Russia — which has a crying need for American technology and

---

Mr. Guccione, a chemical engineer, is senior editor of *Engineering & Mining Journal*, and a director of the *Committee for Monetary Research and Education*.

capital — would benefit far more from increased trade than the US; (b) Russia confiscated US property and pirated American know-how in the 1920's and 1930's, never repaid the \$11-billion loan of the 1940's, stole US atomic secrets, looted Eastern Europe and enslaved it, and provoked the US in Korea, Cuba and elsewhere in the 1950's and 1960's — hence, US trade barriers are necessary defenses; (c) negotiations, cultural exchanges, and compromises are useless as long as Russia uses trade as a weapon in its expansionistic foreign policy.

2. *The Flexible School.* Holders of this position differentiate between Russia and Eastern European countries, saying that Russia should be isolated and contained, whereas the Eastern European countries should receive US trade and help whenever they show signs of growing tired of Russian domination.

Critics say that the Flexible school cannot “contain” Russia because the Soviets would be able to obtain Western technology indirectly through the Eastern satellites — and that the Flexible policy lacks a plan for helping Eastern European countries when they are most sorely in need of help, such as Hungary in 1956 and Czechoslovakia in 1968.

3. *The Militant School.* Supporters, worried by Marxist theories of the historical inevitability of Communism's victory, maintain that East-West trade is unthinkable and that Communism must be wiped out.

Critics identify the Militant School as negative because it is *against* rather than *for* something, and say that it does not have the power to achieve positive solutions and can lead to disastrous confrontations.

4. *The Leave-It-Alone School.* Proponents view Communism as a parasite that will die if deprived of its hosts (the West); therefore, it is not necessary to fight it (as the Militants suggest) nor to live with it (as the Peaceful suggest) in order to be rid of it — but merely to “leave it alone” by halting all trade and severing all connections.

Declaimers say that this policy is impractical and would be ineffective as the US could not convince all nations of the Free World to stop trading with Communist nations.

#### ***The Libertarian Position***

Another position — which, so far, has no influence whatever — is that advanced by the *Libertarian School*. It rejects all the four major approaches to East-

West trade because it finds them incompatible with the concept of freedom. For example, according to libertarians, the Peaceful-Co-existence school (which today has the greatest influence in Washington) sweeps under the rug the fact that the kind of "free trade" it advocates is in effect a *coercive* activity because financed via US government guarantees and US Export-Import Bank credits and giveaways — and, as such, is ultimately financed by the US taxpayer whenever Communist nations default on their debts.

Essentially, libertarians are sympathetic to the Leave-It-Alone school — but with an important exception: they would never forbid trade with the Communists or anyone else. Since freedom implies responsibility for one's own actions, so goes the libertarian argument, anyone should be free to engage in trade with Russia and other Communist nations *at his own risk*.

For instance, if a US corporation such as the XYZ Chemical Company wants to build a textile plant in Siberia, then the XYZ people should have every right to do so with their own money and resources — but certainly *not* by soliciting special guarantees from the US government against Communist expropriation, or by helping their Communist client to fi-

nance the venture through US Export-Import Bank credits.

I am a libertarian. And I believe that any other approach to East-West trade is doomed: the burden of all the mistakes that occur will ultimately be borne, as it always has, by the US taxpayer. This is not a prediction but a statement of fact based on historical events, the most recent of which is that horror known as the "Soviet grain deal."

#### **Who Profited from the Grain Deal?**

Even a cursory look at the Soviet grain deal will go a long way in demolishing the view — widely shared by many American bankers, businessmen and government officials — that a great increase in East-West trade paves the road to increased understanding between the two superpowers, to relaxation of tensions, to enormous economic benefits, growing cooperation in international affairs, peaceful coexistence, and a litany of other alleged benefits.

Briefly, here's a synopsis of the grain deal:

During the trade talks in early 1972, the major objective of US government officials was to obtain a Soviet commitment to purchase "surplus" American grain. To help finance the \$750-million purchase, our government went to the extent of providing the Russians with a

\$500-million credit through the Commodity Credit Corporation.

In late May or early June 1972, the Kremlin found out that the Russian grain harvest would be disastrous. Immediately, Soviet buyers crept into the US and secretly bought at low prices all the American grain they could. Throughout the entire 1972 summer, US government officials, unaware of the extent of Russian purchases, blissfully encouraged the sale of "surplus" grain by maintaining grain prices artificially low through payment of some \$300 million of subsidies to exporters.

It was after these Soviet purchases were consummated that the grain shortage suddenly appeared and wheat prices jumped by more than 50 per cent.

To trace just *one* of the consequences, let's see the effect on meat prices.

US livestock and chicken raisers were now faced with an unprecedented increase in feed costs. Not surprisingly, meat prices went up. (There were other factors involved, however.) As consumers screamed to high heaven, the government extended price controls on meat. With the exception of sundry politicians and pseudo-economists, every thinking person knows that fixing prices below the market level will cause shortages,

and that price controls immeasurably worsen the supply situation: marginal producers will go out of business. No one can make a living selling below cost — and that includes chicken raisers.

"I don't mind hard work, but I hate paying for the privilege," is the comment of a farmer who had to slaughter his chicks to avoid bankruptcy.

The US-Soviet grain deal was "... a colossal American grain giveaway to the Soviet Union, the inflationary effects of which have already cost this country hundreds of millions and perhaps even billions of dollars." This is a quote from the July 26, 1973, lead editorial in *The New York Times*.

### **The Brezhnev Overture**

Thanks to several decades of increasing governmental meddling in the economy — a meddling recently quickened by "jawboning," "voluntary guidelines," "monetary fine-tuning," "progressive fiscal policies," "freezes" and "phases," not to mention all the impediments and obstacles that government bureaucrats and armies of environmentalists and ecologists have imposed on mineral exploration and development — Americans are now beginning to feel the pinch of raw material and fuel shortages.

The Russians, on the other hand, for the first time in their

history, are claiming their self-sufficiency and speak of exploiting their natural resources for the export market.

Though probably exaggerated for propaganda purposes, the natural resources of the Soviet Union are enormous. But they are virtually untapped. The reason: the Soviets do not possess either sufficient development capital or the technology needed to convert their natural resources into values.

On June 24 this year, Leonid Brezhnev appeared on American TV and made the same pitch that every Russian leader — from Peter the Great and Catherine, to Lenin and Khrushchev — has been making for centuries:

Give us your knowhow and investment capital in exchange for our raw materials, and we'll both prosper.

Generously sprinkled with pleas for peaceful coexistence, the Brezhnev overture sounded irresistible for many reasons, some of which are more important than others. I will mention what I think is the most crucial one: our need for fuel.

### ***The Soviets' Bait Is Oil and Gas***

The US energy crisis is getting worse. We import every day 6 million barrels of oil which costs us some \$7 billion per year. Unless the US develops its domestic re-

sources, we will have to import some 20 million barrels of oil per day by 1985 at an annual cost of \$29 billion. And that is just to keep things as they are, never mind growth or progress. The estimate, moreover, is based on the optimistic assumption that the dollar will retain its current value in 1985. Unfortunately, the dollar, after 60 years of regulation by the Federal Reserve System, is just another fiat currency, i.e., inconvertible, and quickly depreciating in the world monetary markets.

Earlier this year, I edited a book, *Mineral Resources and the Economy of the USSR* (McGraw-Hill), authored by Alexander Sutulov, professor of metallurgy at the University of Utah. In his book, Sutulov notes that current oil and gas developments in western Siberia are indeed impressive. Although development work began only a few years ago, Siberian oil production reached the 85-million-ton level last year. And by 1975, oil and natural gas production will reach 125 million tons, fully one-half the present output of Saudi Arabia, says Sutulov.

During the 1972 trade talks, Peter G. Peterson, then US Secretary of Commerce, stressed that American-Soviet joint ventures in fossil fuels were "potentially the single most important product" of the negotiations. Generally, Soviet



proposals envisioned first the contribution of American investment capital—made available through government-guaranteed US loans—with which the Russians would buy American equipment and knowhow; then, during the time that the Kremlin would settle its debts with Uncle Sam, the participating American firms would receive as payment for their contributions a commensurate portion of the mineral commodities and fuels produced at the newly built Soviet facilities. Thereafter, the Soviets would entertain entering long-term supply contracts with the US.

At present two major deals are under discussion involving Siberian natural gas: El Paso Natural Gas is considering the construction of cryogenic plants in the Far Eastern Soviet ports to liquefy natural gas for import to the US West Coast; and Tenneco, Texas Eastern Transmission, and Brown and Root are negotiating a similar deal for gas export to the East Coast. Earlier this year, incidentally, the Soviet government and Occidental Petroleum completed a \$10-billion deal involving the supply of chemical plants (by Occidental) in exchange for fertilizers and natural gas exports from Russia.

It is by making many more deals of this sort, according to Morgan

Guaranty Trust, one of the largest US banks, that “. . . the US could reap considerable economic benefits. Over the first few years . . . US exports to the Soviet Union seem likely to grow much more rapidly than imports. This would be a plus both in terms of creating more jobs and helping the balance of payments. In the longer run, drawing on Soviet energy and raw material resources could alleviate some of this country's supply problems.” (from *The Morgan Guaranty Survey*, Sept. '72, p. 11).

Such cheerful optimism is fueled by the desire of various US businessmen who want their “fair share” of the COMECON market's foreign trade. (COMECON is the acronym for the Council of Mutual Economic Aid, whose members are: the Soviet Union, Poland, East Germany, Czechoslovakia, Romania and Bulgaria.) COMECON's 1971 aggregate Gross National Product was about \$725 billion, and its world trade about \$19 billion—of which more than \$12 billion was conducted with eight non-Communist nations of Western Europe. By contrast, the US share was a mere \$384 million in exports and \$233 million in imports—totaling less than 1 per cent of all US world trade.

Will there be a boom in East-West trade? The answer, according to all the business executives

and economists I have talked with, is unmistakably negative. Let's see why.

### **Geography Is a Negative Factor**

"When those 'fair-sharing' US businessmen say there's a market in COMECON, they should ask themselves: a market for what and for whom? Our potential participation in that market isn't going to be as fantastic as the pie-in-the-sky predictions of vociferous East-West trade supporters," notes Raymond J. Kenard, former president of Power Gas Corporation of America and now a chemical consultant in international trade. "Let's forget about Russia for the moment," says Kenard. "Eastern and Western Europe are contiguous geographic land-areas, and this facilitates deliveries enormously. It's not so when you have to make a transoceanic shipment from the US. The freight situation alone would be ruinous."

### **Philosophical Differences Do Matter**

"Even if Congress were to repeal all the tariff barriers to Russian goods, as Brezhnev would like, and even if the Kremlin were to settle the Soviet Jew emigration issue to our full satisfaction, I don't think there will be any appreciable increase in trade between the US and Russia," says Norman A. Bailey, president of Bailey,

Tondu, Warwick and Company, a New York investment banking house.

Bailey, who is also professor of political science at the City University of New York, explains that should American exporters be finally freed of all controls, they would still have difficulties in selling unless US imports increased. But Eastern European goods would have to be competitive in price and quality to succeed in the US. To do that, Eastern Europe would have to become consumer-oriented and be free to move in response to market needs. In effect, this would result in the establishment of a free market, i.e., some form of capitalism, "... and I wouldn't hold my breath waiting for the Russians to let that happen," concludes Bailey.

Thus, to the dismay of pragmatists, even when viewed from a strictly commercial context, the subject of East-West trade ultimately bogs down in ideology and philosophy.

### **Charity Begins at Home**

"If any major investment has to be made for mineral exploration and development, it should be done right here, starting with the oil and gas fields of Alaska, and the coal deposits of Wyoming, Utah and other Western states," says Felix E. Wormser, a mining con-

sultant, formerly Assistant Secretary of the Interior under President Eisenhower.

"It's true that we have an energy crisis, but the cause of that crisis is neither geological nor technological. For instance, we have more than 3,000 billion tons of coal reserves. That's enough to last for the next 2,000 years at our current consumption rate," notes Wormser, pointing out that we know how much of our fuel resources are recoverable and at what cost. "But we don't have that type of information about Russian coal or any of their other resources — which, at present, are no more than a geological potential that must still be realized."

According to Wormser, the cause of the US energy crisis is political: "Our oil and gas reserves have been dwindling because for years we haven't had either the capital or the incentive to do the kind of domestic exploration and development work that we once did and that today, thanks to inflexible government regulations and the demands of environmentalists, we are prevented from doing."

In the considered editorial opinion of *The New York Times*, Americans would be well-advised to respond with "a ruthless skepticism about all Soviet business proposals . . . Documentation of

Moscow's grain coup must stand as warning to the American taxpayer against the commission of similar errors by American businessmen and the Government officials now being asked by the Kremlin to pay for Siberia's future development."

### **Formidable Financial Obstacles**

Financially, no trade is possible without a stable and acceptable medium of exchange. Unfortunately, the dollar now lacks stability, and the ruble lacks convertibility. Even if the US could restore equilibrium in its balance of payments, and thus stabilize the dollar, ". . . the de-facto inconvertibility of the Russian ruble in terms of Western currencies and the Russian lack of liquidity pose other formidable obstacles to trade," says economist Patrick M. Boarman, director of research at the Center for International Business, Los Angeles.

Pointing out that the United States is now suffering the worst inflation in its history, Boarman notes that "...inflation isn't cured by expanding and extending credit to the Russians or anyone else," and that the largesse of the US Export-Import Bank and various private US banks borders on "mindlessness and irresponsibility."

There is no benefit, either short-

term or long-term, in our trade with Russia, says Boarman. "Any payoff in raw material imports is very iffy because it will take years before Russian resources can be developed for the export market. As to the short-term payoff, it would actually be negative: since the Russians need our money to buy our technology, all we'd be getting from them are non-negotiable Soviet IOU's that, as such, will not improve one iota our balance-of-payment situation but will instead add more fuel to our already acute inflation."

#### **What the Record Shows**

In retrospect, the historical pattern of trade with the Soviet Union shows that "Bolshevik-planned industry feeds on the industrial freedom of the rest of the world. It would long ago have died a natural death, had it not been for the repeated injections of life-blood that are still being pumped into it," says German historian Werner Keller.

For instance, "In 1920, Lenin averted economic collapse by dangling the bait of 'concessions' (that is, legalized monopolies) to Western capitalists in exchange for development capital and technical knowhow," reports Norman Bailey, the New York banker. "Throughout the 1920's American and European firms played an

enormous — although unacknowledged and, as it turned out, largely unpaid — role in the construction of Russian basic industries."

Russia went into a self-imposed isolation during the 1930's. "And the Soviets steered their economy into such a mess that, when Hitler invaded Russia, the Soviets came back to us again for help," observes Patrick Boarman, referring to the \$11-billion Lend-Lease agreement of 1941. The settlement of the Lend-Lease, incidentally, is very illuminating: although the US wrote off the bulk of that Soviet debt after World War II and asked only for a \$2.5 billion settlement to pay for civilian supplies, the Soviet Union finally offered to settle all debts for \$300 million in 1960, when negotiations broke down. Last year, the US resumed negotiations — and, this time, asked only for \$800 million. The Russians balked: they are willing to repay \$300 million — at 2 per cent interest over 30 years.

Today, more than ever, Russia needs Western technology and capital, says Boarman, "and we, more than ever need reliable sources of fuel and raw materials. But we shouldn't be satisfied with mere promises before we rescue again the Russian economy from the consequences of Soviet mismanagement."

The  
Market

OR

The  
Welfare State

PAUL L. POIROT

THE open market is a highly vulnerable institution, for it rests primarily upon *faith* that each individual may dispose as he chooses of whatever is his own and that he will not coerce, defraud, or otherwise forcefully interfere with other peaceful persons.

In air terminals one may note signs to this effect: "Paying Passengers Only Beyond this Point." In other words, the object is to exclude free riders, stowaways, bunko artists, saboteurs, hijackers, or worse. Passengers and baggage may be screened against weapons. The open market is something like that — wide open to all willing sellers and buyers, but hopefully closed to anyone who would exercise coercion to gain something for nothing.

Note carefully, however, the price of admission to the open market. It is not free — that is, the goods and services are not free for the taking; they are economic resources, which are scarce and valuable enough to be worth owning. In other words, the price of admission to the open market is the ownership of something customers are willing to buy or receive in exchange.

Alongside the gate to the open market, however, is another entrance which many have found enticing. Behind it lies the Welfare State and the allure of something for nothing.

The owner of any scarce and valuable resource is always in a serious minority situation, possessing what so many others would enjoy having; they can easily

muster an overwhelming majority to take his property if he doesn't give it to them. And this is precisely the manner in which the larder of the Welfare State is stocked. Organized interest groups prevail upon the tax collector to take some or all of the property from those who would enter the market, thus providing the goodies dispensed to welfare clients.

Superficial observation of those entering the gates of the market indicates that many are coming empty-handed, with no property to trade. But closer inspection reveals that what such a person brings are his hands — his labor — always scarce and always valuable, property which he can trade for the things more valuable to him than his leisure.

### ***Marketing One's Labor***

The nature of human labor does present marketing problems. Its value is quite variable, it lacks uniformity, it is perishable, not easily transported or stored. These shortcomings are especially conspicuous in international trade where citizenship requirements, immigration restrictions, language differences, racial prejudices, and national customs more or less close the market to foreign laborers. Furthermore, there are vast differences in the skill various

laborers bring to a particular job — or the skill required for the job. One man's labor may or may not substitute satisfactorily for that of another — or it may serve in one situation but not in others.

So, what the laborer especially among market participants urgently requires is a reliable medium of exchange, a wage paid in money that can readily be traded to satisfy his wants — even across national boundaries. Yet, so uncertain and variable are the qualities of labor that a viable market economy begins to evolve only as men develop tools and skills and become specialists in various productive activities and occupations. This increases the incentive for exchange, and increasing specialization and trade increases the need for money, that is, for a commodity more acceptable in trade than are most other goods or services. Thus do market activities lead to the development and use of money, because it facilitates trade. And chief among the beneficiaries of a market-originated monetary system are the laboring poor who have nothing to sell but their services. With money, they can pull supplies through barriers which they could not negotiate in person. Thus is a man's range of choice expanded, thus are multiplied his opportunities for self-improvement — all within the con-

text of the open market and its monetary system.

### "Rising Expectations"

This growing affluence, of course, has not escaped notice by the seeker of something for nothing. His increasing envy is sometimes referred to as "rising expectations." Pressure upon the tax collector to "soak the rich" builds to the point of soaking every participant in the market, every owner of property, including the laboring poor. There is no better illustration of this tendency than the regressive income tax collected in the name of social security. Every employee engaged in "covered employment" — which includes almost every job and every worker — is subject to a tax of 11.7 per cent on the first \$12,600 of his annual earnings. (That higher base takes effect January 1, 1974.) Earnings above that amount are exempt from the social security tax — which means that the effective tax rate for a wage earner in the \$25,000 bracket is only half the rate for a worker earning the minimum or less. What the tax collector withdraws from the wage earner in the market is then siphoned into the coffers of the Welfare State. Thus is the worker tempted to leave the market promptly at age 65.

There is another law which bars

from the market any laborer unwilling to earn, or incapable of earning, the "minimum wage." The coercive activities of labor unions also have the effect of closing the market. But there shall be no attempt here to explore in detail the countless ramifications and manifestations of governmental intervention parading as welfareism.<sup>1</sup> The one further aspect that should be mentioned again, and further examined, pertains to what the government has done to our money.

We have seen how important it is to all traders, and especially to the seller of his own labor and skill, to have a market-originated and market-regulated medium of exchange. But the trader's purpose and use for money is by no means the same as that of the person who wants to regulate and control how other people are to live and act. The tax collector has no intention of earning the property he takes from the market. His object is something for nothing; and in monetary matters the most instant process is to create a fiat money and declare it "legal tender" in place of the money chosen by traders.


Perhaps the best definition of a

---

<sup>1</sup> For further treatment of the matter see two books by Henry Hazlitt: *Man vs. the Welfare State* (New Rochelle: Arlington House, 1969), and *The Conquest of Poverty* (Arlington House, 1973).

trader is "one who is gainfully employed." One simply does not voluntarily trade unless he sees gain for himself in the transaction, especially so if he is to receive money in exchange, whether it be in cash or as credit. So, the trader wants money that will either advance in purchasing power or at least hold its own while in his possession. But in any transaction involving credit, the debtor would be delighted to pay later in depreciated legal tender. So the deficit-backed dollars pumped into the market by the Federal government seem for a time to be sheer debtor's delight, affording something for nothing. However, bad debtors drive creditors from the market. Who wants

to try to trade with a dead beat? As Gresham expressed it: "Bad money drives out good." In other words, fiat money tends to dry up the market — first at the level of international trade (our government can not force foreigners to accept our legal tender) and eventually domestic trade as well. Traders retreat to barter, and further back toward self-subsistence. And those who stand most to lose from the closing of the market are the laboring poor. Unable to sell their services, they are reduced to serfdom or slavery.

There comes a time when a man must stand — alone, if necessary — in defense of the open market and the trader's opportunity to be gainfully employed. 

### ***Revolt Against Nothingness***

THE GREAT TASK of the present age, in the field of morality, is to convince common men (uncommon men never fell into the snare) of the inane foolishness which envelops this urge to revolt, and make them see the cheap facility, the meanness of it; even though we freely admit that most of the things revolted against deserve to be buried away. The only true revolt is creation — the revolt against nothingness. Lucifer is the patron saint of mere negativistic revolt.

IDEAS ON



LIBERTY

JOSE ORTEGA Y GASSET  
*Mission of the University*



# CAPITALISM and MORALITY

"NOTHING is more unpopular today than the free market economy, i.e. capitalism. Everything that is considered unsatisfactory in present-day conditions is charged to capitalism." Thus wrote Ludwig von Mises in 1947.<sup>1</sup> But the bad reputation of capitalism is of long standing. John Ruskin denounced Adam Smith as "... the half-breed and half-witted Scotchman who taught the deliberate blasphemy: 'Thou shalt hate the Lord, thy God, damn his law, and covet thy neighbor's goods.'"<sup>2</sup> Marxists and Fabian Socialists have built up a large library of anticapitalist propaganda over the years.

In times of economic crisis the

opposition to capitalism becomes even more pronounced. During the Great Depression in a book co-authored by a number of prominent churchmen, we were told: "The whole future of Christian societies depends on whether Christianity, or rather Christians, decisively leave off supporting capitalism and social injustice. . . ."<sup>3</sup> Such pronouncements could be cited almost without number. In the recent past it was assumed that the more orthodox and evangelical wing of the Christian movement was more kindly disposed toward capitalism, and there is statistical evidence to support this view; but now a group of exceedingly vocal evangelicals have appeared who denounce this traditional economic and political conservatism as unchristian.

---

Dr. Coleson is Professor of Social Science at Spring Arbor College in Michigan. This article is from an address delivered July 3, 1973, at the Summer Institute at Hillsdale College.

It would appear to me that one of our most urgent tasks is to try to understand this bitter animosity against capitalism by men of intelligence, social concern, and even Christian faith. Certainly, part of these socialistic and communistic dissenters have a vested interest in the destruction of capitalism and our nation too. Yet many are honest men of good will who oppose a market economy because they fail to understand it.

### **No Pre-Industrial Utopia**

In point of time, the first fallacy to contend with is the pre-capitalist state of society. It is easy to dream up an idyllic and utopian age when unspoiled peasants lived life to the full close to nature, a medieval version of Rousseau's "Noble Savage" in a primitive paradise. Actually, Hobbes' insistence that life in a state of nature was "nasty, brutish and short" is closer to the truth. Adam Smith mentions that in his time, "It is not uncommon . . . in the Highlands of Scotland for a mother who has borne twenty children not to have two alive."<sup>4</sup> Remember, this was as recent as two centuries ago. Another writer tells us "that the deaths in all medieval towns largely exceeded the births, so that the towns only survived by constant recruitment from the country. . . ."<sup>5</sup> Famines were frequent and severe.

More recently, E. A. Wrigley claims that in certain French parishes, which he studied in detail, the death rate was proportional to the price of grain back nearly three centuries ago.<sup>6</sup> And pollution — you should have seen and smelt it — back when everything was thrown into the streets. The pre-industrial state of affairs was no paradise, even if conditions did not improve as fast as they should have as we moved into the modern period. The contention that everything was lovely until the vicious capitalist played the serpent to that Eden is not supported by the facts of history.

Another notion is that life was relatively simple in the pre-capitalistic social and political order. The reasoning is as follows: life was simpler in the 1890's than it is today and — by an extension of the same logic — it must have been even more simple in the 1690's or 1590's. Wrong again. Life was relatively simple in the late Victorian period as a few surviving oldsters still remember; but the 1690's were as much like today as a pre-industrial society could be. As one example, in France "it took more than two thousand pages to print the rules established for the textile industry between 1666 and 1730."<sup>7</sup> Punishment for breaking these regulations was severe. Multitudes of people died for economic of-

fenses that ought never to have been considered crimes. And, remember, all of this happened before the Industrial Revolution made life complicated — or so we are told. It should be obvious that this complexity grew, not out of the necessities of the situation — what did they need of thousands of pages of textile “codes” in the days of hand weavers — but out of a philosophy of government. As has been said, the men of that age “displayed a marked belief in the efficacy of government to achieve any and all desired ends by means of legislation.”<sup>8</sup> How modern!

#### **Adam Smith and the Rule of Law**

Another common idea is that Adam Smith was an anarchist. Nowadays if one admits that he believes in free enterprise, he is often reminded that we *must* have government. There are many anarchists in our midst today and it appears their numbers are increasing — perhaps a reaction to the excesses of statism — but anarchy is not a necessary alternative to total government control. Smith distinguished between what he called “the laws of justice” and the inane attempts of various pressure groups to rig the market in favor of their petty interests.<sup>9</sup> To Smith the task of government was the administration of justice, not the job of running everybody’s busi-

ness. He also thought the government should protect the nation from foreign invasion and maintain “certain public works and certain public institutions” for the general welfare, apparently services hard to charge for, such as the use of a lighthouse or the street and sidewalk in front of your house. It is obvious that Smith believed in government, but thought, like Thomas Jefferson, that it should be a “simple, frugal affair.” Many people today are turning again to those two classics of 1776, *The Wealth of Nations* and the “Declaration of Independence.” Let’s hope that limited government is coming back in fashion.

#### **Capitalism and Greed**

Another common fallacy is the idea that Adam Smith sanctified greed, that free enterprise is brutal — “every man for himself and the devil take the hindmost.” Again, this has been a common view, held by both capitalists and socialists. However, this was not Smith’s version of capitalism. This misconception has no doubt been the most damaging to free enterprise of all the accusations leveled against the system: both Christians and humanitarians denounce it as evil and vicious. Henry Thomas Buckle, an English historian of the last century, made an interest-

ing observation on this problem. He pointed out that in his earlier book, *The Theory of Moral Sentiments*, Smith emphasized sympathy, and then seventeen years later he published *The Wealth of Nations* dedicated to the proposition that ". . . the great moving power of all men, all interests and all classes, in all ages and in all countries, is selfishness." This is the common view, except that most people do not know about his earlier devotion to compassion. Buckle described what appeared to be a dramatic change in Smith's outlook:

In this way Adam Smith completely changes the premises he had assumed in his earlier work. Here, he makes men naturally selfish; formerly, he had made them naturally sympathetic. Here, he represents them pursuing wealth for sordid objects. . . . It now appears that benevolence and affection have no influence over our actions. Indeed, Adam Smith will hardly admit humanity into his theory of motives.<sup>10</sup>

Since Buckle considered *The Wealth of Nations* as "probably the most important book which has ever been written," he seems to have had no prejudice against its author. He explains the apparent inconsistency, the obvious shift in philosophical position, by saying that Smith was investigating both

sides of the same problem, that the books were "compensatory rather than hostile," that one supplemented the other, that we all have a streak of sympathy and also of selfishness in our make up. Whatever Smith's intent, the image of greed has come through to the general public. However, I suspect that the people who talk the loudest about the problem have never read *The Wealth of Nations*.

One of our contemporaries, Richard C. Cornuelle, has also tried to resolve the dilemma. He begins with Mandeville's familiar *Fable of the Bees*, published in 1705, a satire written to prove "Private Vices make Public Benefits," as the subtitle tells us. The question was whether the individual man's greed did or did not promote the general welfare by increasing economic activity and hence the standard of living for everybody. The older view was that no one could gain except at other people's loss, that we can only enrich ourselves by impoverishing others. As Cornuelle tells us,

Mandeville merely stated the "private vices — public benefits" dilemma. It was left to Adam Smith to resolve it. In his monumental *Wealth of Nations*, he told the world clearly and comprehensively what made commerce work. There is an astonished

tone in his work, as if he could hardly believe his own discoveries. . . .<sup>11</sup>

Smith had discovered to his amazement that the true long-range self-interest of each individual was compatible with everyone else's welfare, that what was good for one was best for all. If this is true, there is no necessary conflict between Adam Smith's earlier philosophical system founded on sympathy and the alleged greed of *The Wealth of Nations*. As Smith said, the businessman in seeking his own interest is "led by an invisible hand" to promote the general welfare, "an end which was no part of his intention."<sup>12</sup> This is an attractive idea: what is good for the farmer is good for the consumer, what is good for labor is good for management, what is good for Russia, Red China, Cuba, and our more friendly neighbors is good for the United States and vice versa. This sounds great, but is it true?

If we assume that what is good for each is good for all, the next question is whether we will automatically know what is right and spontaneously do it. Of course, we need to differentiate between blind greed and enlightened self-interest, but even then there is little historical evidence to support the view that we will necessarily know the right and do it. Unfor-

tunately, there was a tendency after the publication of *The Wealth of Nations* to assume that if businessmen "did what came naturally" that the consequences would surely be good.

It should be remembered that about the time Adam Smith was born Newton captured the popular imagination with his famous solution of the riddle of the universe, the so-called "Newtonian synthesis" of the astronomy and physics since 1543, the work of Copernicus, Kepler and Galileo. As a consequence, it became the fashion to look for mechanical laws of human behavior, of society, of government and of the life of man in every dimension. Men had become machines. Malthus' famous essay of 1798 warned that population would automatically outrun any possible increase in the supply of food so that no improvement in the human condition would be possible. Little wonder that he and his good friend Ricardo earned for economics the nickname, that "dismal science."

#### **English Reform and Free Trade**

If a few intellectuals were prepared to let Nature take its course back then, the "do-nothing" social policy so often associated in the popular view with *laissez faire*, certainly there was no lack of reform efforts before and after 1800.

It was during these decades that William Wilberforce and the Clapham Sect were laboring mightily for the abolition of slavery. It was really not a good time to push reform either, since the French Revolution began in 1789 and the world was not done with Napoleon until after Waterloo in 1815. While the conflict was not continuous for this quarter of a century, wars and rumors of wars were the rule. In spite of the turmoil, Wilberforce and his associates got the English share of the slave trade (the transportation of slaves from Africa to the Americas) outlawed in 1807. After the Napoleonic Wars the British government and the Royal Navy worked diligently to suppress the commerce in slaves altogether and pressured other governments into cooperating. After the Civil War, with its Emancipation Proclamation plus the abolition of slavery in the Latin American nations to the south of us about the same time, it appeared that the future of human freedom was secure. Reform had paid off.

During the long decades of the struggle against slavery there were those who argued eloquently that the best thing to do about slavery was to ignore the problem; maybe it would go away of itself. Indeed, it may seem a paradox that Englishmen who were going

*laissez faire* in economics should at the same time have been working diligently to suppress slavery far from their shores and in lands where they had no jurisdiction. It would have seemed logical for them to have tended to their own business, the job of making money, and to have let slavery "wither away."

This is an exceedingly important point. The English reformers of the early and middle nineteenth century were not anarchists. They believed in freedom under law — God's Law — and since slavery was clearly contrary to God's Law, they were working for its abolition. It would certainly be a revolution today if all laws and political arrangements that had no moral justification should be abolished. Perhaps we have grown too tolerant of the powers that be. The Nazi and Communist oppression of the last half century has shown that power corrupts, that progress is not inevitable, and that freedom is not automatic.

The great English reform effort of the last century is misunderstood and largely forgotten, yet their accomplishments were enormous. Wilberforce and his associates accomplished more of a constructive nature than any reform movement in history.<sup>13</sup> It was out of this context that Victorian free trade and free enterprise came,

and the leaders of the movement which made it happen were devout Christians who regarded their campaign as a holy crusade. Before free trade became a popular issue, the British had abolished plantation slavery in their colonies (Wilberforce died as the abolition bill was being debated in Parliament in 1833, but lived long enough to know it would pass); to many Englishmen free trade and free enterprise were just the next logical national objectives. In one of the first lectures delivered under the auspices of the fledgling free trade movement ". . . it was stated that the organization was established on the same righteous principle as the Anti-Slavery Society."<sup>14</sup> Although everyone recognized that these were economic questions, the posture of righteousness and reform was maintained throughout the campaign.

### ***Repeal of the Corn Laws***

The focus of the economic reformers' attention was the "British farm program," the famous Corn Laws, a complicated system of tariffs which was devised to keep out foreign grain until domestic prices became prohibitive. To Richard Cobden, John Bright, and other members of the Anti-Corn Law League, this practice of keeping food needlessly scarce and expensive was criminal and wick-

ed, and no amount of legislation would make it moral. Even that distinguished reformer Lord Ashley, the seventh Earl of Shaftesbury, a landed aristocrat who had nothing to gain and perhaps much to lose if English markets were flooded with America's agricultural abundance, voted for free trade in food because it was right. By contrast, those of us who remember forty years of Federal farm programs since Henry Wallace "plowed under cotton and killed little pigs" in the spring of 1933, recall little attempt to approach the problem ethically. Such was not the thinking of the early Victorians. A great conference of the clergy was held at Manchester and many ministers began to preach that the corn laws were "anti-scriptural and anti-religious, opposed to the law of God." The League produced and distributed many tons of propaganda leaflets. It has even been claimed "that there was not one literate person in all of Great Britain who had not read of the League and its work by the end of 1844,"<sup>15</sup> a degree of saturation it would be hard to achieve even today.

This enormous effort paid off. By 1846, the League succeeded in abolishing the hated Corn Laws, and a flood of cheap grain from America inundated the British (and later Western European mar-

kets) and provided the common working man with a decent diet at a reasonable price. In the next few years the British abolished their remaining tariffs, which their neighbors tended to do also. The stage was set for the enormous growth of world trade in the late Victorian period, a burst of creative activity which promoted prosperity and economic development around the world and in the United States too. Their faith in freedom was not ill-founded. The English free traders were optimists who "were much embarrassed . . . by the dismal parts of the dismal science," as expounded a generation earlier by Malthus and Ricardo. They "avidly seized upon the purified version of economics presented by the Frenchman, Frederic Bastiat."<sup>16</sup> These men believed that progress and peace were the fruits of a proper economic policy, and in the short run, at least, this seemed to be the case. Those in our midst who are oppressed and depressed by the strife, turmoil, and seemingly permanent poverty of vast areas of the world today, would do well to study the Victorian example.

### **Then and Now**

Certainly, these men and their times make an interesting topic for study, particularly the contrasts between then and today. As

one author says ". . . in the early nineteenth century the upper middle-class elite believed in piety, reform of Church and State, moral action and laissez-faire economics."<sup>17</sup> When comparing their day and their reform efforts with our own, the historian of the future will, if he is fair, say of them, "Never did so few accomplish so much with so little." Of our massive multi-billion-dollar attempts at remaking the world in our own time he must say, "Never did so many accomplish so little with so much." Perhaps capitalism has much more to offer than we have realized for a long, long time. With socialist schemes collapsing all about us, it is time that we try to understand how it worked.

### **Faith and Freedom**


It is easy to dismiss favorable comments on Victorian economic policy as procapitalist propaganda, and there is some of that along with a flood of the socialist variety. One of the most glowing evaluations of free trade and free enterprise that I have ever seen was written by an Austrian socialist, Karl Polanyi, a few years ago. He tells us that "the self-regulating market . . . produced an unheard-of material welfare."<sup>18</sup> As if this were not a sufficient achievement, he says, "The nineteenth century produced a phenomenon



unheard of in the annals of Western civilization, namely, a hundred's years' peace—1815-1914," from Waterloo to the "Guns of August" in 1914. (I should hasten to add that he is aware of the Crimean War and the Franco-Prussian conflict but he regards them as fairly minor disturbances. The Civil War, of course, was in America, not Europe.)

After this panegyric on capitalism, a tribute as much in superlatives as Hazlitt or von Mises might manage in their most enthusiastic moments, Polanyi then warns us that the market economy "... would have physically destroyed man and transformed his surroundings into a wilderness." What frightens him about freedom is what people might do, and have done, when you turn them loose. When one ponders the history of freedom from the days of the Roman Republic to the present, he realizes that Polanyi's fears are not unfounded. In other words, there is only freedom over time for highly responsible and moral people. Free markets and free governments must be based on solid ethical foundations, a point that Edmund Burke saw clearly in the early days of the French Revolution:

Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their

own appetites . . . society cannot exist unless a controlling power upon will and appetite be placed somewhere, and the less of it there is within, the more there is without. It is ordained in the eternal constitution of things that men of intemperate minds cannot be free. Their passions forge their fetters. 

• FOOTNOTES •

<sup>1</sup> Ludwig von Mises, *Planned Chaos*, p. 17.

<sup>2</sup> Robert B. Downs, *Books that Changed the World*, p. 43.

<sup>3</sup> *Christian Message for the World Today*. E. Stanley Jones and nine other churchmen are listed as the authors. The quotation from Chapter II, page 45, was apparently written by Basil Mathews.

<sup>4</sup> Adam Smith, *The Wealth of Nations* (Modern Library edition), p. 79.

<sup>5</sup> Warren S. Thompson, *Population Problems*, p. 73.

<sup>6</sup> E. A. Wrigley, *Population and History*, p. 66.

<sup>7</sup> John Chamberlain, *The Roots of Capitalism*, p. 20.

<sup>8</sup> John M. Ferguson, *Landmarks of Economic Thought*, p. 36.

<sup>9</sup> Smith, p. 651.

<sup>10</sup> Henry Thomas Buckle, *History of Civilization in England*, Vol. II, pp. 340-354.

<sup>11</sup> Richard C. Cornuelle, *Reclaiming the American Dream*, pp. 47-48.

<sup>12</sup> Smith, p. 423.

<sup>13</sup> Earle E. Cairns, *Saints and Society*, p. 43.

<sup>14</sup> George Barnett Smith, *The Life and Speeches of the Right Hon. John Bright, M.P.*, Vol. I, p. 133.

<sup>15</sup> Dean Russell, *Frederic Bastiat: Ideas and Influence*, p. 66.

<sup>16</sup> *Ibid.*, p. 69.

<sup>17</sup> Robert Langbaum, *The Victorian Age*, p. 9.

<sup>18</sup> Karl Polanyi, *The Great Transformation*, pp. 3-5.

## *The Western Marxists*

KARL MARX thought he had “demystified” Hegel, that cloudy German philosopher who saw the manifestation of Spirit working through thesis, antithesis and synthesis to produce the ideal of the Prussian State. Marx dispensed with the idea of Spirit, but he kept his belief in the thesis-antithesis-synthesis triad. Pumping his own content into the words, Marx made capitalism his “thesis.” Labor, or the proletariat became the “antithesis,” with a new “synthesis” — Communism — postulated as the final end to the Hegelian process.

The whole schematization was absurd, as Max Eastman pointed out some thirty years ago. Society, or Western society at any rate, cannot be poured into any monist mold. It consists of many “theses” — the family, the churches, political parties, clubs and associations of all sorts, businesses, trade un-

ions, interest groups, foundations, even anarchic individuals. They pursue many ends. The big, buzzing confusion works by a series of perpetual accommodation, with scores of new “syntheses” coming into being every day. The Marxist “revisionists” caught a glimpse of this, and the socialist Second International was compelled by the statistics of middle class growth to postpone the date of the revolutionary “final struggle” to an ever-receding future date.

### **Marxism Won't Die**

So Marxian “scientific” socialism, which stood Hegel on his head, was discredited as pseudo-science. But the Marxist cult refused to die. In a brilliant book called *The Western Marxists* (Library Press, \$8.95), Neil McInnes, the Paris editor of Barron's, has explored what he calls “the remystification”

of Marx. His scholarship does much to explain what happened to the radical movements of the nineteen sixties, a period in which the young often seemed to be rebelling without plan, or philosophy, or justification by resort to tradition of any kind. The Sixties bypassed the mature Marx by seizing on the youthful Marx's idea of "alienation" to explain a need for revolt. A man named Marcuse was behind much of the rebellion. He was a refugee from Germany, and naturally he had philosophic antecedents. Who were they? Neil McInnes names them.

One of the antecedents was the French syndicalist, Georges Sorel. A Bergsonian, Sorel did not believe in any of the Marxian "laws of motion." Sorel was a free-willer who thought man could make almost any sort of history. Myths were important to move men to action. They didn't have to be "scientifically" true to be useful. One of the Sorelian myths was the "general strike." If he could persuade enough people to believe in its efficacy, he might topple capitalism overnight.

#### *Lenin's Rise to Power*

Lenin himself, a "Western Marxist" by courtesy of the fact that he lived for most of his adult life "under Western eyes" (Conrad's phrase) in Switzerland, was some-

thing of a Sorelian. When he returned to Russia in the Kaiser's sealed car he didn't wait for any capitalist "thesis" to raise up its proletarian "antithesis." Instead, he seized the leadership of disenchanted peasants and demobilized and deserting troops to grab the levers of government. Marx had not considered that a Communist revolution could come in such a rural State as Russia. Lenin still insisted he was a Marxist. But he had done his own re-reading of Hegel, which prompts Neil McInnes to consider Leninism as part of the "remystification" process. (The "mystery" was later dispelled by Stalin, whose crude materialism began with bank robbery and ended with mass murders as instruments of policy.)

Lenin always paid lip service to the "working class." Actually, he believed in professional revolutionaries. Once the Bolshevik professionals had won in Russia, however, Lenin put economics back into the picture. Work had to be done, even though it is always done badly under socialism.

Other "Western Marxists" who turned to "myth" in the Sorelian manner were, as McInnes names them, Antonio Gramsci of Italy (Mussolini beat him to the Sorelian punch and put him in jail), Georg Lukacs of Hungary, and the German Rosa Luxemburg. Since both

Gramsci and Lukacs had to accommodate their return-to-Hegel thinking to getting along with official Communist Party doctrine, I have great difficulty in following their turns and tergiversations as outlined by Neil McInnes. Hegel, taken by himself, is doubletalk, but when Marxists who don't really believe in Marx as a "scientist" try to reconcile the needs of party discipline to the needs of exercising originality it becomes triple-talk. The triple-talk, however, is historically important: it affected the young Marcuse, who brought it to America, and it emerged as "instant revolutionism" in Fidel Castro, Che Guevara, Frantz Fanon, Régis Debray, Rudi Dutschke, Daniel Cohn-Bendt, Malcolm X, Huey Newton, Stokely Carmichael and such "academics" as C. Wright Mills and Noam Chomsky.

### **Changing the Establishment**

What distinguishes the younger "Western Marxists" is their theory that society is a total "establishment" that must be changed all at once. But how do you do this when "labor," or the "proletariat," is making the highest wages ever? Marcuse has denied that labor can be the leader in any revolutionary overturn under modern capitalist conditions: the working man has been "bought out." So we have the "instant revolution-

ary" trust in the young (see such books at *The Greeing of America*), the blacks and the poor, all of whom seem to be letting Marcuse down these days as the Vietnam War recedes into the distance and the campuses return to a study of other things beside the art of insurrection.

When ideas get a re-run, says McInnes, they often emerge as grotesquerie. Hegel and the young Marx of the "alienation" period turn up as Zen Marxism, Pop Marxism, existentialist Marxism, and Flower Children estheticism. The "Western Marxists" are long on what they dislike (they object not only to capitalism but to any and all manifestations of industrialism, the Soviet Union included). Georg Lukacs, who looms particularly large in Mr. McInnes's chronicle, wanted a Communism that would liberate humanity from the very necessity of dependence on economics. His main interest, aside from revolution, was esthetic criticism, and his idea of Utopia, one gathers, was a community of scholars who would be miraculously freed from the necessity of digging and delving. The secret aristocratic bias of many of Mr. McInnes's "Western Marxists" is evident; they would have been quite at home in ancient Athens with slaves to do their work.

The constructive message of Mr.

McInnes's book might be summed up as "beware of the thinker who insists that society is a totality that must be changed as a unit." In the first place, society is a ragged, fluid, ever-changing affair. Secondly, any successful unitary coup must result in total repression. Communism and/or Fascism, what is the difference?

#### ▶ THE MORALS OF MARKETS

by H. B. Acton (London: Longman Group Limited, 1971) 104 pages, £1.75.

*Reviewed by M. L. Zupan*

PROFESSOR ACTON has gone a long half way toward providing a moral defense for the competitive market system. For although he does not here offer a positive thesis as such, he effectively demolishes the major historical and prevailing contemporary criticisms of free enterprise.

To accomplish this he relies, not on a detailed analysis of the economic advantages of freedom in transactions — which few deny — but on moral philosophy, in which he is well versed. Most of the criticisms of the market economy have been moral judgments, and the only effective way to deal with them is on their own terms, which Acton has done.

From Plato to the present day there has been a "continuing chorus of disapprobation" of the economic order, with the Eighteenth Century classical liberals' defense of it providing "only a brief interlude." Professor Acton catalogs the major forms the criticism has taken: (1) that the profit motive makes selfishness and greed into virtues; (2) that competition engenders strife whereas cooperation and public service are better ways to carry on men's affairs; (3) that competition leads to monopoly, thus the original freedom is subverted to tyranny; (4) that the goal of production, i.e., satisfaction of needs, is lost sight of in the impersonality of the market place; and (5) that competitive economies are necessarily chaotic and unjust whereas planned societies bring order and fairness.

Acton spends a chapter on each of these accusations, drawing on the actual works of their proponents from Carlyle and Ruskin to Hobson, Tawney and Galbraith. He is not concerned with showing that the virtues of foresight, honesty and reliability fostered by the free market and the practices of exchange, bargaining and competition required for its operation are more worthwhile than the virtues and advantages claimed for socialism — self-sacrifice, co-

operation, generosity. Rather, he discusses the appropriate spheres of action and shows that the virtues attributed to the two systems are compatible in men's lives.

But socialism contains other elements which are incompatible with the tenets and virtues of the free system. In his excellent chapter on egalitarian collectivism and distributive justice he concludes that any attempt to merge these with a free enterprise system must lead to the imposition of a state morality "from which independent thought and action have been unwittingly excluded."

Along the way we are treated to his sensible approach to some of the opponents' bugaboos, e.g., monopoly and advertising, and his unsympathetic opinion of trade unions, government subsidies to struggling ("publicly needed") industries, and taxation to support public relief (which he believes leads to the view that such services are a right).

Professor Acton does little more than clear the ground for a defense of the free market, but we are given some clues as to how such a defense ought to proceed: competitive markets are not ends in themselves, but are right for society because they "give more scope for intellectual and moral excellence." Thus, he is in line with the Socratic/Aristotelian no-

tion that freedom is good for man not in and of itself, but as the only means by which man might achieve his own excellence.

This is a book which in the midst of the perennial outcries against laissez-faire provides a refreshing and impressive alternative. It is quite readable and, although based on sound philosophy, requires no special knowledge in that or in economics.

► **PASSING OF THE MODERN AGE** by John Lukacs (New York: Harper & Row, 1970), 222 pp., \$7.95 cloth, \$2.25 paper.

*Reviewer: Haven Bradford Gow*

PROFESSOR LUKACS examines the era which began four to five hundred years ago, commonly called the *Modern Age*, in contrast with the *Middle Ages* and *Antiquity*. *Decline of the West* was for Oswald Spengler a philosophical speculation, but the sense of an age on the wane is now based on everyday experience. For at the same time that Western man has attained Olympian heights in science, technology and material prosperity, there is, paradoxically, loss of faith in the civilization which has produced these accomplishments.

Among the signs of the erosion of faith, the author discusses the purposelessness of society; the faithlessness of religion; the mutation of morality; the fiction of prosperity; the decay of science; the destruction of nature. Because of the limitations of space, this review focuses on the last three.

By the "decay of science," Professor Lukacs refers to the widespread acceptance of the scientific world view to the exclusion of all others, and to the extension of the methodology of the natural sciences into the humanities and social sciences. He strongly suggests an intimate connection between the decay of science and the destruction of nature. For when the scientific world view and the methodology of the natural sciences are deemed sacred, there are pernicious consequences not only in the epistemological order, but in the real world as well.

The scientific world view emphasizes man in sharp contrast with physical nature. Unlike the wiser view of St. Thomas—the view which holds that while man is distinct from nature because he possesses rationality and a soul, he also has a body and is a part of nature—the scientific world view claims that man exists in total independence from nature, and that man therefore can (with impunity) manipulate and rape

nature to suit his desires and needs. The result is the destruction of nature which Lukacs writes about.

Clearly, we have heard from too many "doomsday prophets" regarding environmental decay, but Professor Lukacs is of a different breed. He has a valid point to make and his closely-reasoned analysis explodes several myths. For instance:


Few people recognize that the destruction of nature has been proceeding fastest in those regions of the earth where the growth of population has been the slowest (in Western Europe and in the urban regions of the United States). . . .

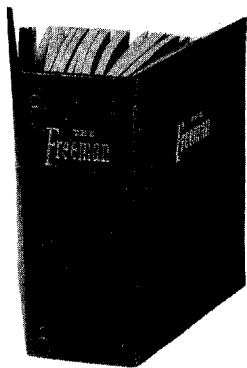
Then there is the paradox of prosperity. The people of the Western world, the author tells us, are better off materially than ever before; but these same people are unhappy, frustrated, discontented. Why?

Mainly, the author contends, because we have been trying to cure a spiritual malaise with political nostrums. For many years our politicians and intellectuals have inundated us with political and economic remedies for conditions which really reflect disorders of the spirit. The planners have mistaken the proximate answer to an economic problem for the ultimate solution for every issue of life. They have led us to

believe that, if we would just increase economic planning and the GNP and material benefits to those living in the Western world, happiness and peace of mind would surely ensue. But in sober truth, spiritual disorder—confusion as to the meaning and purpose of life—demands a religious solution.

It goes without saying that financial resources are extremely important (we need only to ask the man with heavy medical bills), and such material satisfactions as

color television sets, electric toothbrushes, automobiles and expensive cigars are nice to have; but things of this sort cannot adequately minister to the intense demands of the human spirit. Thus, at the end of the Modern Age, we find ourselves in a paradoxical situation: "people are prosperous as never before, [but] immense numbers of them are unhappy and confused. Millions of people are now aware, often painfully, that they do not live by bread alone." 



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 11 • NOVEMBER 1973

- Political Corruption** **Allan C. Brownfeld** 643  
One result of all-powerful government and centralized power.
- Health Care, Human Rights and Government Intervention** **Garvan F. Kuskey, DDS** 648  
A critical appraisal of the efforts to nationalize medical and dental services.
- Let Education Go Commercial** **Thomas L. Johnson** 655  
Exploring the market possibilities of resolving some of the problems of schools.
- Welfare as a Right** **Ridgway K. Foley, Jr.** 663  
If it is a right, rather than a privilege, someone must be bound to deliver.
- Dear America:** **Howard D. Aley** 672  
An open letter from a young American.
- How to Stop Inflation** **Leonard E. Read** 674  
Take from government the power to create money and hand out special privileges.
- The Right to Be Wrong — and the Obligation to Be Right** **Charles R. LaDow** 680  
To the right of free speech is forever attached the obligation to be right.
- Freedom/Responsibility—the Quest for Individual Dignity** **Robert G. Bearce** 685  
Only through self-improvement may one proceed toward a better world.
- The Cry for Freedom Is the Scream of Nature** **Thomas F. O'Connell** 691  
However frustrating the search for freedom, it must go on.
- Book Reviews:** 699  
"The Lady and the Tycoon: Letters Between Rose Wilder Lane and Jasper Crane"  
edited by Roger Lea MacBride  
"The Political Illusion" by Jacques Ellul

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*

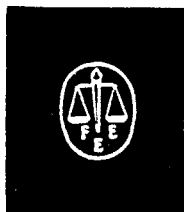
THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

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, 1973, 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.

THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "Health Care, Human Rights and Government Intervention" and "The Cry for Freedom Is the Scream of Nature."



# POLITICAL CORRUPTION

## *One Result of All-Powerful Government and Centralized Power*

ALLAN C. BROWNFELD

PEOPLE throughout the country are asking themselves the question: "Why are so many men in so many high places in Washington involved in so much corruption?" They observe huge cash payments, unreported, being made to national political campaigns and wonder why so many businessmen feel the need to involve themselves in politics. Unfortunately, the answers we receive to such questions miss the point entirely. We are told, in response, that we need more honest men in government, or stricter laws, or more Congressional control.

It may be true that we need more honest men in Washington, for politics, as President Eisenhower once reflected, "is too important for the politicians." It may

also be true that we need stricter laws and additional control by the Congress. But the simple reason why so many businessmen are involved in politics is that politics is so involved in business. If government did not have the power to set wages and prices, no one would feel the need to bribe anyone for a favorable ruling. If government did not have huge contracts to bestow in a multiplicity of fields, no one would need to pay off politicians for a piece of the action. If government did not provide itself with the power to regulate, in the name of "safety" or "ecology" or whatever, no one would feel the need to bribe anyone for or against a particular ruling.

It is inevitable, as government becomes more and more powerful and controls more and more aspects of our lives, that Americans will seek to influence that govern-

---

Mr. Brownfeld of Alexandria, Virginia is a freelance author, editor, and lecturer especially interested in political science.

ment through campaign contributions and other forms of reward. It is similarly inevitable that men in political life, with such enormous power at their disposal, will be tempted to accept such bribery. Changing the men and keeping the system as it is will change very little.

### **Earlier Scandals**

The trend toward government control of the nation's economy goes back to the latter part of the nineteenth century. Discussing the age of the "Robber Barons," Gustavus Myers, in his book, *History Of The Great American Fortunes*, places great stress upon the low level of political morality which was evidenced in the rush to accommodate the highest bidder from the business community. Describing the situation in New York State, Myers charges that, "Laws were sold at Albany to the highest bidder."

In an article prompted by the Credit Mobilier scandal, E. L. Godkin, editor of the *Nation*, warned that the only lasting answer to bribery and corruption would be an end to the power of congressmen to bestow great privileges upon private individuals or corporations. Godkin wrote: "The remedy is simple. The Government must get out of the 'protective' business and the 'subsidy' busi-

ness and the 'improvement' business and the 'development' business. It must let trade and commerce, and manufactures, and steamboats and railroads, and telegraphs alone. It cannot touch them without breeding corruption."

### **The Bewildered Society**

Discussing the tendency at this time to look at the scandals of the past — and present — and conclude from them that what we need is more and not less governmental authority, George Roche III, in his volume, *The Bewildered Society*, notes that, "Advocates of centralized authority and economic control in the twentieth century look back to the so-called era of Reconstruction and big business to point out its evils with great glee and to suggest that those evils are a prima facie case for the necessity of more political control of business. The very reverse is actually the case . . . All of the significant scandals of the nineteenth century were closely connected with the exercise of political power."

Dr. Roche points out that, ". . . there evolved the dichotomy which saw businessmen preaching laissez faire doctrine for everyone else, while asking for government assistance in their own particular case."

The recent revelations with regard to the Nixon Administration

— the Vesco funds, the contribution from the milk producers, the airlines, and so forth — are simply part of the ongoing reality of corruption in a society where government becomes the arbiter of all things. Similarly, the use of the Internal Revenue Service by those in power to punish opponents is only additional proof that those who argued that the power to tax is the power to destroy were quite right.

**To Restore Integrity,  
Limit Government's Power**

If Americans seek to restore honesty and integrity to government, the first step in the proper direction would be to begin divesting government of its power over the nation's economy, its schools, and its farms. A government which did not have favors to bestow would not be a recipient of secret cash contributions. Politicians, without life and death power to wield, could more easily maintain their honesty and integrity.

If the Watergate hearings have an additional long-range lesson for the American people, it may be the fact that the dire warnings over the years by distinguished statesmen and scholars about the danger of an all-powerful executive were quite correct.

In *The Federalist Papers*, James

Madison declared that, "In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself."

During the years when, under the New Deal leadership of Franklin Roosevelt, the role of the executive was increasing in scope and was less and less subject to control by either the legislative or judicial branches of government, it was conservative Republicans such as Senator Robert Taft of Ohio who warned of the dangers of executive power.

Discussing the manner in which we went to war in Korea, without a Congressional declaration, Senator Taft stated that, "If in the great field of foreign policy the President has the arbitrary and unlimited powers he now claims, then there is an end to freedom in the United States not only in the foreign field but in the great realm of domestic activity which necessarily follows any foreign commitments."

During those years, it was the liberal Democrats who supported executive power, who opposed measures such as the Bricker Amendment which sought to limit it, and downgraded the role of the Congress.

### **How Did It Happen?**

Now, with Watergate and the spectacle of non-elected and ambitious men charged with illegal and unethical activities, many Americans wonder how it is that the executive branch came to possess so much power and to view itself as above and beyond the law. Ironically, the liberals, whose policies have led to this state of affairs, are most aghast; while many conservatives, who always recognized the danger of arbitrary executive power, now tend to apologize for it, for it is being wielded by their own party.

The noted historian, Daniel M. Boorstin, states that one of the most important lessons to be learned from Watergate relates to the growth of the government's executive branch:

"There are hundreds of people who write on White House stationery. This is a new phenomenon. In fact, it's a phenomenon which has astonished, and properly astonished, some senators who asked the counsellor to the President if he ever saw the President and he said he didn't. And I think there are something like 40 persons who bear some title such as counsellor to the President or assistant to the President or something of that sort. Now this is a relatively new phenomenon: the opportunity for the President to

get out of touch with the people who speak in his name."

American political philosophy has always held that the legislative branch was to be the supreme branch of government. Philosopher John Locke, who profoundly affected the thinking of the Founding Fathers, is emphatic on the position of the legislative branch. In his *Second Treatise* he writes that, "There can be but one supreme power, which is the legislative, to which all the rest are and must be subordinate."

### **Departure from Tradition**


Presidential dominance, which has been growing since the days of the New Deal, is inconsistent with the American political tradition. If men such as those involved in today's Watergate scandal, who are not elected by the people and cannot be voted out of office by the people, are unchecked in their exercise of power, the concept of representative and limited government is seriously challenged.

It is unfortunate that principle seems to play such an ambiguous role in American politics. The men who most feared executive power when the other party wielded it, are now becoming comfortable with it. Similarly, those who welcomed it when it was in their own hands, are now suspicious of it. This, of course, becomes argument

from mere circumstance, and not from principle. The American people deserve something better from their elected officials.

If we learn from Watergate to be suspicious of centralized power, whether in the hands of Democrats or Republicans, we will have learned an important lesson. During the colonial period, the anti-Federalists, men such as George Mason and Patrick Henry, opposed the ratification of the Constitution because they believed

that even that limited and limiting document provided for too strong an executive. "Did we fight King George III only to have an elected king?" they would ask. Their question still bears asking, for we in America do not want an elected king, but an executive to carry out the laws passed by the Congress.

Hopefully, Watergate will mark the end of the trend toward centralized power started in the New Deal. If it does, all of us will benefit. 

### *No Change By Usurpation*

IT IS important, likewise, that the habits of thinking in a free country should inspire caution in those intrusted with its administration to confine themselves within their respective constitutional spheres, avoiding in the exercise of the powers of one department to encroach upon another. The spirit of encroachment tends to consolidate the powers of all the departments in one, and thus to create, whatever the form of government, a real despotism. A just estimate of that love of power and proneness to abuse it which predominates in the human heart is sufficient to satisfy us of the truth of this position. The necessity of reciprocal checks in the exercise of political power, by dividing and distributing it into different depositories, and constituting each the guardian of the public weal against invasions by the others, has been evinced by experiments ancient and modern, some of them in our country and under our own eyes. To preserve them must be as necessary as to institute them. If in the opinion of the people the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation: for though this in one instance may be the instrument of good, it is the customary weapon by which free governments are destroyed.

GEORGE WASHINGTON'S *Farewell Address*

IDEAS ON



LIBERTY



# Health Care, Human Rights AND Government Intervention

SEVENTEEN YEARS ago the Austrian economist Ludwig von Mises observed that the people of the United States enjoyed the highest standard of living of any people in the world; but only because the United States government embarked much later than the governments in other parts of the world upon the policy of obstructing human enterprise and endeavor.<sup>1</sup> The dismal results of government intervention in the areas of agriculture, education, employment, housing, urban renewal, mail carriage, and transportation, to name but a few, are a matter of record.<sup>2,3,4,5,6,7,8</sup> Today it appears that the U.S. government is on the verge of a massive intervention into the practice of dentistry and medicine, because of an alleged

"health crisis" in America. This impending action, which has the blessing of both political parties

<sup>1</sup> Ludwig von Mises, *The Anti-Capitalistic Mentality*, (New York, Van Nostrand Reinhold Company, 1956), p.v.

<sup>2</sup> Clarence B. Carson, *The War on the Poor*, (New Rochelle, N. Y., Arlington House, 1969), pp. 13-24, 69-116, 128-129, pp. 186ff.

<sup>3</sup> R. W. Grant, *The Case Against Public Education*, (Washington, D.C., *Free Campus News*, Vol. 1, No. 1, 1969), p. 2.

<sup>4</sup> Roger A. Freeman, *Dead End in American Education*, (*National Review*, Vol. XXI, No. 1), pp. 22-24.

<sup>5</sup> See Henry Hazlitt, *Man vs. the Welfare State*, (New Rochelle, N. Y., Arlington House, 1969) for a comprehensive overview, in layman's language, of the entire gamut of destructive government intervention into the economy.

<sup>6</sup> Martin Anderson, *The Federal Bulldozer*, (New York, McGraw-Hill Book Co., 1967), pp. 52-70, 229.

<sup>7</sup> Murray N. Rothbard, *Power and Market: Government and the Economy*, (Menlo Park, California, Institute for Humane Studies, 1970), pp. 19-59.

<sup>8</sup> William C. Wooldridge, *Uncle Sam, The Monopoly Man*, (New Rochelle, N. Y., Arlington House, 1970), pp. 11-31.

Garvan F. Kuskey, DDS, has offices in Santa Barbara, California. His article is reprinted by permission from the *Journal of the California Dental Association*, July, 1973.



as well as elements in the ADA and AMA, has been given the name "National Health Insurance," a political euphemism for socialized medicine.

When exposed to the ample body of evidence which documents the fact that no such crisis exists<sup>9</sup> supporters of government medicine generally point out that there are, nonetheless, still those who are not benefiting from our health care system. For example, in our own area of dentistry we are told by our liberal and conservative colleagues alike of the millions of cavities that are going unfilled in the mouths of the deprived and disadvantaged. The fact that there are also millions of unfilled cavities in the mouths of affluent suburbanites does not give them pause; we are still told that our free-enterprise system of health care, good as it is, must be changed, even drastically, in order that the medically indigent receive the care to which they are *entitled*. (For example, 95 per cent of all dentists examined in the oral health screening panel by Dr. Sherwin Z. Rosen at the October 1972 ADA convention in San Francisco had dental disease; 60 per cent had periodontitis. This

unusually high incidence of pathology can hardly be attributed to lack of education or financial resources. What it does tend to confirm is that many Americans, rich and poor, educated and uneducated, *choose* to allocate their time and resources to activities other than achieving proper oral health. A government program of either treatment or education is unlikely to alter this situation. — JADA 86:743, April 1973).

#### Foreign Experience

At this point discussions of socialized medicine usually devolve into pragmatic considerations of whether or not this or that program of government health care will work. From the abundant evidence available which describes the experience in other countries which have adopted various plans of socialized medicine, it would appear that government medicine in any form is more costly than privately rendered care, is inefficient in its delivery, and often militates against the very persons it is designed to help.<sup>10,11</sup> We commit a serious error, however, if we focus all of our attention upon these pragmatic considerations without first determining whether or not it is possible for a person

<sup>9</sup> Marvin H. Edwards, *Hazardous To Your Health; A New Look at the "Health Care Crisis" in America*, (New Rochelle, N. Y., Arlington House, 1972), pp. 37-128.

<sup>10</sup> Edwards, *op. cit.*, pp. 135-230.

<sup>11</sup> Neil McInnes: *Sweden's Bitter Pill*, (Barron's, 26 June 1972), p. 9.

to actually possess a *right* to health care (or, as it is often more skillfully stated, a right to *access* to health care).

Before discussing health care "rights" it is necessary to first examine the philosophic underpinnings of the concept of *rights* itself. Exactly what constitutes a human right? Does a right come into existence because a legislature proclaims it? Can a president create human rights? Or a "majority"? To answer these questions we must begin our logical progression from the irrefutable premise that man *exists*. Since man exists as a living being, it can be apodictically stated that a human individual's most fundamental right is *the right to his own life*. From the time of the Greek philosophers to the present no one has stated this fact more concisely than the British political philosopher Auberon Herbert:

"The great natural fact of each person being born in possession of a separate mind and separate body implies ownership of such mind and body by each person, and rights of direction over such mind and body; it will be found on examination that no other deduction is reasonable." Elaborating on this point, Herbert devastates the argument that "society," the State, or anyone else has a valid claim on one's person:

"If there is one thing on which we can safely build, it is the great natural fact that each human being forms with his or her body and mind a separate entity — from which we must conclude that the entities belong to themselves and not to each other. As I have said, no other deduction is possible. If the entities do not belong to themselves, then we are reduced to the most absurd conclusion: A or B cannot own himself; but he can own, or part own, C or D."<sup>12</sup>

#### *The Right to Produce*

The right to one's own life implies a major corollary: the right to engage in the production of values which will sustain that life.<sup>13,14</sup> These values are accordingly the exclusive property of the individual who produces them. If an individual's property is seized from him by force (or threat of force), his right to his property does not transfer to the robber. This fact is not altered whether the robber is acting alone or is a member of a gang of robbers. Even if a majority of individuals in a given geographic area sanc-

<sup>12</sup> Auberon Herbert, in Murray N. Rothbard, *Man, Economy, and State*, (Los Angeles, Nash Publishing, 1970), p. 159.

<sup>13</sup> Gottfried Dietze, *In Defense of Property*, (Baltimore, The Johns Hopkins Press, 1963), p. 49.

<sup>14</sup> Rothbard, *Power and Market*, pp. 176ff.

tions the robbery, the owner has not lost his right to his property.<sup>15</sup> We can therefore posit that the right to one's own life, as well as the corollary rights thereof, accrue to each individual quite independent of the will of legislatures, presidents, or majorities. Rights, of course, cannot exist in conflict. Thus the right to use or dispose of one's property implies a mandate to refrain from physical interference, or the threat thereof, with another individual's right to use or dispose of his property.

#### **A Right to Health Care?**

On the basis of the foregoing we can now examine whether a right to health care can exist. Health care is a service provided by doctors and others to people who wish to purchase it. A person in need of health care (or, for that matter, food, clothing, housing, transportation, or recreation) does indeed possess a right to seek to enter into a bilaterally voluntary exchange with a health care pro-

vider (or grocer, clothier, builder, auto dealer, or travel agent). But the mere existence of a *need* for a service or good does not imply a *right* to it.

In current political parlance, the "right" to health care has come to mean *the right to health care at the expense of someone other than the recipient of the service*. There are four ways this can occur: 1) by the doctor voluntarily giving his services to the patient; 2) by a charitable individual or organization voluntarily donating the cost of the patient's treatment; 3) by the patient or his agent physically coercing the doctor into providing the service; or 4) by the patient purchasing the service with funds seized from others in the form of taxes. It should be immediately apparent that while the first two examples constitute morally proper transactions, the latter two constitute blatant abrogations of genuine rights: either the doctor owns his own life or the patient owns it; and, as in the fourth case, either the individual taxpayers own their own lives, or the patient owns them. The absurdity of a person in need of health care owning a part of a doctor's life, or a part of anyone else's life, has been well demonstrated by Herbert.

To claim, then, that medical care is a right — that a man has a right

<sup>15</sup> It is interesting to note that if we bestow the name of a government taxing authority (i.e., "the School Board" or "the County Tax Collector") upon the gang of robbers, the nature of the act of theft is not at all altered, nor does the proper owner of the seized property lose his right to it. See also Robert LeFevre, *The Philosophy of Ownership*, (Santa Ana, Rampart College Press, 1971), pp. 23-42.

to be cared for by somebody else — raises the question: What of that other somebody's rights? Since rights cannot exist in conflict, we can arrive at no other logical conclusion: There exists no such thing as a right to health care.

### What Can Be Done

Once we have disabused ourselves of such fallacies as the existence of a U.S. "health care crisis," the "right" to health care, or the ability of the government to deliver what the private sector cannot, we can get on with the business of trying to solve those medical and dental problems that are soluble *at all*. For example, approximately two-thirds of American mortalities other than those attributable to the senile cessation of body functions are due to diseases known to be caused or exacerbated by such factors of *personal choice* as alcohol, tobacco, or overeating; or due to accidents.<sup>16</sup> What government program, short of outright imprisonment, could change this?

Those who advocate NHI fre-

16 Department of HEW, Public Health Service, *Vital Statistics of the United States 1968*, Vol. II. Mortality. Part A, (Rockville, Md. National Center for Health Statistics, 1972), pp. 1-6, 1-7. First pointed out by Robert M. Sade, *Medical Care as a Right: A Refutation*, *New Eng. J. Med.* 285; 1288-1292, Dec. 2, 1971.

quently attempt to buttress their position by pointing at the catastrophic illness that bankrupts a family; or the seemingly unresolvable "lifeboat" situation wherein a mythical doctor in a sparsely populated rural county demands an outrageous fee to save the young widow's life. Although it is often assumed that only the government can resolve these classical health dilemmas, this assumption is clearly in error. For example, it is an accepted norm in our society to insure one's house against fire; does not common sense dictate a similar practice with regard to one's own health? Catastrophic health insurance is readily available for the daily price of a package of cigarettes.<sup>17</sup> For the family that is so destitute that it cannot afford even the most modest health insurance premium, there exist in the U.S. today an abundance of private charitable organizations which offer all forms of succor, including health care, to the poor.<sup>18</sup> It is worthy of note that they exist in spite of confisca-

17 A guaranteed renewable, \$2500 deductible, no maximum limit catastrophic health insurance policy for a family of four, for example, is available at a premium of 40¢ per day. See Robert J. Myers and E. Paul Barnhart, *Catastrophic Insurance*, (*Private Practice*, Vol. 4, No. 10, October 1972), pp. 23-42.

18 See Richard Cornuelle, *Reclaiming the American Dream*, (New York, Random House, 1966). Cornuelle is chairman of a private charitable foundation.

tory taxation on the private incomes that provide the bulk of their support. The "lifeboat" health situations are in actuality so rare that they cannot be used with any statistical validity in justifying a change in our present system of health care delivery.

### **Government-Caused Problems**

Many of the ills that affect the health of the average American are due to poor diet and inadequate housing; not faulty health care. Those doctors who are willing to go beyond the confines of their clinical practices to relieve the distress of the medically indigent should examine the extent to which poverty — and the consequent inability to purchase sufficient health care, or the inability to live in a healthier environment — is the direct result of prior government intervention into the economy. Carson, Hazlitt, Anderson, and others<sup>19,20</sup> describe at length how many of the "disadvantaged" in our society are made so because government minimum wage laws have forcibly disem-

ployed them; how workers, particularly minority group members, are excluded from the labor market by government-protected labor unions; how would-be entrepreneurs with little capital are denied entrance to many areas of business by expensive government licensing and government-created monopolies; how many of the poor are torn out of their modest homes and pushed into unhealthy slums to make room for the plush shopping malls, luxury highrise apartments, and freeways of government "urban renewal" projects; how inadequate diets are in part the result of government taxes which comprise almost half of the purchase price of food. It flies in the face of reason to suggest that medical indigency induced by previous government interventions into the economy be ameliorated by further government intrusion which will of itself additionally pauperize those who are taxed to pay for the new health programs.

### **Summary and Conclusions**

While there are indeed some Americans who are not in a financial position to fully utilize all of the benefits of our free-enterprise health care system, this in no way indicates the existence of a "health care crisis" in this country. Their ability to purchase health care would be greatly improved, how-

<sup>19</sup> Yale Brozen, *Ghetto Economics*, (*Reason Magazine*, Vol. 3, No. 8: November 1971), pp. 8-12.


<sup>20</sup> Dr. F. A. Harper, chairman of the Institute For Humane Studies: personal communication of November 20, 1972, relating to cost of government as a part of each dollar of personal income spent: 43 per cent as of 1972.

ever, if they could obtain relief from the onerous burden of government taxation they are enduring.

The establishment of a system of socialized medicine is justified by its advocates because they feel some Americans have a "right" to health care at the expense of others. Some feel that the government could provide better health care than do private practitioners and private hospitals. Such justification is clearly in error, since there exists no such thing as a "right" to health care, nor is there a shred of evidence to indicate that the government could perform any better in the area of health care than it has in the areas of housing, education, agriculture, and other areas where its failures have been monumental. In fact, government Medicare and Medicaid programs are among the principal reasons for today's rising health care costs and clogged health facilities.

Since a medical millenium is an impossibility under any economic system, there will always

be that small number of individuals who are unable to obtain the full services of the health care system. It is understandable, commendable, and in the American tradition to want to extend a helping hand to them. But does not prudence, as well as compassion for the overwhelming majority who fall within the existing system, demand that the rational critic of U.S. health care spend his time trying to improve our system, rather than trying to impose a radical change such as National Health Insurance would bring?

If the government succeeds in fastening socialized medicine upon the people of the United States, the quality and quantity of our health care will certainly decline. This will give future historians the unpleasant task of reporting that von Mises' observation of 1956 had become invalid: that the U.S. government, at least in terms of health care, had succeeded in adjusting the U.S. standard of living *downward* to match that of the rest of the world. 

### ***The Anti-Capitalistic Mentality***

IDEAS ON



LIBERTY

THE PEOPLE of the United States are more prosperous than the inhabitants of all other countries because their government embarked later than the governments in other parts of the world upon the policy of obstructing business.

LUDWIG VON MISES



Let  
Education

## Go Commercial

THOMAS L. JOHNSON

The fundamental problem in education is not an educational problem at all: it is a social one. It consists in the establishment of a new and better relationship between the two great sections of society — children and adults.

— Maria Montessori

"NOT TOO many of us realize how bad American schools are from the point of view of humanity, respect, trust, or dignity," stated Charles E. Brown, once the Superintendent of the Newton, Massachusetts schools. "The values they transmit are the values of docility, passivity, conformity, and lack of trust," adds Charles E. Silberman, author of *Crisis in the Classroom*. This damning view of the role of schools in society is echoed by many thousands of concerned Americans who also recognize the many tragic circumstances that exist in schools. Some of them are attempting to offer solutions to the myriad problems.

Unfortunately, one rarely if ever

hears the suggestion that the answer to the educational dilemma or "crisis" might well be found if the schools were to be dissolved and replaced by educational businesses, that is, businesses that operate like other enterprises in a competitive and open manner with the intention of satisfying customers. Most people, even staunch capitalists, consider education to be some special endeavor not to be perverted by the business world and thus pooh-pooh any suggestion of educational enterprises.

"It is time for our schools to get themselves, or us to get them, out of the jail business," wrote John Holt in *The Underachieving School*. The fact that schools are operated as "jails," which do not function to please customers but to satisfy those in charge, is very

Dr. Johnson is Professor of Biology at Mary Washington College, Fredericksburg, Virginia. He is the author of *The Declaration of Educational Independence*.

likely the explanation of the vast number of problems that permeate all levels of education, both private and public.

But how will the elimination of schools and their replacement with businesses of education solve all those problems that one is always hearing about? What of the inevitable question of discipline, of truancy, of cheating, of grades and degrees? How would such problems as teacher and student boredom and apathy be alleviated? And then there's the dropout problem.

What could happen in educational businesses to remove the always present conflict between teachers and students which results in little or no learning? How could one eliminate the unnatural competition among students (who compete for grades and pleasing the teachers, and rarely for knowledge), the rigid and outdated curriculum, the physical mistreatment of students by teachers and administrators (where corporal punishment is permitted), or the whole concept and practice of having to fulfill specific requirements in order to even enter certain schools?

What of the question of incompetent teachers, or the matter of the physical damage to schools carried out by frustrated and angered students (millions of dollars

are spent each year by school systems in major American cities to pay for the replacement of broken school windows)? Or what of the need to eliminate a negative approach to learning which now exists in schools and the introduction of techniques allowing for individualized instruction? And then there is the vastly important matter of economics, of the financing of education, which has provoked much concern and heated debate in numerous communities across the nation. (According to a recently published Copley News Service release, "the yearly bill for education in America is now running at around \$85 billion. Allowing for inflation, that is double what it was a decade ago.")

Could educational businesses solve these and many other concerns which have caused such a flood of outrage from students, teachers, (particularly new young teachers who really want to teach, but find most of their time occupied with paper work and disciplining students), parents, politicians, and many other thoughtful individuals? Let us examine this question and see.

### ***Discipline***

The chronic, all-pervading, and seemingly insoluble problem that besets mainly primary and secondary schools is that of discipline —



how to keep order in the classrooms, hallways, cafeteria, and the like. One might even say that the matter of discipline is the bane of all administrators and teachers, as well as students. But then how could it be otherwise, considering the way in which schools operate?

Just suppose that we adults were required, by law, to attend an institution five or six hours a day and to perform certain tasks or learn specific information for which we might have little or no interest. Suppose that we had to follow unquestioningly the commands of those in charge, and knew that if we should decide to complain too vigorously about anything that we would probably be punished physically or penalized scholastically — that our very future might be placed in jeopardy if we should speak out too often.

And how would we like it if in this institution we had to keep silent most of the time, move from one place to another only when bells rang, and receive written permission to go almost anywhere in the building if this varied the slightest from our regular schedule? And how would we feel if we knew that almost all of our actions were being watched, not only in the classroom, but by hall monitors (guards), and that if we tried to escape from this institution we

could be picked up by the police and returned, or if we refused to go back or continued to escape, we could be sent to prison (another type of prison, that is)?

Not only would we adults, realizing that our very rights were at stake, create a constant discipline problem under these circumstances; we probably would be enraged enough to engage in a full-fledged revolution. Well, students have to put up with precisely these conditions in schools, and it is amazing that they have not done more than just attempt to assert their rights occasionally and thereby create discipline problems.

Now what would happen to discipline if schools were abandoned and we instead turned to businesses of education? The problem of maintaining order and obedience would, for all intents and purposes, vanish. Since a business cannot force customers to use its services and cannot require its clientele to buy specific items, it cannot usurp the basic right of each individual: the right of free choice. Educational enterprises would only be able to offer certain courses of instruction and hope that the prospective customers, mainly young people, would find these of sufficient value to voluntarily purchase them. Students would only sign up for those classes that they really desired,

and could drop out of any they found not to be of value.

In such circumstances, classes would contain mainly students who desire instruction in a particular subject — who, out of interest (which is the only valid motivation for learning), really want to learn what is being taught. In such a class, the likelihood that anyone would cause disruption is slim; if someone did, it probably would be the other customers, the students, who would demand that the culprit pipe down or leave. The interested students would not wish to lose even a bit of the instruction for which they, or their parents, had paid and which they desired to learn.

### **Boredom**

Boredom is the inevitable cardinal element present in any environment where individual interest and choice are either limited or absent, and where everyone is trying to force someone else to do something that he doesn't want to do — where everything is done by permission ("Teacher, may I . . .") and not by right, and where much of the time is spent doing busy-or make-work just to fill the number of minutes in a class period.

But businesses cannot afford to bore their customers; if they do, they go out of business. Boredom would become a thing of the past

in education if students were free to choose only those subjects which they wished to study, *when* they wished to study them, and were free to drop out of a class if they found it to be of no value or of no interest at that particular time. It is the trapping of students in classrooms that results in boredom, unrest, frustration and anger (that leads to drug-taking and the destruction of property). Educational businesses, wishing to please both customers and employees (teachers), would have no desire to create circumstances that would be damaging to all parties concerned — no desire to bore anyone.

### **Grades and Degrees**

One hears a great deal about these outmoded tools of the educational institution, and some schools have even tried to eliminate them, without success. No matter what variation on a theme is utilized — whether it be written teacher evaluations, or pass and fail grades or the full scale of number or letter grades, or whether the institution grants diplomas, certificates, degrees or just overall evaluations of students — it is the educational institutions and teachers that are evaluating the customers, and not vice versa. Therein lies the problem, and the reason why schools can operate as prisons.

How many students would continue to attend schools as they are now operated (unless forced to do so by either their parents or by compulsory education laws) if grades and degrees were eliminated? How many parents would continue to put up with the tragic circumstances which they know their children are exposed to in schools if they did not think that it was an absolute necessity for their offspring to have a diploma or degree in order to survive at a decent level in society? But the grades and degrees that hold the entire operation of the schools intact would be absent from educational businesses.

A business cannot certificate an individual to a particular place in society. It cannot act as a screening agency, allowing some to progress and others to stand still, fall back, or fail. A true business only has the right to sell goods or services for which there is a demand, and to prosper or fail according to how well it is able to satisfy its customers.

Businesses of education would not offer to sell degrees, diplomas, or certificates, but only instruction, and any evaluation of the customer (student) that might transpire would be at the request of the customer, without fear of punishment or failure. After all, businesses must please customers, not

intimidate them. True businesses of education would be ones in which the customers evaluated the teachers and the overall operation of the institution, to determine if customers are getting their money's worth for the service, instruction, they are purchasing — not the other way around, as is now the case. And when individuals went job-hunting, it would be the employers who would, at that time, evaluate prospective employees rather than accept a scholastic certification as to what an individual knows.

#### **Other Problems**

But what about all of the other problems that beset the realm of education? Would they also disappear if schools were displaced by businesses of education?

Cheating certainly would. If a student is not working for a grade or a degree, or does not have to please the teacher, but is only striving for knowledge of interest to him, what possible reason would he have for cheating? And what possible type of competition could exist in such a setting except that of a healthy and natural competition; a competition among students for knowledge, for understanding, for truth.

The conflict that now exists between student and teacher (as always exists between prisoner and

guard) would also disappear, for in a business situation the teacher would attempt to please the customer by offering valuable instruction, and the student would cooperate with the instructor in order to learn. Instead of being in conflict, they would be working together to achieve mutually desirable goals, as is always the case in a free enterprise setting.

Certainly, the outdated and rigid curriculums that now are forced upon students by schools, via state and local boards of education, would have to be set aside if schools were replaced by educational businesses. After all, customers will only purchase that which they desire. In a business environment, course offerings would be constantly changing and would be continually updated. And there would be no holding back on the use of technological advances to offer individualized instruction whenever this seemed appropriate to the course. Innovation is the hallmark of a free market, and stagnation a main feature of an authoritarian, bureaucratic system.

And what of all those entrance requirements? Does one find special requirements for shopping at the supermarket, department store or laundry? Of course not. These businesses are out to attract customers, not to limit their buying

the goods and services that are for sale. Educational businesses would surely operate in like manner.

Also, anyone, regardless of age, could purchase instruction in a course and not have to worry about first having gotten a grade school, high school, or college education in order to be qualified for entrance. Thus, *real* equality of opportunity in education would finally come into existence.

Eliminated would be the dropout problem that now plagues so many school systems. A free enterprise approach calls for dropping in, not out. It also calls for the treating of customers with respect and courtesy. It would be difficult indeed to imagine a businessman inflicting corporal punishment on his customers; it simply would not occur. "We aim to please" is, and must be, the businessman's motto.

As for incompetent teachers, they would soon be weeded out of the business of education; as their lack of ability became known, few if any customers would voluntarily sign up for their classes. Only the best would survive in educational businesses, the same as in any business setting.

### **Financing**

Finally, what about the matter of money? What of the economics of the educational world? Schools,

which operate like giant bureaucracies with their administrators increasing like rabbits — with assistant superintendents, principals, assistant principals, coordinators of this or that, along with scores of secretaries and clerks, all at handsome salaries — and whose customers must attend under force of the law, have little or no interest in economy. The only concern is to determine how much more the school board dare ask of taxpayers for next year's budget.

But businesses of education could not operate in this manner. They would have to obtain their funds from individual willing customers, just as other businesses do. And because it has been demonstrated that the rate of learning increases tremendously when interest is the driving factor, rather than coercion, only a fraction (probably less than half) of the time now devoted to studies in schools would be needed to learn an equivalent amount in a business situation — thus, a tremendous saving in energy and money. Also, competition is extensive in a business environment, and costs are inevitably lowered as a result of open competition, thereby allowing even the poorest families to afford the costs involved in giving their children an education in basic subjects.

With educational businesses,

customers would only be purchasing just what they want — what they are interested in — rather than being forced to sit in classrooms throughout the day. Thus, many of the current costs of education would disappear. Only in a free market setting does one find economic efficiency.

There are those who would argue that all of the problems which are associated with education cannot really be resolved because of the nature of the circumstances; because, they claim, the child is simply not able to make sound judgments and therefore cannot be allowed freedom of choice in matters mental. But anyone who has carefully observed the child will have discovered that a youth of 5 or 6 years of age has a keen sense of judgment — he knows when his teacher is helpful or not, when he is learning or not, and he most definitely is aware of what he is interested in knowing at that particular time.

Judgment is not only his capability, but his right, and if this be denied the child, by placing him in an authoritarian school where he is obliged not to judge and choose, but obey, he must experience serious harm. As Maria Montessori points out: "It is easy to substitute our will for that of the child by means of suggestion or coercion; but when we have done

this we have robbed him of his greatest right, the right to construct his own personality. If the child is constantly acting at the command of the teacher, or at her suggestion, his own psychic activity may fade away and disappear under the stronger will of another; the personality may become broken and depressed; and abnormal developments will begin to appear." (*Maria Montessori: Her Life and Work* by E. M. Standing)

Perhaps the most succinct and revealing indictment of schools was expressed by Charles E. Silberman in his extensively researched book, *Crisis in the Classroom*:

It is not possible to spend any prolonged period visiting public school classrooms without being appalled by the mutilation visible everywhere — mutilation of spontaneity, of joy in learning, of pleasure in creating, of sense of self. The public schools — those "killers of the dream," to appropriate a phrase of Lillian Smith's — are the kind of institution one cannot really dislike until one gets to know them well. Because adults take the schools so much for granted, they fail to appreciate what grim, joyless places most American schools are, how oppressive and petty are the rules by which they are governed, how intellectually sterile and esthetically barren the atmosphere, what an appalling lack of civility ob-

tains on the part of teachers and principals, what contempt they unconsciously display for children as children.

Must we continue this mutilation, or could we perhaps find a solution to this dilemma by trying something new? No matter how much money is pumped into the educational system, or how many new programs are devised and tried out on the students, the problems that are centuries old continue to exist. Would it be taking too much of a chance to try a new approach, one which involves freedom and mutual respect rather than force and the obliteration of rights?

Why not let education go commercial? Why not try the free enterprise approach which has made this nation the greatest in the world? If the business environment could sustain our rights as free citizens and give us a bounty of goods and services undreamed of by most people of the world, just imagine what this same environment could do for the child and the development of his mind. We might yet achieve that much sought, but always elusive goal — the American Dream — if we would only displace the scholastic prisons, the schools (those "killers of the dream"); if we would only free the children.

# Welfare as a Right

RIDGWAY K. FOLEY, JR.

"WELFARE is a right, not a privilege" is a popular cliché which calls for an immediate and forceful rejoinder. Despite the obvious error latent in the phrase, this declaration assails us daily from myriad sources in varying guises. The National Welfare Rights Organization made the statement in its clearest form but similar utterances emanate from groups claiming that child care, food stamps, and all manner of hand-outs exist as a matter of right.

Reason permits penetration of myths and fallacies; and definition of terms, illuminating the problem, constitutes the first step toward reason.

## **Welfare**

Like other open-textured words, "welfare" possesses a variety of meanings. Like other terms util-

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

ized in the political arena, it is subject to corruption by both friend and foe.

Recur to Webster, the common authority. The primary meaning assigned to "welfare" encompasses "the state of faring or doing well, thriving or successful progress in life: a state characterized especially by good fortune, happiness, well-being, or prosperity"<sup>1</sup> Dr. Sisson offers the following synonyms which reflect a similar understanding: "aid; future; good; happiness; health; progress; prosperity; sele; success; weal; well-being."<sup>2</sup> Thus, the traditional meaning assigned to the term conjures up thoughts of goodness, happiness, prosperity and well-being.

<sup>1</sup> Webster's Third New International Dictionary (unabridged, G & C Merriam Company, Springfield, Mass, 1966) 2594.

<sup>2</sup> Sisson, F. A., *Sisson's Synonyms* (Parker Publishing Company, Inc., West Nyack, New York, 1966) 678.

Webster's secondary definition illustrates the gradual erosion of the word as it becomes politicalized: "Of, relating to; or concerned with welfare and especially with *improvement* of the welfare of social groups (as children, workers, or underprivileged or disabled persons)" (emphasis supplied). Thus, we move from a definition which described a desirable state of affairs (one which might be somewhat difficult to achieve) to a corrupted definition manifesting concern with *improvement* or imposition of that state, apparently by the actions of men.

Clearly, those who urge that "welfare is a right, not a privilege" do not by that statement mean that happiness, prosperity, well-being or good fortune constitute fundamental, unassailable rights — or do they?

The emasculation of the word becomes complete when we review Webster's definition of "welfare state," for here we discover that the polemical wordsmiths have journeyed from a descriptive meaning to an extensive one, an urge to action:

A social system based upon the assumption by a political state of primary responsibility for the individual and social welfare of its citizens usually by the enactment of specific public policies (as health and unemploy-

ment insurance, minimum wages and prices, and subsidies to agriculture, housing, and other segments of the economy) and their implementation directly by governmental agencies.

Instead of describing an ideal, those who use the word now seek to impose their views of the ideal upon others by coercion. Notice that each and every example in the dictionary definition of "welfare state" involves government coercion of the individual, a mulcting of his free choice. No longer is he able to seek his own destiny — his own way to good fortune, well-being, prosperity and happiness; instead some other individual or group arrogates the authority to decide for him what he wants or needs to secure euphoria. Thus has the definition moved from traditional description to methodology, and a false methodology at that!

In its primary sense, "welfare" remains open-textured; any individual can discern for himself what constitutes happiness, prosperity and well-being; these goals vary from person to person. In the secondary sense, "welfare" assumes knowledge on the part of someone of what constitutes happiness, prosperity, and well-being for all others within a group, class, or society.

Properly analyzed, then, the de-



clarant of the cliché means that government interventions in the economy benefiting some individuals and groups at the expense of others is a right, not a privilege. Boldly stated, this utterance seems questionable; as we shall see, after a brief analysis of the concepts of "right" and "privilege," it actually borders on sham.

### **What is a Right?**

"Right" refers to another of those baffling terms which, seemingly clear in application, flit about like a noisy ghost when one seeks a precise definition. It is a word of many shadings of meaning, none of them exact; a perusal of Webster's reveals one page of fine print devoted to the term; recourse to a jural lexicographer offers three pages of definition.<sup>3</sup>

Part of the confusion arises from the human tendency to use the same words at different times in different contexts to mean different things. Thus, a speaker may initially use the word "right" to mean any obligation legally enforceable by one man against another and yet, on another occasion, utter the same word as meaning a seminal power inherent in an individual just because he is a

human being, notwithstanding (or sometimes, in spite of) the coercion of organized government. Black's Law Dictionary exhibits this particular befuddlement:

... a power, privilege, faculty, or demand, inherent in one person and incident upon another. "Rights" are defined generally as "powers of free action." And the primal rights pertaining to man are undoubtedly enjoyed by human beings purely as such, being grounded in personality, and existing antecedently to their recognition by positive law. But leaving the abstract moral sphere, and giving to the term a juristic content, a "right" is well defined as a "capacity residing in one man of controlling, with the assent and assistance of the state, the action of others." (p. 1486)

Further blurring the identity, some append the adjective "natural" to "right," when utilizing it in its fundamental moral meaning:

*Natural* rights are those which grow out of the nature of man and depend upon personality, as distinguished from such as are created by law and depend upon civilized society; (p. 1487)

Let us isolate and comment upon the essential meaning of a "right." It is something fundamental, inherent in man's person

<sup>3</sup> Black's Law Dictionary (4th edition, West Publishing Company, St. Paul, Minn., 1951) 1486-1488.

merely because he is a person. It cannot be justly disparaged by another man or group of men; it exists beyond the reach of mankind and emanates from the Essence of the Universe. It deals with free action, with voluntary use of faculties in all fields of endeavor.

Properly construed, a right exists without law, without the sanction of a legal system — once one assumes the necessity of a juridical unit to *establish* rights, he must also posit that that same body may *limit* or *destroy* those identical rights. Consider reality: if the right of free speech, free press, and free association, guaranteed by the First and Fourteenth Amendments to the United States Constitution do not inhere in mankind but exist only because of some writing on a crumbling document, the guarantees mean little: in periods of stress, martial law may be impaired by the same authority which produced the Constitution, allegedly justifying the “temporary” removal or restriction of those rights.

Contrary to Black’s definition, a right need not favor one person to the detriment of another. Properly analyzed, the existence of rights in one man benefits all mankind. Man should be free to choose his own destiny in all enterprises. The sole justifiable limitation on

this liberty rests in the injunction that no man shall use his powers to coerce or deny an equal freedom in all other human beings. My freedom diminishes to the extent that I do not possess the right to murder my neighbor; his liberty likewise lessens because he may not lawfully take my life. But to ascribe to rights the attribute that the existence of a right in A diminishes the corresponding right in B fails to ring true. A’s right to order his life does not conflict with B’s equal, reciprocal right (except in the limited sense that neither may coerce or defraud the other); indeed, a vast multitude of actors, each seeking their own ends, effectively produce material well-being (or welfare in one sense) beyond the wildest imaginations of the utopian planner. My right to produce shoes does not infringe upon my neighbor’s right to produce shoes in competition with me; we each create value; that value is measured by the choice of others who wish to purchase shoes, exercising their respective rights to choose.

A fundamental right must pre-exist a jural system, but it may exist contemporaneously with such a system. The appropriate inter-relationship between essential rights and the jural system appears in the Jeffersonian phrase,

"That to secure these rights, governments are instituted among men."<sup>4</sup> Rights inhere in man because he is a human being endowed with such powers by his nature and by the principles which govern the universe. The sole legitimate function of that organized force we call the state, or government, is to secure — protect against invasion — these rights in every individual. The result: each man remains free to follow the dictates of his conscience and to seek his own destiny.

#### **Privilege Contrasted**

Analysis of the concept of "privilege" indicates that such an assertion means something quite different than a fundamental right; indeed, the word partakes of the veiled meaning of right dependent upon legal sanction for its continued existence:

A particular and peculiar benefit or advantage enjoyed by a person, company, or class beyond the common advantages of other citizens. An exceptional or extraordinary power or exemption. A right, power, franchise or immunity held by a person or class, against or beyond the course of the law.<sup>5</sup>

In short, a privilege denotes a

<sup>4</sup> Declaration of Independence, United States of America.

<sup>5</sup> Black's *op cit*, p. 1359.

special power, favor or advantage granted by law to one individual or group, conferring particular rights upon the recipient to his benefit and to the concurrent detriment of others in society. Unlike a fundamental right, the existence of which benefits not only the holder but also all others in society, a privilege favors one and demeans another, all backed by the coercion of the state.

Monopolies and subsidies offer common examples of privileges. The state grants a monopoly franchise to ABC Power Company, excluding all others who wish to generate, transmit, and distribute electric power in a given territory, and exacting tribute in return by means of restrictions on freedom of choice (e.g., excise taxes, franchise taxes, limitations on hiring and personnel policies, rate tariffs). ABC Power Company receives a privilege — one for which it pays dearly in real terms. Again, Farmer Brown and Businessman Smith glean gifts of money from the national government for permitting land to stay fallow or for producing certain machine tools. Since government creates nothing, the funds transferred to Farmer Brown and Businessman Smith derive from other individual value-creators in society; the funds change hands by means of coercion; the creator of

value is taxed by the state so as to support Smith and Brown, and he acquiesces only because he does not wish to be killed, maimed or jailed by the collective force of society.

These simple examples of privilege disclose another differentiating aspect from right: a privilege cannot exist without an underlying jural system since, by postulate, a privilege takes from one and gives to another by force and thereby wholly depends upon the law for its sanction.

Furthermore, privileges do not connote "powers of free action" for they inhibit the freedom of the disadvantaged person or group. Unlike fundamental rights, privileges, being dependent upon government, may be altered, changed, or obliterated by the granting authority. In sum, privileges lack the enduring qualities of rights.

**Consider The Phrase:  
Is Welfare A Right Or A Privilege?**

Armed with this linguistic analysis, let us now consider the utterance, "welfare is a right, not a privilege." What does the declarant mean? He or she can only mean that a system of government and law which supplies advantages, subsidies, and favors to one segment of society (the "disadvantaged," whoever they are at

that moment) endows the recipient class with a fundamental power to receive this largess, a power which pre-exists and supersedes the state, even though these donations unduly hamper the freedom of choice of other individuals in that society.

Can a rational man truly accept the position that the state should coerce and defraud citizens of value they have created so as to benefit other, less productive creatures? Even assuming that the state has the *power* to bestow exacted value upon selected members of society (less a substantial handling charge, of course), how can intelligent people really believe that the ability to receive such benevolence not only pre-exists the state but also stands beyond the reach of popular termination? What the proponents of the cliché truly propose is a system whereby benefits, once granted, can never be diminished or terminated. Most aid programs never cease, but the voluntarist retains the fond hope that someday, somehow, libertarian legislators will dismantle at least some of the cumbersome, expensive and freedom-throttling machinery of the state. No objective observer can accept the proposition that once a program designed to promote the real or imagined well-being of one person becomes law, that law for-

ever freezes into the system beyond the possibility of change. Yet, apparently that is the expectation of those who cry, "welfare is a right, not a privilege."

Realistically viewed, the shibboleth asks mankind to weld into a juristic and socio-economic system the concept that "might makes right." Reduced to its bare bones, the phrase means that some group should gain at the expense of others, and that the state should not only effect that gain by use of its collective force but also supply some sort of moral sanction for its own activities as well as those of the beseeching donees. Simply stated, the welfarists assert that they are entitled, because of ability, talent or some other inherent attributes, to the fruits of the labor of their neighbors at a particular point in time and that once they start receiving these advantages, no one should ever interfere with the steady flow of coerced goods into their coffers. They possess the power to mulct others but they deny an equal reciprocal power to others to protect themselves, and they possess the additional audacity to demand that their victims acquiesce in the looting because the conduct, while reprehensible to most of us, deserves the armor of moral propriety!

Contrary to the fallacy implicit in the phrase, power and coercion

do not constitute moral absolutes in our universe. You may steal my goods, or destroy your neighbor — you have that power. Existence of power does not equate with what is right, just, and proper. Might does not make right.

### *Man's Capacity for Sympathy*

Clarify the analysis. No one rails against the unfortunate members of society who are disadvantaged by accident, illness, tragedy, or station in life. Sympathy exists as a natural and desirable attribute of man. Each of us feels sympathy and empathy for those less fortunate: the widow raising young children, the blind man, the crippled veteran, the homeless alcoholic. In some instances, tragedy visits those who do not seem to deserve that fate; in other cases, man acts in such a way as to encourage his own problems. But in either event, most human beings feel a very real sorrow and compassion for their beleaguered neighbors.

Because of this natural capacity for sympathy, most of us are interested in the well-being, happiness, and prosperity of others in society; to that extent, we favor their welfare. But it is a far cry from this position to condone gifts of assistance to these sympathetic creatures when the gifts are ravaged from other people who cre-

ated value and whose only crime consists of the desire to keep what they created. Who knows whether those despoiled could have put their property to better use than the donees? Who among us possesses the god-like faculty for making this kind of arrogant value judgment? Perhaps welfare subsidizes a needy one-legged veteran, but the tax which pays the subsidy is exacted from a hard-working woman in poor health who valiantly strives to save some of her earnings for early retirement so she can live the rest of her labored days in comfort and perhaps stretch the pleasurable portions of her life out by weeks, months, or years. Which of us possesses the omniscience to foresee and fit each life together to achieve perfect harmony and justice in the balance? And who among us truly desires and possesses the capacity for making such awful judgments? Not I.

### ***The Needy Veteran versus the Spoiled Brat***


But to make the point more lucidly, let us posit the welfare recipient as a bedridden veteran, crippled and blinded, unable to secure gainful employment through no fault of his own with three motherless infants to rear. Pre-suppose that the recipient's subsidy emanates directly from the

pockets of a ne'er-do-well scion of a millionaire who has never done a lick of work in his life, whose sole career appears to consist of drinking, wenching, and riding trail bikes in sylvan glens. Almost all of us would sympathize with the condition of the disabled veteran; many of us would gladly donate from our meagre store of value so that he might live a more prosperous and happy life — and we would do so voluntarily *sans* coercive government. Moreover, many of us would say that the spoiled brat of the rich man led a worthless life and ought to support the poor veteran. But even this supposed situation should not sway us from our firm resolve never to deprive our neighbor of his equal and reciprocal rights. Even in such a stark setting, not one of us, not even the poor veteran, possesses a *right* to coerce or defraud the rich young man of his life, his liberty, or his property. He may merit our disapproval; we may wish not to associate with him; but we must ever quell the urge to victimize him, for in the instant that we attempt to justify our sacking of his freedom we sow the seed which will devour our own liberty. If one man may be mulcted, all may be despoiled — the bars are down.

Remember one point well: coercion cannot right a wrong or

correct an ill; it can only compound injustice. Voluntary action may cure all defects in society, at least those which can be aided by finite man. Voluntary action will feed the hungry, cloth the ragged, comfort the fatherless, and attend the sick — all without forceful intervention. No one contests the well-meaning goals of the welfarist, for all men of good will desire happiness and prosperity for their neighbors. But clarity requires intent — an intent to give and desire to receive. True charity cannot be coerced. Thus, while I may share the goals of the welfarist, be it fair employment, fair wages, good health, long life, or general happiness, I engage in no charity when I pass a law commanding each member of society to pay

part of his property to those laudable ends. Only when I voluntarily give to a worthwhile cause do I engage in charity, for coercion destroys true charity.

Some proponents of welfare aver that recipients are demeaned by handouts, and that donees need dignity. All persons require dignity; few like to take unearned property from others. But a coercive mask cannot alter reality, and all the disguises in the world cannot change a handout into a right. Perhaps lessened dignity will induce more recipients to become productive again; certainly the “morality of force” amounts to no morality at all, and welfare cannot be considered a right by thinking men. 

### *It Is More Blessed*

GIVE A MAN a handout today — and tomorrow he'll probably be back for another. Create a job for a man today — and tomorrow he will pay his own way, his family's way, a part of the cost of his government, and may be able himself to help the needy.

A job calls forth initiative and bolsters self-respect. A handout diminishes both. The person who invests in an enterprise that provides jobs performs a humanitarian act. To the Biblical counsel that it is more blessed to give than to receive, therefore, might be added the advice that it is more blessed to invest than to give.

JAMES C. PATRICK

IDEAS ON



LIBERTY

*An open letter from a young American . . .*

## DEAR AMERICA:

I AM YOUR SON; but you do not know me (except as 290-54-0981). I am a man, now. I am a man able to see with my own eyes what in my heart I believe is good, and what I fear is evil.

I am proud to be a part of you. I thank God every day that the accident of birth made me one of your sons. But because of my love for you, I am afraid.

I am morbidly afraid that the corruption of greed and ignorance will destroy all that you and I stand for.

As long as I can remember, you impressed upon me the blessings of property rights; but now there are others who decide how much of what I earn is mine, and how much is theirs, even before I see it. Not that I don't want to share. They won't let me! They say they "share" it for me — thus denying me the self-respect one feels in helping another on his own. My good will is made mandatory. They tell me it is my obligation to let them give of me, to the "deserving."

Time and again you told me that to strive for perfection is the ultimate goal. You encouraged me always to reach higher; yet, when I aspire, I am shunned. I attempt my best, and the labels I receive are "reactionary" and "establishment." I am admonished to underproduce, lest others' lack of initiative become apparent. I lose more than I gain when I work extra hours which force me into a "higher bracket."

Time and again you have told me that I must have pride in my work; but many of my fellow men find it less profitable to work than to be idle.

Your schools have attempted to teach me that "self" is unimportant and wrong; that the good of the "people" is the highest priority; that there are no absolutes, and therefore no real ownership; and that "equality" alone remains.



Time and again you told me that a law is a law – the same for everyone. One breaks the law, one goes to jail. If one feels the law to be unjust, one tries to change it within the system, and by doing so, demonstrates one's faith in it. Yet, only yesterday, men broke the law and ran away, shouting such epithets as "fascist state," and "imperialistic," and branding me "nationalistic" and idealistic. Today, they call you "home," and me "brother." They want to come back as if nothing had happened. They tell me this is their "right."

Other nations have damned us, threatened us, and fought us. Their basic creed included, and still entails, the ideal of a world dominated by communism, resulting in the destruction of democracy. Yet, we are becoming increasingly open to these countries. While communist guns are killing men who are defending their democratic nations, our leaders are socializing and trying to buy their friendship.

Please do not misunderstand. I am not condemning you. I would remain silent if I did not care. I love you, America. You and I must become the best we possibly can. I do not want us to be tramped on, lied to, and squeezed dry by lazy, greedy nondoers who claim it is our obligation to stagnate at their inferior levels.

God bless you, America. Be never less than the Land of the Free; the land of promise and opportunity; not a deserted island of mediocrity.

Let me be the best man I can. Let me produce to my limit, for my benefit, and in turn for yours.

I am a man, now. I see the evil and the good. I see both the deadly shadow of "social obligation" and the brilliant hope of individual freedom; and in turn the promise of moral responsibility.

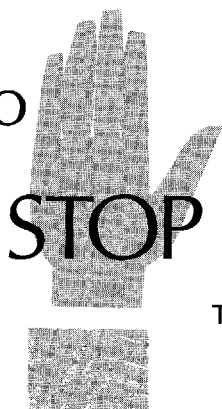
I am an American, today, tomorrow, and forever.

Your son,

*Howard D. Aley*

290-54-0981

How to



# STOP INFLATION

To know truly is to know by causes.  
— Francis Bacon

HOW TO STOP INFLATION? Remove the cause! Stopping inflation is as simple and as difficult as that. Everyone says he's against inflation; yet, what do we find? Nearly everyone overlooking the sole remedy and, instead, conjuring up schemes to soften inflation's disastrous effects. Interestingly, all schemes or nostrums which ignore the cause, if and when adopted, sink us ever deeper into the mire. As if inflation weren't bad enough, most proffered "cures" would worsen the situation!

Many years ago a professor of economics told a group of us about his experiences at the University of Heidelberg during the German inflation. Faculty members were paid once a month. As the inflation began to gallop, they were paid twice a month, then each

week, then each day. Finally, they were paid in the morning, rushing the checks home to their *Frauen* before going to their classrooms. Why? Prices were multiplying many times each day, so shop in the morning! There came a time — August 1923 — when 100 billion marks would not buy a loaf of bread.

What was this professor's recommendation to those in our group who foresaw similar problems in our own country? His advice was to out-produce inflation! Imagine a professor of economics not understanding that all production creates its own purchasing power!

A few thoughts inspired by the professor's naive thinking: Production involves the efficient combination and use of scarce re-

sources, in the process paying for each resource a price high enough to pull it away from other owners and other uses. To produce more housing, for instance, involves paying higher wages, higher prices for lumber, hardware, masonry, and the like, to attract those scarce resources from other uses. Meanwhile, each supplier of such resources has the additional income to spend, a process sometimes expressed as Say's Law: "Production creates its own purchasing power."

The truth is that inflation does not result from the lack of housing or other goods or services. It is nothing more nor less than the printing of what the government has declared to be legal tender, that is, printing ever-increasing quantities of fiat money. Unless house-building or other productive activities stop those printing presses — an absurdity — then trying to out-produce inflation is as futile as trying to out-run one's own shadow. So the professor's cure is on a level with most remedies now being dinned into our ears.

### ***Trying to Live with It***

It is not that the inventors of these schemes agree with inflation. Quite the contrary! Rather, it is that they see no way to be rid of it; inflation is here to stay —

even worsen — thus, why not find a way to prosper and thrive in a monetary holocaust! The fact that this requires non-existent skills in legerdemain deters them not.

Two such schemes recently came to my attention. The first proposes that all contracts — loans, for instance — be repaid (legally enforced) in dollars of the same purchasing value as when contracted. If the value of the dollar should decline at the rate of 15 per cent a year, then a 10-year loan of a thousand dollars would be repaid in the amount of more than \$5,000, plus interest.

Even in the face of the current inflationary pattern, what borrower would be willing to sign such a contract? Only the person who cannot see "beyond the end of his nose." There would be little if any futures trading; indeed, contractual relations would all but cease, production would decline at a frightening rate. Further, there is nothing in this scheme to halt the outpouring of fiat money; it would go on its merry way and, because of the fall off in production, the dollar would buy far less than were the scheme never adopted. Approval? Indeed, not!

The other scheme requires that all business ventures be compelled to adopt the "profit-sharing" procedure — employees as well as entrepreneurs sharing in the gains.

This is inspired by some remarkable successes such as Lincoln Electric of Cleveland. The assumption is that if Jim Lincoln could, by this arrangement, earn a great deal for himself, pay higher wages than others, and undersell all of his competitors, so could everyone else — hundreds of thousands of businessmen from hamburger stand owners to General Motors. Simply pass a law and make every entrepreneur operate like Mr. Lincoln!

Overlooked is the fact that only one Jim Lincoln ever existed. There are no two entrepreneurs who operate their businesses alike, nor could they do so if they tried. Each is novel to some extent; and consumers — that's all of us — are thus advantaged.

Any profit-sharing arrangement should, in all fairness, be also a loss-sharing arrangement. But most wage earners would shy away from any employer who required employees to share any losses his business might incur. Why? Tens of thousands of businesses fail annually, as everyone knows.

Were profit-sharing made compulsory for everyone, production would dramatically decline, just as in the first scheme. There would be other results, no less disastrous.

Out-producing inflation or fulfilling contracts at a constant pur-

chasing power or forcing every business to engage in profit-sharing are no more than "pipe dreams." Adoption need not be feared. These schemes merely illustrate how people avoid pinpointing the cause of inflation and, thus, propose remedies which compound the problem.

### **Price Control and Rationing**

However, what do we find in the day-to-day world of "practical" politics? The worst of all possible schemes: price control and rationing as edicts by the Federal government and wage controls in the hands of labor unions. Below-market prices and above-market wages! Inflation is not questioned; we have instead only futile attempts to escape the effects, which make the effects increasingly disastrous. In what way? Production is both diminished and distorted. Figuring out how to out-scheme the political schemers takes the place of discovering how best to satisfy consumer preferences. Schemers with political and coercive power make schemers of every one of us they overpower.

To illustrate: By reason of governmental intervention, the supply of gas and oil is curbed and the demand increased. What to do? Ration the fuel! To the station attendant say, "Fill 'er up." "Sorry, only \$3 worth to a person." So the

car owner takes what he can get and goes to another station repeating, "Fill 'er up." Gas wasted going from station to station! Eventually, all the gas is gone, but consumers still have "gas money" burning holes in their pockets. The best way to ration gas or any other scarce resource is to let the price rise to a point where the supply is sufficient to meet the demand.

We need only come to our senses to stop inflation; nothing is required beyond discovering its cause and then being rid of it. The cause? *Over-extended government.* To repeat what many of us have written over and over again: when the costs of government rise beyond the point where it is no longer politically expedient to defray the costs by direct tax levies, governments all over the world resort to an expansion of paper money — inflation — as a means of making up the difference. Inflation dilutes and depreciates the medium of exchange as a means of syphoning private property into the coffers of government.<sup>1</sup> Here we have the cause, so simple to see through. But being rid of the cause is not simple. Why the difficulty?

*The difficulty is rooted in an*

<sup>1</sup> For a more complete explanation of the cause, see my pamphlet, "The Essence of Americanism." Copy on request.

*unintelligent interpretation of self-interest.* Today, all of us without exception are feeding more or less at the Federal trough. True, there are a few who are force-fed, not dipping into the trough willingly. Finding it necessary to live in the world as it is, they participate in the deficit-burdened, socialistic mail system — to name but one of many examples. But most citizens today — a number perilously approaching 100 per cent — mistakenly feel that they have a vested interest in the continuance of one or more, if not all, Federal "programs" that go to make up the deficits that can be met only by inflation: fiat money made possible by legal tender laws.

#### ***Various Vested Interests***

Perhaps this citizen only wishes to be paid for not farming, another to receive social security or Medicare, still others to be protected against competition, or to have their education subsidized, or a Gateway Arch for their home town, or whatever. It would take a book just to list the titles of all the Federal handouts and discriminatory edicts.<sup>2</sup> Anyway, count the persons you know who completely

<sup>2</sup> See *Encyclopedia of U.S. Government Benefits*, a tome of more than 1,000 pages with over 10,000 "benefits." (Union City, N.J.: Wm. H. Wise and Co., Inc., 1965.)

ignore the "gravy train," who would concede nothing to government beyond a peace-keeping, justice-dispensing agency of society, who are free from the feeling that they have a vested interest in this or that deficit-creating, political gimmick. They are "as rare as hens' teeth!"

If an individual could perfectly identify how his self-interest is best served, he would be all-wise. However, I am not alluding to perfect wisdom but to that level of intelligence any adolescent should possess. Most youngsters know that their self-interest is not advanced by stealing — living off the fruits of the labor of others coercively exacted. They would not regard face-to-face thievery as in their own interest. And there are thousands of high school students who are bright enough to see that there is no distinction between pointing the gun oneself and getting the Federal government to do the "stick-up." The loot would be ill-gained in either case. Self-interest is not served by either method. One need not be overly brilliant to see this.

Yet, what do we find? Millions upon millions identifying self-interest with legal plunder! The more political largess they can get — regardless of the force used — the better. It is not that these people, many of whom are college

graduates, could not rise above this infantile level of thinking; they could if they would, but they don't. Further, these millions do not see how their self-interest is subverted rather than served by this socialistic plundering, and they cannot be expected to understand why inflation is not also identified with their self-interest. They see inflation, if they see at all, as the means of filling the thousands of troughs from which they feed without either thought or effort. They love the role of parasites!


Given these millions who thoughtlessly behave this way, plus the political exploiters of nonsense, the situation, on the surface at least, looks hopeless. Stopping inflation appears to be impossible, and certainly this would be the case were it a numbers problem. But, thank heavens, it never has been a numbers problem, is not now, nor will it ever be. It is strictly a matter of inspired and intelligent leadership.

#### **A Natural Aristocracy**

Statesmen — in and out of office — are more and more in evidence, persons who think for themselves and stand forthright for their enlightened convictions. These few — thousands, of course — understand that self-interest is to be identified with individuals in the

role of hosts — producers, not parasites. They also know that inflation is deadly — for parasites cannot exist without hosts. As the troughs empty, attrition increases, especially among the parasites.

As this natural aristocracy — comprised of men of virtue and

talents — approaches the pink of condition, rises to the top in thinking how self-interest is best served, the nonsense is stopped dead, then subsides! Your role and mine? Try one's best to be this kind of an exemplary aristocrat. This, I submit, is the sole formula to stop inflation. 

### *Fiat Money Inflation in France*

OUT OF THE INFLATION of prices grew a speculating class; and, in the complete uncertainty as to the future, all business became a game of chance, and all businessmen, gamblers. In city centers came a quick growth of stockjobbers and speculators; and these set a debasing fashion in business which spread to the remotest parts of the country. Instead of satisfaction with legitimate profits, came a passion for inordinate gains. Then, too, as values became more and more uncertain, there was no longer any motive for care or economy, but every motive for immediate expenditure and present enjoyment. So came upon the nation the *obliteration of thrift*. In this mania for yielding to present enjoyment rather than providing for future comfort were the seeds of new growths of wretchedness: luxury, senseless and extravagant, set in. This, too, spread as a fashion. To feed it, there came cheaterly in the nation at large and corruption among officials and persons holding trusts. While men set such fashions in private and official business, women set fashions of extravagance in dress and living that added to the incentives to corruption. . . .

Thus was the history of France logically developed in obedience to natural laws; such has, to a greater or lesser degree, always been the result of irredeemable paper. . . .

IDEAS ON



LIBERTY

# *The Right to Be Wrong and the Obligation to Be Right*

CHARLES R. LADOW

IT IS DIFFICULT to remember the time when most of us were reached by one newspaper a day, perhaps one radio newscast, and when public opinion polls were infrequently promulgated and analyzed. However, we hardly have to go back thirty years to find the time when such conditions prevailed. In the short intervening period we have come to be battered, on a twenty-four hour schedule, with opinion-making news and punditry including statistically analyzed samples of public opinion, brought up to date by the day.

Man has progressed materially by standardization of parts and functions and it is not too hard to understand the standardization of ideas which has been the product of the mechanization of the mass media. It is likewise possible to see why media-men react to critics of their product much as motor-

makers have reacted to Ralph Nader. After all, haven't they simply followed the demands of the market? Should they pay attention to the Hooper ratings and public polls; or let a few high-brow critics bend the policies of their firms?

Being the latest comer to the communication scene, television has been the chief beneficiary of bitter criticism. Its well-noted advantage in courting an audience by picture (even color), as well as sound and words, should not blind critics to similar developments in radio and the press. Licensing policies in the former of these, and the rising costs of entry in either, have led to the development of networks and chains and, in turn, to greater standardization of product in stations and newspapers.

Indeed, the entire publishing business has been totally altered by the exigencies of manufacture and dedication to the mass mar-

---

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.



ket in a grossly similar manner. While there are minority book and magazine publishers who cater to scattered intellectual demands, the vast majority of print is devoted to the ephemeral democratic standard: statistically sampled public taste. William James had prescience of this in 1910, when he dreaded the day when America might fall under the spell of "the 10 cent magazine." (That was before inflation!) In quite recent times, the late Joseph Wood Krutch, in a charming essay, entitled *No Essays—Please!*, entertained a more knowledgeable generation by showing how *Time* and *Life* generated copy and, with gentlemanly good humor, what had happened to such once-great magazines as *Atlantic Monthly*.

#### **Wrong at One's Own Risk**

It is always tempting to nail down one's points with the crudest and most obvious of examples. It is difficult to nail down this example, because there are no extant public opinion tables for 1492. However, there is strong secondary evidence that the majority of persons in Columbus' day believed the earth to be flat. Columbus differed with that opinion and was ready to risk his life and fortunes on his assumption of the earth's sphericity. According to public opinion, Columbus was wrong.

However, the First Amendment of the U. S. Constitution suggests that he had "the right to be wrong"—at least so long as he didn't force anyone to agree with him. If Voltaire really said, "I disapprove of what you say, but will defend to the death your right to say it," those of us acquainted with Voltaire's works will know it was Columbus' form of free speech he so favored rather than the "free speech" often claimed for terrorists and criminals today.

For, in any society worth inhabiting, every right involves responsibility and responsibility means obligation. The right to use the public highways involves the obligation to keep to one's own side of the road, with chaos and death the only alternative. Columbus had the "right to be wrong," according to public opinion; but he had the obligation to prove himself right at his own risk, and of those who voluntarily joined him, without in any way involving those who disagreed and without overturning society.

Columbus' right to free speech only existed so far as he did not use or advocate force in proposing his theory and projected exploration. His obligation to be right was implicit in his duty to protect the lives and property of his fellow mariners and the investment and prestige of the Spanish crown.

Any other view of such matters would be clearly disruptive of any viable society. Men cannot live together successfully without a good measure of mutual trust and forbearance.

There is certainly no dearth of argument in America today in favor of "free speech." In common parlance, it has become the nearest to an absolute principle, in our Constitution, making the First Amendment even superior in regard to the shibboleth of "equality." We have reached the absurd point where burning down an opposition headquarters can be equated with free speech and where any means of chicanery or force may be tolerated in gaining or disseminating information or opinion. Innuendo, and even outright falsehood, have equal standing to honestly spoken truth, where, as Hitler once suggested, the biggest lie may be the most palatable public information.

### **Flouting Social Custom**

It seems to be generally overlooked, or forgotten, that absolute freedom of expression has always been in question by the very best minds and that that questionable ideal has never been supported by any society which ever existed. Samuel Johnson said: "Every man has a physical right to think as he pleases; for it can-

not be discovered how he thinks. He has not a moral right, for he ought to inform himself, and think justly. But, Sir, no member of a society has a right to *teach* any doctrine contrary to what the society holds to be true . . ." What our society holds to be true has been eroded by permissiveness; but, however, attenuated, sanctions are still inveighed, both legally and morally, against those who break the remaining taboos. Even our widely revered Marxist philosopher, Dr. Marcuse, has made it perfectly clear that, if he had the power, he would shut up the opposition. All radical and "progressive" elements, who most loudly proclaim "Freedom of Speech," are the first to shout down, or attack physically, any vocal opposition. Meanwhile, as we nurse a childish faith in the magic of free expression, the majority of the earth's citizens, including our worst enemies, exist totally without that amenity.

The worldwide and historical lesson which we should be getting is that freedom of speech is no exception to the rule: No right can long survive without its concomitant responsibilities. Milton's *Areopagitica* and our Jeffersonian First Amendment were the products of morally educated men: men who deeply felt the obligation to be right. Like Dr. Johnson,

they recognized the duty to “inform (themselves), and think justly.” To men of such mind and spirit, the *hubris* of an attorney like Kunstler would be unthinkable. Free speech is the fruit of humane civilization. Primitive savagery, however intellectualized, can never create it, or sustain it. Attached to the right of free speech is forever attached the obligation to be right.

True, man is a frail creature, apt to be wrong. Also, to be right is a most difficult feat: one which leads many to the extremes of despair or arrogance. Nevertheless, this obligation is faced by each of us from the first breath of life, which, if not properly taken, leads to suffocation. Each day we make many decisions, like crossing the street, or taking to the woods, wherein lie mortal chances of defeat, dishonor, or destruction. Our security, and that of society and humanity, is dependent on the correctness of decisions. Unlike most living things, man is largely bereft of instincts; so his continued existence is largely based on inherited lore, the funded experience of history. When, in his opinion, a man’s obligation to be right is outweighed by his right to be wrong, that man is close to extinction. So it is with a society.

We would not dream of submitting a navigational plan for the


astronauts to a public poll for correction. It would not occur to us to send a watch to a plumber for repair, or invite the milkman to remove our appendix. Then, why should we make obeisance to a common denominator in instructing and entertaining the human mind? The human mind is infinitely variable and any cross-section, of taste or capacity, is sure to leave out of concern the vast majority of variables. At any rate, do not the media and press have an obligation to improve public taste and capacities? It seems manifestly one-sided that so many agencies are applying themselves to protect the consumer of food, drugs, or material goods, while scarcely anyone pays responsible attention to the mass consumption of the mind. Gossip, innuendo, and even palpable falsehood are accorded equal representation with the truth.

The exaltation of statistical public opinion is an outgrowth of the dogma of pure democracy. It is part and parcel of the notion that a majority vote is the final answer to any dispute. This not only negates the religious view that “One, with God, is a majority,” ignores Jefferson’s first draft of the Declaration of Independence which termed men “equal *and independent*,” and evades the division of powers and differences of

education and abilities; but it also invites the absurd assumption that all knowledge is a matter of opinion. Most of our erratic, and often disastrous, behavior as a nation today stems from attempts to impose the dogma of pure democracy upon the constructive forms of our Constitutional Republic. In this, we ignore the clearcut lessons of history, reaching back to ancient Athens and Rome. We have turned Alcuin's remark to Charlemagne that "The voice of the people is the voice of God" into a materialistic parody.

In our halls of government and in the public media, the amount and quality of intellectual "shooting-from-the-hip" is appalling. Because of the inevitably loaded nature of polls, one is fortunately able to believe that the real majority would not, if properly reached, agree with such shenanigans. However, even though, as Lincoln said, ". . . you can't fool all of the people all the time," he also said, ". . . you may fool all the people some of the time; you can even fool some of the people all the time." Since the day of "snake oil" salesman, false advertisers and charlatans have found these latter categories adequate to their purposes. They can, in any event, count on the commonness of a short span of attention and a short memory to save them

from the majority. But, they cannot release themselves from the moral obligation to "inform (themselves) and think justly." And, even if bereft of civilized morals, they should be able to obey nature's injunction: "A bird should not befoul its own nest."

Attacks on the Government of the United States, "giving aid and comfort to their enemies," have become commonplace. Deadly attacks are made on the firms and industries, freedom of enterprise, and the sanctity of property and privacy, which have made this nation a haven for the beleaguered everywhere. Such things happen and are accepted blandly, and even supported, by officials sworn to uphold these institutions and by those whose calling is to inform the public of the true state of affairs and uphold propriety of opinion. Beyond this, anyone who points out that such things are happening is labeled a "kook," or "a crazy," or a victim of paranoia. Presumably, only those who are busily dismantling all the mores and institutions of this nation, without even any clearcut alternative, are sane and properly "adjusted" individuals. Well, they had better be right; for, if not, they have clearly exhausted their "right to be wrong" — as far as anyone in our history has done so. 

# Freedom/Responsibility

## the Quest for Individual Dignity

ROBERT G. BEARCE

So blood flowed in rivers down the gutters of the Place de la Concorde from la Guillotine. Liberte...Egalite...Fraternite...

Ah, but in the end, murder,

drunken mobs with heads on pikes,

lawlessness,

frenzied promiscuity,

anarchy

turned out to be not freedom — but chaos.<sup>1</sup>

BUCHENWALD . . . the Place de la Concorde . . . Auschwitz . . . Siberian labor camps. The mention of such names and places causes indignation from free and civilized men. The tragic irony, however, is that both the guillotine of the French Revolution and the communist labor camp of today were erected ostensibly "for the good of humanity" or the "general good." Robespierre and Marat were willing to sacrifice fellow Frenchmen on the guillotine in order to create a society of "liberty, equality, and fraternity." Hitler would purify the human race by genocide, while the Marxist theoretician liquidates in the name of an ideal, classless society.

Individuals who value their freedom ought to apply some in-depth, radical thought to the

causes of tyranny. Simply associating authoritarianism with "evil" and "wicked" dictators is a superficial analysis. We must first comprehend what motivates the twisted idealism; secondly, we should recognize this mentality before it degenerates into the pseudo-righteousness responsible for the modern Buchenwald or communist labor camp.

The cause of regimentation and dictatorships can be traced to one of two outlooks on man's inherent nature. Men are motivated by their fundamental belief as to what governs man's essential character and behavior. Depending upon what they believe in this matter, men create (or impose) their social, political, and economic institutions. These institutions

---

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

---

<sup>1</sup> Dr. Peter Marshall in *John Doe, Disciple* (McGraw Hill: 1963).

are correspondingly tyrannical or free.

### **Victims of Outside Forces**

The first viewpoint on human nature assumes that mankind is the victim of outside forces. Supposedly, man is inherently virtuous; he is capable of perfection. He is a creature — righteous at the core — but corrupted by external forces. The cause of his envy, jealousy, and bad behavior, then, is attributed not to the individual but to faulty political, social, and economic structures around him. Correct or abolish these and mankind will evolve into the perfect being he was meant to be.

Many of the philosophical undertones of the French Revolution reflect this belief that man by nature is good — an outlook early propounded by the French philosopher, Rousseau.<sup>2</sup>

The politician or philosopher motivated by this tangent of reasoning demonstrates a vibrant but deceptive humanitarianism. His outlook appears benevolent and righteous. His rhetoric — if not his reasoning — rings with a true compassion for humanity. His views are well received . . . understandably so.

<sup>2</sup> *Aspects of the French Revolution* by Alfred Cobban, page 163. (Alfred Cobban: 1968), published by George Braziller, Inc.: New York.

Man has the tendency to overlook his faults, even to excuse and deny them. When individuals are convinced through paternalistic sophistry that they are not responsible for their own welfare . . . their failures . . . their own misdeeds, they willingly accept both false diagnoses and false cures for the world's ills. These cure-alls prescribed by the theoretically-minded are collectivist/statist — tyrannical by their very nature.

Since the individual is supposedly nothing really more than a helpless, innocent victim of adverse conditions, he must only submit to the wiser men who proceed to design and reorder his life for him. The result is inevitable coercion . . . regimentation . . . and tyranny. Writing during the mid-nineteenth century, Frederic Bastiat aptly described the threat to individual freedom and dignity:

It must be admitted that the tendency of the human race toward liberty is largely thwarted, especially in France. This is greatly due to a fatal desire — learned from the teachings of antiquity that our writers on public affairs have in common: they desire to set themselves above mankind in order to arrange, organize, and regulate it according to their fancy. While society is struggling toward liberty, these famous men who put themselves at its head are filled with the spirit of the seventeenth and eighteenth cen-

turies. They think only of subjecting mankind to the philanthropic tyranny of their own social inventions.<sup>3</sup>

Few men, though, like Bastiat detect this deceptive humanitarian mentality which cements the stepping stones toward absolutism. One zealous proponent of the "human-molding" philosophy was considered by some of his contemporaries of being so virtuous that he was called *Incorruptible*. Consider the following sincere confession from this man:

There exists a deep feeling, tender, compelling, irresistible, the torment and delight of generous hearts, a profound hatred of tyranny, a compassionate concern for the oppressed, a sacred love of one's country, a more sublime and sacred love for humanity, without which a great revolution is no more than a sudden crime that destroys another crime; there exists this selfless ambition to found the first republic in the world; this egoism of men uplifted who find a divine pleasure in the peace of a clear conscience and in the enchanting spectacle of happiness of all. You feel this in that moment which burns in your souls; I feel it in mine.<sup>4</sup>

---

<sup>3</sup> *The Law* by Frederic Bastiat, pages 51-52. Translated by Dean Russell.

<sup>4</sup> From *Six Summers in Paris* by John Fisher, page 162. (Harper and Row: 1966).

### **Humanitarian with Guillotine**

Maximilien Robespierre, the *Incorruptible*, spoke the above in a speech before the National Convention in July, 1794, at the height of the Reign of Terror under the French Revolution. To be sure, Robespierre decried tyranny, expressed his love for humanity, and cherished a fervent patriotism for France, yet this same virtuous humanitarian represented an authoritarian government that witnessed perhaps as many as 2,800 victims for the guillotine in Paris alone.

Secret police and "vigilance" committees terrorized the French populace — this while Robespierre envisioned a perfected, blissful France and while he experienced that "egoism of men uplifted who find a divine pleasure in the peace of a clear conscience and in the enchanting spectacle of happiness of all!"

Today there are men within relatively free nations who would legislate and eventually enslave for the "good of society." The paradox is that the mentality which clamors most ardently for humanity, "the disadvantaged," and the "common man" is the mentality which ultimately degrades the individual mind, body, and spirit. Rebuking the social reformer of his own day, Frederic Bastiat pleaded for the integrity of the individual:

Please remember sometimes that this clay, this sand, and this manure which you so arbitrarily dispose of, are men! They are your equals! They are intelligent and free human beings like yourselves! As you have, they too have received from God the faculty to observe, to plan ahead, to think, and to judge for themselves.<sup>5</sup>

Individuals not only have the faculty to think and act for themselves, they have the responsibility to do so. When they abandon that responsibility or when they are deprived of it by paternalism, they eventually learn that "the good of society" is personal enslavement. The extreme visionaries of the French Revolution used the power of the State to bring their notions of "the good of society" into reality — a reality of reigning terror.

Few men having democratic and humanitarian beliefs in our present age feel any kinship with humanitarians in the past who have prepared the ground for authoritarian governments. Parallels, however, exist between events of the French Revolution and the temperament of our own day. Power such as that held by the French Revolutionary regimes is the power presumedly to legislate away social and economic ills via

government spending. Such financial muscle in the arm of a paternalistic government deteriorates into deficit spending and inflation.

### **Planned Chaos**

Price-fixing . . . depreciation of the currency . . . food shortages . . . rationing . . . hoarding . . . control of foreign trade — to what period or nation do these economic phenomena apply? Revolutionary France?<sup>6</sup> Twentieth-century America? They apply to that stage of any country's life when government irresponsibility and regimentation destroy the free intercourse of voluntary action.

As the political leaders of Revolutionary France contemplated their self-inflicted problems of food shortages and inflation, they prescribed successively greater doses of coercion in order to save their new society of "liberty, equality, and fraternity." The Law of the Maximum carried with it the penalty of death for those citizens who ignored the divinely inspired features of the legislation.

No such drastic measure as the Law of the Maximum now confronts the individual. Still, his

<sup>6</sup> See *Fiat Money Inflation in France* by Andrew Dickson White for an excellent analysis of the economic aspect of the French Revolution. (Foundation For Economic Education: 1965).

<sup>5</sup> *The Law*, page 48.



freedom to arrange his economic life as he pleases is deteriorating as various "New Shakes" . . . "New Deals" . . . "New Horizons" . . . "New Frontiers" . . . and "New Promises" gradually pave the way toward a totally regimented society.

### **Modern Manifestations**

The spirit of altruism and humanitarianism that proclaimed freedom, brotherhood, and prosperity during the French Revolution can be felt to a certain degree even today. *Only When A Man Has Freedom From Hunger Can He Hunger For Freedom* could easily have been one of the more sophisticated slogans of the Parisian mobs marching on the Bastille or King Louis' palace at Versailles. That bold declaration, however, was used recently by young people on a cross-country march demonstrating their concern for hunger in present-day America.

Certainly no justice is done equating the demagoguery of French Revolutionary mobs with the simplistic sloganing of modern young folk. However, the assertion *Only When A Man Has Freedom From Hunger Can He Hunger For Freedom* does reflect a hazy, naive idealism — an idealism that fosters the growth of government philanthropy.

Such a slogan reflects a short-

sighted humanitarianism that gradually corrupts a nation's temperament, conscience, and institutions. It is this subtle and gradual erosion that individuals in a free society fail to comprehend. They fail to see the correlation between the social reformer's distorted conception of human nature and his political/economic manipulations which lead to tyranny and the guillotine.

### **Freedom and Responsibility**

Only as individuals accept individual freedom and personal accountability for their lives will they withstand the meddling of the social theorist. Man is an accountable, self-determining being. He has within him the potential for self-improvement. Any striving toward perfection, though, should be left to the initiative and energy of the individual . . . not to the work of self-appointed planners.

Only by accepting self-responsibility can the individual learn by his mistakes and shortcomings. He is capable of deliberate, willful misbehavior just as he is capable of striving for all that is just, righteous, and honorable. When the individual begins the road of *self-betterment* he is rewarded with personal confidence and dignity.

Man realizes his potential for integrity when he lives within an

atmosphere of freedom. If he is deprived of the right to make choices . . . of ordering his life as he pleases within the confines of other men's rights . . . he is robbed of his chances for achieving individual dignity. W. A. Paton has wisely observed in this respect that "every man deserves the precious opportunity to assume responsibility for his own course, whether he is swimming courageously upstream or paddling lazily, with plenty of company, in the other direction."<sup>7</sup>

This is the tolerance required of the individual if he is to be

free. This freedom, though, carries with it an aspect of risk. When freedom and responsibility are rejected by too many individuals, those paddling downstream become a massive onslaught, not only obstructing the few courageous upstreamers, but actually forcing the upstreamers downstream amid the onslaught. The anarchy, human degradation, and eventual tyranny of the French Revolution will then be repeated.

<sup>7</sup> Paton, W. A., "Let's First Mend Tommy's Trousers," *Essays on Liberty*, Foundation for Economic Education, 12:426-427, 1965.

### *Intelligence and Character*

THE PATTERN of a man's life is determined by his intelligence, and by the motives, impulses and disciplines which, taken together, we call character. Both intelligence and character are educable. The difference between educated and uneducated character is as great as between educated and uneducated intelligence.

A person may be highly educated in intelligence and yet be controlled by gross motives and impulses. For an educational program to concern itself solely or chiefly with training the intelligence will result in distorted and inadequate personality.

Knowledge is powerless by itself. Unless driven by motive it is inert. It is the part of intelligence to inform and guide motives, incentive, and conviction, while it is the function of these qualities, to which we give the name character, to give life and power to intelligence. Only in the union and mutual development of intelligence and character can the possibilities of life be realized.

IDEAS ON



LIBERTY



# The Cry for Freedom Is the Scream of Nature

THOMAS FREDERICK O'CONNELL

FROM HELPLESSNESS in infancy, man works toward intellectual fulfillment and personal freedom, finds himself confused as he pursues his dreams, and in his emotional confusion he questions his own reasoning capacity, his will, and even life itself. Going full cycle, he arrives at an adult stage when he feels as powerless as an infant.

Seeking truth, man finds falsehood. Seeking goodness he finds evil. Seeking beauty he finds ugliness. Seeking contentment he finds frustration. Seeking peace he finds war. Seeking love he finds hate. Seeking friends he finds enemies. Expecting the best he finds the

worst. Yet when he expects the worst he frequently comes face to face with the best. In search of answers he finds only additional questions.

The man in search of himself wants more than merely to be conceived, born, live, and die. He does not live for survival alone. The bare essentials of life do not fulfill his restless spirit. He wants more. In his passion for more he finds that when he gets what he wants it fails to satisfy him. When he relieves himself of a worry, he immediately finds a new one to dwell on; and when he achieves a goal, he soon replaces it with another. Man is not even content with contentment. It bores him. This restless striving not only accompanies our nature, it reflects

---

Mr. O'Connell, experienced in public relations and trade association activities, refers to himself as a "compulsive writer."

the essence of our nature, and is tied in with the will to live.

When our foot moves toward the ant he scurries to escape the shadow that signals his extinction. So too with man, and more so. Man not only reacts to specific threats of death; he even fears death when it does not directly threaten him. We possess the-urge-to-live in the highest degree, and yet we also have within us a potential for self-destruction which is not evident in lower creatures. Rather than just live and die we play at living and gamble with dying.

***The Options Available,  
Including Suicide***

We sometimes forget the extent of our freedom. We may choose to live or choose to die or accept a living death. We are free in spite of limitations placed on us by government or business or other external sources. Even a slave is free to think individual thoughts, and even a slave is free to choose whether or not he wishes to continue to live in his subservient condition. Suicide may seem like no choice at all for most of us, but when life seems intolerable some men do exercise their ultimate alternative and terminate their own existences. Suicide is an extreme but valid example of free will, but a more widespread example is the

urge to live. Because most of us treasure life with all its difficulties, we feel that men who lose hope and commit suicide are demoted. We would rather choose life with all its contradictions than choose the other alternative.

The urge to live implies freedom on the natural level. Our belief in the necessity of freedom is exemplified in a negative way in our treatment of criminals. We relieve criminals of their freedom. We fear imprisonment because we fear the explicit loss of our freedom, but our less obvious contact with freedom can lead us into slavery if we take it too much for granted. If we allow government to chip away at our freedom we may experience a rude future awakening which brings home the shocking reality that what we believed was a massive iceberg of freedom has been reduced to the size of an ice cube in a cocktail glass. The maintenance of freedom demands constant vigilance. The man who forgets that he is free soon finds himself a slave. Freedom is one of those ideals that we never achieve fully, yet if we only come close it is worth the effort.

***Anomalies of Freedom***

In our desire to find freedom we often lose it. The man who goes into business for himself in order

to be free soon learns that clients can be as tyrannical as bosses. The man who wants the freedom of leading rather than following soon learns that leaders are in many ways as servile as their followers. The quest for freedom usually ends in compromise. We are apt to confuse the appearance of freedom with the actuality of it because freedom is as much a state of mind as it is a state of actual existence. Does a man exercise his freedom by wearing long hair and avoiding baths? To equate freedom with externals such as hair and clothing is as much a mistake for the rebel as it is for the middle class citizen. Both fall into the category of conformists.

The free man is frustrated by both middle class conformity and rebel conformity. He does not look to the group for his freedom; he looks within himself. The man who values his individual freedom knows that the group protesting in the name of personal freedom is apt to indulge itself in new forms of group tyranny if it achieves any measure of power. Given enough power, a crusading group will switch from a cry for freedom to a demand for conformity. The free man does not lightly surrender his personal freedom to any group because he knows that groups are simply

gatherings of rational-emotional humans like himself, with potential for both good and evil.

#### **Leaders Tend to Extremes**

The leaders of any emotional movement or crusade are usually extremists by nature. They tend to be slaves to their own fixations and their aim in life is not so much to live freely according to the highest dictates of their own natures, but to inflict their confused ideas of righteousness on other men. We should be wary of the loud man who promises us freedom. His idea of freedom may resemble our idea of slavery.

Freedom involves conscience, and conscience is strictly an individual matter. "Conscience is the soul of freedom," said Thomas Merton, "its eyes, its energy, its life. Without conscience, freedom never knows what to do with itself. And a rational being who does not know what to do with himself finds the tedium of life unbearable. He is literally bored to death." The man who disregards conscience in his search for freedom will also disregard it when he attains his goal. His so-called freedom will become licentiousness aimed at appeasing and easing his own boredom. An extremist who achieves his goal does not suddenly stop being an extremist; he simply substitutes one set of am-

bitions for another. Extremists are not as interested in freedom as they are in power. Their prime motivating force is personal ambition at the expense of their followers. The extremist in search of power usually claims that there are simple answers for complex problems. In so doing he displays his basic ignorance of the contradictory nature of humanity. There are no simple answers to complex life problems.

### **Seeds of Prejudice**

The civil rights movement is impaled on the horns of a dilemma. The minority which tries to mix itself into the so-called melting pot of society spawns prejudice, and the minority which insists on separatism triggers prejudice. Minority man is compromised by his own minority status. In his search for freedom he threatens larger minorities who are still insecure, and in his bid for advancement he lays himself open to backlash prejudice rising out of the irrational fears of ignorant men. If minority man utilizes violence as a tool to draw attention to his problems, he not only draws attention, he sparks repression. When carried to extremes, violent protest is inevitably self-destructive.

Respect for oneself and for one's fellow man are not likely to be achieved through violent disregard

for the lives and rights of others. The violent protester thrashes out at what he considers to be his enemy, but his enemy is not a specific group of men; it is human nature itself. Minority man's desire for freedom conflicts with majority man's urge to be superior. Minority man himself, once he attains a higher status, will perversely ignore the rights of the next group of underdogs. The plight of minorities in states governed by majorities is a frustrating one, but the transition from slavery to toleration to brotherhood has never been easy. It has always been a battle fought on the battlefield of contradiction and paradox. The restless urge to improve one's lot is as normal as the urge to live, but in a disorderly world where truth is true only sometimes and men are as emotional as they are rational, high expectations tend to breed intense aggravations.

### **Man Must Seek Freedom**

Minority man's outcry for freedom is not a question with no answer. The cry for freedom is the scream of nature, and a minority man's most tragic contradiction would be to stifle the shouting of his soul. He *must* seek freedom, but freedom is so contradictory that when it seems to be at hand it will slip away, and when it

seems to be slipping away it will be at hand. The elusive ideal that we call freedom is similar to the ideal of happiness and contentment. The achievement of one kind of freedom usually brings with it a new kind of slavery. For every gain, we must accept some kind of loss. In the ranks of persecuted men, there often exists a freedom to laugh for the sake of laughing, sing for the sake of singing, and love for the sake of loving. Such freedom strangely diminishes when persecution ceases. In the ranks of free appearing men, who seem on the surface to be achieving the better things of life, there often exists a lack of humor and spontaneity. In his pursuit of culture the free man has a tendency to make himself a slave to group opinions. Under a free exterior we can find a slave mentality, and under a servile exterior we can find mental freedom. The ideal combination would be a blend of internal and external freedom.

The key to freedom is the word "voluntary." The man who is free is tuned in to the wave length of his own nature. He operates according to his conscience, and although he respects his fellow man, he does not ask other men to resolve his dilemmas. His own solutions may create more dilemmas ad infinitum, but it is better to have one's own choices backfire

than to be misled by other men. The important thing is not to relinquish the freedom to make personal choices. Men who make their own choices seldom lack self-respect. The man who respects himself and believes in the need for personal freedom has no undue fear of other men attempting to reach his level of humanity. Even though he is aware of the contradictions of freedom, he respects the desire of other men to be free . . . even if their newfound freedom makes slaves out of them.

#### ***Free or Equal***

The desire to be free is sometimes confused with the desire to be equal. Spinoza said, "He who seeks equality between unequals seeks an absurdity." Such a remark need not be classified as cynical. If we treasure our individuality we should be prepared to accept our inequality. Voltaire, in attempting to arrive at an appropriate notion of equality, said, "Those who say that all men are equal speak the greatest truth if they mean that all men have an equal right to liberty, to the possession of their goods, and to the protection of the laws." Voltaire considered equality "natural when it is limited to rights, unnatural when it attempts to level goods and powers." The liberty that Voltaire referred to is the freedom to

live according to one's nature as long as the rights of others are respected. Voltaire was enough of a realist to see that an attempt for total equality would be an impossible and inhuman ideal.

We will never achieve equality among men because we are a collection of human individuals who vary greatly from one another and will continue to do so. We are hard put to find our own rational or emotional twin because each of us has a distinct nature distinguishable from that of any other human on this planet. To cheer for individual liberty and freedom and then demand equality is a gross contradiction. In our world we find similarities and likenesses but we do not find total identities and total equalities. Our notion of equality is similar to our notion of perfection. It is a notion and nothing more. To equate people or things with one another is a contradictory pursuit. Since we cannot actually *be* one another, we must be content to recognize our differences and respect them rather than attempt to subdue them. The essence of our individual humanity lies in our differences.

### ***Inequalities Abound***

Life is filled with inequalities. From youth we are aware that our own particular body has a certain

size and a limited strength. We are aware of our own rational and emotional characteristics and how they differ from the attributes of others. The wise man accepts his strengths and weaknesses and tries to live accordingly. Only the fool claims that he is equal to all other men, and the man who makes such a ridiculous claim is bound to end up destroying himself because he is trying to apply absolute standards to a relative world. To achieve total equality with another man is to actually become that man, but the fact of our individuality precludes total identity with others. Our individuality not only begets inequality, it demands it.

If we have confused the idea of equality with the notion of freedom it is time for us to clarify our thoughts. The ideal of equality breeds frustration among those who recognize the many inequalities which exist in the society of mankind. The unequal man who demands equality will always have his demands ignored by other imperfect, unequal men. To strive for relative freedom makes sense, but to talk of equality as if it could actually occur is a waste of words. Demands for perfection only result in rejection.

The free man is not concerned with equality. In his conscientious pursuit of what is good and proper



for his own nature he operates as an individual. Men who think in terms of equality also think in terms of conformity. When we use the word "equality" we should stress the spiritual idealism built into the word and forget the emphasis on materialistic equality. Equality and freedom on a spiritual level are natural to man, but the goal of materialistic equality is more apt to lead to slavery than to individual freedom.

### ***Self-Respect and Self-Reliance***

When a man desires only to live according to the highest dictates of his nature, he is demonstrating his belief that he is a free human being. When others would arbitrarily deny him of his right to live his own way, they tread on his natural rights. The gravest error minority man can make is to submit to the whims and fancies of the oppressive majority. Submission lends credence to the majority's belief in its own righteousness, and is likely to lead to subjugation. Men who believe in personal freedom must stubbornly persist in their search for individual freedom, because if they give up the fight they will have to surrender a large portion of their souls. The soul, once shattered, is difficult to piece together again. Along with the shattering of a soul goes a loss of self-respect,

and self-respect is the prime requisite for the man who would desire to become free.

One of the major problems of many civil rights movements is that individual pride among members of oppressed groups has shrunk to such a minimal size that it requires much time and effort to re-establish it. Another problem is that civil rights leaders do not necessarily reflect the desires of their own people when they demand unobtainable ideals. To aim for the unattainable perfection and expect to get it is naive. On the other hand, to demand the impossible in order to achieve the possible may be monumentally shrewd. Most leaders are not monumentally shrewd. They are simply men like the rest of us with more push than the rest of us. When we listen to the vocal outpourings of self-appointed leaders we must always remain aware that if the truth is only true sometimes, it is true even less often when it emanates from the mouths of men in power positions. Men in both minority and majority power positions are often more concerned with power than with truth.

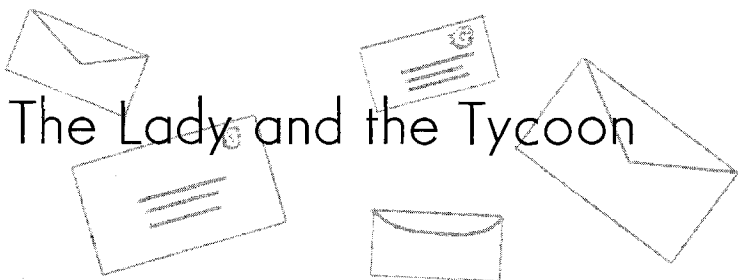
If we cannot rely on men in power, on whom can we rely? Ultimately we must rely on ourselves. Whether we talk of freedom or morality or political arrangements or education or the

problems of our heavily populated world we must always come back to ourselves. We are individual humans who think, and in our thinking capacity lies our salvation. It is only when we stop thinking for ourselves that we truly lose our freedom. We should not try to think for one another. We should only encourage one another to be free in our thinking and living. To live we need no great abundance of material items. We could do without our cars and our television sets and our appliances if we were to adopt a different set of spiritual and human values. But we do need food, clothing, shelter, and hopefully some love. Freedom is not to be found in the amassing of material possessions. It is not to be found in the reduction of man to a number or an average or a statistic. Nor is to be found when man considers himself no more than a tool in the industrial process. It is found in self-respect and respect for others.

### **Hope for the Future**

If there is to be a future society in which we will be able to retain our individual freedom to live according to our natures, and in which we will be able to experience lives fit for humans, it will not be in a society which substitutes group opinions for divine

ideals. Although spiritual ideals seem to be out of fashion in our times, it is far more human to live in a contradictory pursuit of what seems impossible than to settle for the meaningless attainment of the possible. Materialistic values change with each new fad. When man's pursuit of personal pleasure replaces his pursuit of eternity he parts with his own self-respect and becomes the slave of other men. We need not fear economic enslavement or political enslavement as much as enslavement of the mind. We must resist the lure of the myths of security and equality. We must preserve our own individuality and assist others to do likewise. It is not an easy task, this preservation of the individual personality, but it is up to each and every one of us to chart his own course through the maze we call life. We have no need to be equal with one another, but we do need to be free in our thoughts and actions. The man who swaps his freedom for conformist security is a loser. The pain and discomfort which accompany freedom are nothing compared to the torture which follows the selling of one's soul. When a man gives up his individual soul he becomes nothing; and there is no pain more severe than the awareness that one has voluntarily become a cipher. ☉



NO SINGLE person starts a movement. In the late Nineteen Thirties, when the so-called intellectuals were moving in droves to the Left, there were still a few straggling advocates of what Leonard Read speaks of as the "freedom philosophy." The stragglers, however, weren't very clear about fundamentals.

To indulge in some personal reminiscence, I was impressed with Albert Jay Nock's *Our Enemy, The State* but troubled by Nock's Single Tax panacea, which would have made the State our universal landlord. The anti-Communists — Eugene Lyons, Ben Stolberg and others in the group that asked for asylum for Leon Trotsky on a purely civil libertarian basis — were fighting an obvious enemy, but they didn't have any positive theory of individual freedom. Out on the West Coast Leonard Read was reading

Bastiat and organizing something called Pamphleteers, Inc., but he was practically unknown on the Eastern seaboard.

It was a strange, confusing time. The New Deal had flopped; if unemployment was coming to an end it was because war industries were starting up. As Randolph Bourne had put it, war was "the health of the State," proving the futility of expecting government to run a peace-time economy.

I don't know how it was with others, but it took two books by women, each published in 1943, to put my own groping thoughts about the inequity of government enterprise into focus. The first book was Isabel Paterson's *The God of the Machine*; the second was Rose Wilder Lane's *The Discovery of Freedom*. In their different ways Mrs. Paterson and Mrs. Lane analyzed the relations between individual rights and the

release of energy. Tracing the "long circuit of energy" from its origins in free individual choice to its institutional embodiment in voluntary associations of one sort or another, the two women arrived at an identical conclusion: only under a Madisonian checks-and-balances system, with government limited to defense, police power and courts-of-justice functions, could humanity thrive.

The odd thing about it was that the two women were not friends; Isabel Paterson could not forgive Rose Wilder Lane for having been a socialist in the days when Jack London was helping to organize the Intercollegiate Socialist Society. This was Isabel's mistake: she could not see that some people have to learn from experience, as Mrs. Lane learned when she observed, from close up, what Fabianism and its harsher brother, Leninist Bolshevism, had done to stop the flow of energy in Europe and countries of the East. Significantly, both Mrs. Paterson and Mrs. Lane had grown up on the American frontier, where freedom was most uninhibited. They should have been friends.

### **Working from Principle**

When Rose Wilder Lane really latched on to a principle, she lived it. Although she insisted that she never did things out of a desire

to be of "service" (she hated professional Do-Gooders because they usually worked with extorted "other people's money"), she could be a twelve-hour-a-day letter writer in behalf of spreading her philosophy. In the Thirties she gave up writing her best-selling fiction because she objected to paying income taxes to finance compulsory social security and the various bureaucracies of the Rooseveltian Welfare State. Her torrential energies were spent on raising her own food on a few acres outside of Danbury, Connecticut (she refused to have anything to do with ration cards during the war), and on defending and amplifying the "freedom philosophy" in her correspondence with numerous people.

There must be hundreds of Rose Wilder Lane letters in various files. Roger Lea MacBride has limited his selection for *The Lady and the Tycoon* (Caxton Printers, \$5.95) to the "best of letters between Rose Wilder Lane and Jasper Crane." There are 387 pages of these, which is surely enough to present an entirely representative sample of Mrs. Lane's thinking over a quarter of a century.

Jasper Crane, the "tycoon" to whom Mrs. Lane addressed her thoughts about freedom, had mapped out a "freedom philosophy"

for himself partly by long and arduous thinking about his experience in industry (he was a Du Pont Company executive) and partly by his reading, which extended from Biblical studies to the papers of James Madison. He was a most understanding correspondent whose short commendations and ripostes brought out the most able sort of exposition from Mrs. Lane. The fact that he happened to be a tycoon (meaning a monied industrialist) meant little to Mrs. Lane, who didn't think movements thrived on money. The Fabians and early socialists had worked best when lean and hungry. She liked Jasper Crane because he was an activist who agreed with her that all too many Big Businessmen had no sense of the philosophical underpinnings of their own originally free system.

#### **Organizational Activity**

Rose Wilder Lane had no belief in organizations as such; she felt in her bones that the end of the Twentieth Century would see a great renaissance of individualist thinking simply because dedicated young people had begun to see through the pretensions of the Welfare State. She was not, however, wholly consistent in her attitude toward organizations. Many of her letters to Jasper Crane were devoted to thinking

about ways and means of making the Mont Pelerin Society more effective, which meant that she approved of its founding in the first place.

Reading this selection from the Lane-Crane correspondence, one gets a very real sense of how the opposition to State interventionism of all sorts has grown from practically nothing in 1943 to become a most impressive movement in the early Nineteen Seventies. Where once there were two women writing books, a handful of Vienna school economists (Von Mises and his followers) teaching in odd corners of our educational system, and a Leonard Read with the idea of the Foundation for Economic Education at the back of his head, there are now a score of freedom publications (*The Freeman*, *Human Events*, *National Review*, *New Guard*, *The Alternative*, *Modern Age*, et cetera), a plethora of "conservative" (meaning old-fashioned liberal) newspaper columnists, good schools (Hillsdale and Rockford College, to name a couple), flourishing societies (Mont Pelerin, the Philadelphia Society), foundations (FEE itself, the Institute for Humane Studies, et cetera) and a scattered but effective base in the older university world (the Hoover Institution at Stanford, for example).

### **The Eternal Optimist**

Rose Wilder Lane, the eternal optimist, kept pointing out the growth of understanding about liberty to Jasper Crane, who was inclined on occasion to lament the difficulties encountered by libertarians. Speaking of my own *The Roots of Capitalism*, Mr. Crane told Rose Lane that I did it "with quite inadequate monetary reward." I earned enough from it to finance the period engaged in its researching and writing, which means that I got an education for free from doing it, a quite adequate compensation. My only wish is that someone would keep the book in print without worrying about paying royalties until the cost of a new edition had been entirely absorbed.

No mystic, Mrs. Lane felt that moral law existed in the grain of God's universe on the same plane as the "natural" laws of physics, chemistry and astronomy. As she saw it, one gets one's comeuppance for murder or theft even as one is hurt if he or she steps out of a second-story window. By the same token societies get their comeuppance when they depart from the "natural" laws that govern the release of human energy. Everything in Rose Wilder Lane's world moved toward consistency, which is what makes her letters a most treasured experience to read.

► **THE POLITICAL ILLUSION** by Jacques Ellul (New York: Vintage Books, 1972, 258 pp. \$1.95)

*Reviewed by Haven Bradford Gow*

THIS is not a witty or eloquent work, but it certainly is a book which contains much wisdom. The author, Jacques Ellul, is an eminent French social philosopher, currently professor of law and history at the University of Bordeaux. He is the author of a number of seminal works, among which are *The Technological Society* and *False Presence of the Kingdom*.

*The Technological Society*, the author's best-known work, is an examination of the technical view of life — modern man's obsession with means, with techniques, especially in the political order. This preoccupation with techniques in the political sphere is alarming, warns Ellul, for then moral and even personal considerations are shunted aside; and such values as freedom and justice are subordinated to the value of "efficiency."

*False Presence of the Kingdom* is an angry discussion of the politicization of the Church. It is not the function of the Church to formulate grandiose social, economic and political programs to achieve The Great Society, Ellul declares, but increasing numbers of church leaders have come to believe that "politics constitutes a

sort of ultimate issue." For them, "Politics becomes a test of the sincerity of one's faith. The political order takes on such importance that all teaching seems to converge on this entrance into politics . . . The political issue becomes ultimate to such an extent that persons and churches are judged in terms of political criteria."

Like the previous work, *The Political Illusion* concerns the relation of the religious to the social and political orders. But more than that, it deals with contemporary man's idolization of politics, and his conversion of all questions into political questions. "It is no longer true," Ellul tells us, "that the better part of all questions facing a society is not political. And even if a question is in no way political, it becomes political and looks to the state for an answer. It is wrong to say that politics is everything, but it is a fact that in our society everything has become political. . . ."

The evidences of our political obsession are everywhere around us, contends Ellul, and we only have to reflect upon our common experience to know that this is so. For example, there is an increasing tendency to view events and persons exclusively in terms of politics; to place everything in the hands of the state; to appeal to

the state in all circumstances; to subordinate the dilemmas of the individual to those of the group; to believe that everyone is qualified to deal with political affairs. All these, the author tells us, reveal modern man's obsession with politics and the widespread acceptance of "the political illusion."

There are three aspects to this illusion. The first concerns control of the state. The author observes that, despite what those living in a democracy have been led to believe, "the people" do not really control the state by their ballots. While "the people" control to a certain extent who is on top of the pyramid, they do not in fact control the state, for their elected representatives cannot effectively deal with the behemoth under them. Even when the leaders at the top are changed, there is little chance for reform, since the leaders are slaves to political pressure groups, the bureaucracy, and the technical experts they employ.

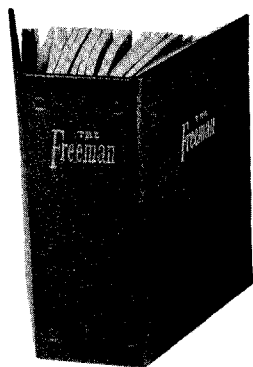
The second aspect concerns popular participation and the notion that, though they do not control the state, "the people" nevertheless participate substantially in its doings. This is just another illusion, says Ellul, for even as their ballots cannot control the course of events, the organizations of "the people"—for example, parties and trade unions—do not channel

popular desires so as to make them effective. Why? Because these organizations demand men at the top who are professional politicians whose main and probably only concern is to attain and conserve power against rivals in their own and in other camps.

The final aspect involves the belief that ultimately all problems are reducible to the political order, and therefore demand purely political "solutions." This doctrine, contends the author, has contributed to the growth of the state, its powers of organization, and its responsibilities. Not only is governmental action being applied in increasing numbers of realms, but the means through which the state can act are growing too. All this

seems to go hand in hand with inevitable centralization and with the total organization of society in the hands of the state.

The perennial problems of the human condition are, at bottom, moral and religious; the crisis we face in the West is of the spirit, and it is a crisis which for better or worse is beyond the competence of politics to deal with. It is our good fortune to have the likes of Jacques Ellul around to remind us that when we disregard that truth, when we mistakenly assume that political remedies can resolve what really are disorders of the spirit demanding religious solutions, the tragic and inevitable result is not heaven-on-earth, but rather hell.



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533



# the Freeman

VOL. 23, NO. 12 • DECEMBER 1973

<b>Two Experiences</b>	<b>Herbert V. Prochnow</b>	<b>707</b>
In viewing the ruins of earlier civilizations, what may we say of our own?		
<b>Mr. Mencken on Liberty</b>	<b>George H. Douglas</b>	<b>709</b>
A refreshing review of a past master in his suspicion of political reformers.		
<b>Time-Lapse Thinking</b>	<b>Leonard E. Read</b>	<b>719</b>
The results tomorrow depend on what we do today.		
<b>Rx for Political Peace:</b>		
<b>A Quiet Internal Revolution</b>	<b>Ridgway K. Foley, Jr.</b>	<b>722</b>
Instead of violence to improve others, let each peacefully attend to his own upgrading.		
<b>The Free-For-All Society</b>	<b>Gary North</b>	<b>731</b>
No society can long survive as a constant free-for-all.		
<b>Profit Sharing</b>	<b>Paul L. Poirot</b>	<b>734</b>
Profits are the rewards to entrepreneurs who best serve customers; in any profit-sharing plan, beware of coercive intervention.		
<b>Am I Responsible for What Others Think?</b>	<b>Judy Hammersmark</b>	<b>740</b>
Whose responsibility is it to defend your freedom?		
<b>Salute to Von Mises</b>	<b>Henry Hazlitt</b>	<b>744</b>
A tribute to "the greatest economist of his generation."		
<b>Book Reviews:</b>		<b>748</b>
"The Rebirth of Liberty" by Clarence B. Carson		
"A Theory of Justice" by John Rawls		
"The Strike-Threat System" by W. H. Hutt		
<b>Index for 1973</b>		<b>761</b>

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, 1973, 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.



THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

Some articles available as reprints at cost; state quantity desired. Permission granted to reprint any article from this issue, with appropriate credit, except "Salute to Von Mises."



## Two Experiences

HERBERT V. PROCHNOW

ON THE TOP of a great hill, the Acropolis, in the center of Athens, there stand the proud columns of the ruins of the Parthenon, one of the most magnificent and inspiring architectural works man has ever created. Late one afternoon, Mrs. Prochnow and I were climbing those long stone and gravel steps that lead up to the Parthenon, in order to see the golden rays of the setting sun fall on those majestic ruins.

A large unit of the American fleet was in Greek and Turkish waters. Two American marines on shore leave were walking with us, and as we climbed the stairs one marine said to the other, "I suppose the day will come when others will walk up the stone steps

to the ruins of the White House, and they will say as they look at the ruins, 'This was a great civilization before it fell.'"

On another occasion, we went by automobile the short distance from Beirut to the little city of Byblos. This city is one of the oldest in the world. There the ruins of many early civilizations are now exposed by the excavations of the archeologists. One can stand and look down through seven thousand years of history. One civilization was built on top of the ruins of the last. The floor of a home of one civilization may be seen only a foot above the floor of a home in a preceding civilization. There one sees the Stone Age, the civilizations of the Egyptians, Phoenicians, Babylonians, Assyrians, Greeks, Arabs, Romans, Crusaders and Turks. One after another, through seven thousand years,

---

Dr. Prochnow of Evanston, Illinois, is a former professor, government official, and banker and is well known as an author and lecturer on political and economic affairs.

great empires and great nations rose and then fell from power. It is a sobering thought.

Through the centuries great empires have risen and fallen—Spain and Portugal in the Western Hemisphere; the Netherlands in the Far East; France in Indo-China. In this generation we have witnessed the decline in power of the British empire, upon which it was said, with understandable pride, that the sun had never set.

Now another power—the United States—is striding majestically across the horizon of world affairs. Its armies, its planes, its ships, its money, its merchandise, and its industrial genius are moving to the

remote parts of the world. In a world where two-thirds of the people earn less than one hundred dollars a year we are far richer than any nation in history has ever been. The call of economic comfort is loud. Leisure becomes more attractive than labor. Spending becomes more alluring than saving. Lest we forget: every great nation which has risen to power has declined. Confronted with the challenge today of major world problems, we must remain strong, and we must hold fast in our minds and hearts to those great ideals and eternal values upon which our freedom and even survival may ultimately rest. ☉

### *The Crisis of Social Security*

IT HAS BEEN WELL SAID that, while we used to suffer from social evils, we now suffer from the remedies for them. The difference is that, while in former times the social evils were gradually disappearing with the growth of wealth, the remedies we have introduced are beginning to threaten the continuance of that growth of wealth on which all future improvement depends. . . . Though we may have speeded up a little the conquest of want, disease, ignorance, squalor, and idleness, we may in the future do worse even in that struggle when the chief dangers will come from inflation, paralyzing taxation, coercive labor unions, an ever increasing dominance of government in education, and a social service bureaucracy with far-reaching arbitrary powers—dangers from which the individual cannot escape by his own efforts and which the momentum of the overextended machinery of government is likely to increase rather than mitigate.

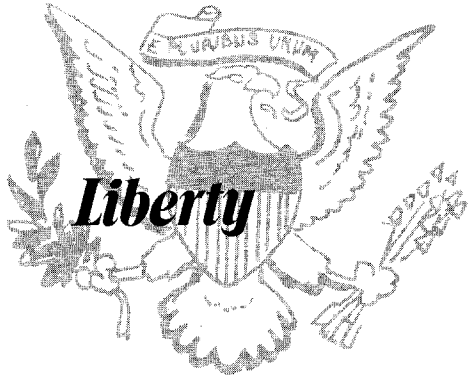
IDEAS ON



LIBERTY

# Mr. Mencken

## on *Liberty*



GEORGE H. DOUGLAS

IN 1925, Henry L. Mencken wrote to his English friend and biographer, Ernest Boyd, "So far as I can make out, I believe in only one thing: liberty." To be sure, Mencken believed in a number of other things as well — all quite fervently — but there can be little doubt that his ideas on liberty are among his best and most interesting contributions to American literature. For the most part, too, they are as pertinent and penetrating as they were during Mencken's heyday of the 1920s.

This does not mean to suggest that Mencken has been influential as a writer on liberty. Indeed,

American intellectuals tend to reject Mencken's ideas entirely because of their decidedly Tory coloring, and insist that he is valuable today simply as a humorist, a wit, a satirist of the American life of his own time. And, to be sure, he was a brilliant stylist who could pin down the kinks and oddities of American social life with an almost deadly precision. But the brilliance of Mencken is due in no small measure to the brilliance of his ideas, and if he is one of our best essayists — perhaps even, as Robert Frost insisted, our very best — it is because his ideas continue to have weight and significance.

Mencken began his national career as a literary critic, and his

---

Dr. Douglas is Assistant Professor of English at the University of Illinois, Urbana.

contributions to *The Smart Set*, of which he was co-editor with George Jean Nathan between 1914 and 1923, fail to reveal more than the general drift of his political ideas. But during this same period Mencken came to see that his true vocation was as a social and political critic, and in 1924 he established *The American Mercury* with that vocation in the forefront of his mind. Mencken had come to believe that the clue to the social ills in American life was to be found in the political domain, and he became convinced that Americans had turned their backs on their country's founding principles and abandoned the early American love of liberty.

#### **A Republic**

America, Mencken often pointed out, was established as a Republic, not a Democracy. The purpose of the American Revolution, as opposed to the French Revolution of a few years later, was to establish civil liberty, not rule by the masses. The founding fathers, the drafters of the Constitution, were in no wise convinced that the people in the aggregate were suited to rule, and they built into our system of government what they hoped were safeguards against the tyranny of the majority. The tyranny of the majority, after all, could be just as bad as any other

kind of tyranny. In any case, it was an important part of Mencken's thinking that we must not confuse the theory and nature of democracy with the theory and nature of liberty—a very common mental aberration in our history. Democracy is a theory about sovereignty, that is, a theory about who ought to rule. Its first principle is that all men are equal. Its second principle is that the power to rule belongs to a majority of the equal and undifferentiated human units. Democracy thus is a theory which asserts that the *demos* ought to rule. Therefore it is contrasted with autocracy, theocracy, aristocracy and other theories of *who ought to rule*.

The first principle of liberty, on the other hand, is that there is no one who, of right, ought to rule. The theory of liberty is not a theory of sovereignty at all. The early Americans were anxious to resist sovereignty, to resist authority, and they were no more anxious to submit to the rule of their neighbors than they were to the rule of the English king and his appointed officials.

In Mencken's thinking, America got off to a very strong start among the nations of the world because its revolution was unlike any of the other revolutions known to the modern world. Its main intention was to secure independ-

ence and self-reliance. None of the other so-called revolutions had that as their end. Most of the others, when subjected to careful scrutiny, are seen to be cast in the mold of the French Revolution. They are what Mencken calls revolts of the mob. And revolts of the mob are not struggles for liberty but struggles for ham and cabbage. When the mob revolts it is simply because it wants to grab more of something for itself. "When it wins, its first act is to destroy every form of freedom that is not wholly directed to that end. And its second is to butcher all professional libertarians. If Thomas Jefferson had been living in Paris in 1793 he would have made an even narrower escape from the guillotine than Thomas Paine made."<sup>1</sup>

#### **A Unique Revolution**

The American revolution was not a revolution of the mob, said Mencken, and the philosophical ideals of liberty that stood behind it bear little relationship to the political ideals which were to develop in America in the next two centuries. It is true that for long after the revolution the people continued to mouth phrases which seem to suggest a continuing belief in liberty. But the present-day American esteems what Mencken calls "false forms of liberty, for

example, the right to choose between two mountebanks." In short, he has erroneously come to believe that liberty is somehow bound up with the magic of the franchise, with the right of the public to vote and choose among candidates in a popularity contest. The American democrat of more recent vintage is fretfully anxious to go about the act of choosing his statesman, to identify a hero from amongst the crowd, and then turn the running of the government over to him. The early republicans wanted government of the people, which means not what it means today, freedom to pull a lever, but rather a form of government where people bear the responsibility of government.

The trouble is that the responsibility of government is harsh and demanding, and the people want to be relieved of it. Liberty requires two qualities which the masses simply don't possess: it requires courage, that is, the willingness to fight for one's rights, and it requires endurance. The man who loves liberty must be able to bear it. Unfortunately, the pursuit of liberty is difficult, strenuous, and mostly the people have no stomach for it.

Liberty means self-reliance, it means resolution, it means enterprise, it means the capacity for doing

without. The free man is one who has won a small and precarious territory from the great mob of his inferiors, and is prepared and ready to defend it and make it support him. All around him are enemies, and where he stands there is no friend. He can hope for little help from men of his own kind, for they have battles of their own to fight. He has made himself a sort of God in his little world, and he must face the responsibilities of a god, and the dreadful loneliness.<sup>2</sup>

### **Liberty Requires Effort**

Liberty, as Nietzsche used to remark, is too cold to be borne. It is hard, it requires effort — effort that the average man wants to shun. In the modern life there are few willing to endure the burdens of liberty. These burdens “make him uncomfortable, they alarm him; they fill him with a great loneliness. There is no high adventurousness in him, but only fear. He not only doesn’t long for liberty; he is quite unable to stand it. What he longs for is something wholly different, to wit, security. He needs protection. He is afraid of getting hurt.”<sup>3</sup>

What we look for nowadays from the government is comfort, security — things which under a system of liberty are not given but won. Accordingly, from the days of the early republic, when the government was considered at best to be a necessary evil, we have ex-

panded the role of government in our life to grotesque proportions, and we tend to look on it as the great provider, not only in the material sense, but in most spiritual ways as well — we look to the government to provide moral guidance, we look to it as an agency of reform, we look to it for firm resolution of all the problems and sorrows of the world. It was always something of a mystery and a puzzle to Mencken to discover how Americans, who, from the earliest times, and even throughout most of the nineteenth century, were suspicious of the authority of government, came to swallow with great docility the role of a big and powerful central government of proportions that would have seemed nightmarish, and even insane, to a Washington or a Jefferson.

Part of the answer to this mystery is that a good many notions about government that persist are part of the heritage of thousands of years of absolutism, going back to ancient times where political leaders managed to convince the hordes that the state was an extension of the Godhead. Statecraft ever since has attempted to foist on the people a concept from those “black days of absolutism” that should have been tossed overboard with the notion of the divine right of kings, a concept, to wit,



that government is something that is superior to and quite distinct from all other human institutions — that is, in its essence not a mere organization of ordinary men, like the Ku Klux Klan, the United States Steel Corporation or Columbia University, but a transcendental organism composed of aloof and impersonal powers, devoid wholly of self-interest and not to be measured by merely human standards. . . . This concept, I need not argue, is full of error. The government at Washington is no more impersonal than the cloak and suit business is impersonal. It is operated by precisely the same sort of men, and to almost the same ends. When we say that it has decided to do this or that, that it proposes or aspires to do this or that — usually to the great cost and inconvenience of nine-tenths of us — we simply say that a definite man or group of men has decided to do it, or proposes or aspires to do it; and when we examine this group of men realistically we almost invariably find that it is composed of individuals who are not only not superior to the general, but plainly and depressingly inferior, both in common sense and common decency — that the act of government we are called upon to ratify and submit to is, in its essence, no more than an act of self-interest by men who, if no mythical authority stood behind them, would have a hard time of it surviving in the struggle for existence.<sup>4</sup>

Needless to say, the founding fathers were under no illusions

that governments were something other than governments of fallible and occasionally corrupt human beings, and they did their best to save the country from the unseemly proliferation of governmental power. But still it is not easy to understand how it was that the very people who only two centuries ago were determined to fight for liberty grew to one of the most overgoverned and overregulated peoples in the history of the world. (Mencken found Americans to be the most regimented people in the world except the Chinese.) In way of historical background, Mencken pointed out that not only in the early days, but throughout nearly all of the nineteenth century, most Americans resisted this development, and were aware, as twentieth century man is not, that government is invariably a government of men — men looking for something.

In fact, as the nineteenth century progressed, the American politician had not yet found the way to implant the delusion that the government was other than a concatenation of human wants and an exploitation of some individuals by others. Mencken noted that for fifty years after the inauguration of the spoils system under Jackson (the spoils system, ironically, was supposed to be itself a reform) the people generally held

office seekers and office holders in very low esteem. "The job holder, once theoretically a freeman discharging a lofty and necessary duty, was seen clearly to be no more than a rat devouring the communal corn." In the late nineteenth century the widely held view of the government and of politicians was not very far removed from those gloomy prophecies of Henry Adams which predicted that the United States would boil away in corruption. When an English speaker addressed the students at a fashionable women's college during the 1870s and suggested that all of the ladies gathered there must be from the best of homes — the offspring of congressmen, and such like — he was greeted with peals of laughter. The public had few illusions about congressmen in the 1870s, and even fewer about job holders.

### ***Political Corruption and Civil Service Reform***

Naturally, such a situation couldn't be long tolerated, and the way out of this particular kind of governmental disrepute was through Civil Service Reform. The civil servant was whitewashed in the last decades of the nineteenth century and the public's distrust of him subsided. The only difficulty was that while Civil Service

Reform was able to placate the public it was a sorry downfall for the politician. The job holder became a mere slave, a bookkeeper. "His pay and emoluments were cut down and his labors were increased. Once the proudest and most envied citizen of the Republic, free to oppress all other citizens to the limit of their endurance, he became at one stroke a serf groaning in a pen, with a pistol pointed at his head."<sup>5</sup>

Of course this dismal situation couldn't be endured for long either, "else politics would have tumbled into chaos and government would have lost its basic character; nay, its very life." The public servant could no more remain a plodding bookkeeper or clerk than he could a leech or speculator. If politicians are not believed in, if the work has no stature or dignity, then it obviously can't continue to exist; no one will be drawn to governmental work.

The light and deliverance came in the twentieth century. The office holder no longer needed to be either an absconder or a drone, he could become, under newly fair and promising skies, a reformer, a doer of good, an expert in right thinking. Politics has survived in marvelous good health in our century because it has managed to "suck reform into the governmental orbit." The main business

of the government is now reform, good works, uplift. And, unfortunately, such activities are almost invincible, their Achilles' heel nearly impossible of detection. Now, the civil servant is not only secure in a well-paid government job, but he offers himself to the world as "a prophet of the new enlightenment, a priest at a glittering and immense shrine." How can anyone in good conscience take out after him as one could after the old-time office holder? In the days of the spoils system one could say of the office holder that although he had done his share in electing the ticket, he was obviously a loafer and deserved no place at the public trough.

But what answer is to be made to his heir and assign, the evangelist of Service, the prophet of Vision? He doesn't start off with a bald demand for a job; he starts off with a Message. He has discovered the long-sought cure for all the sorrows of the world; he has the infallible scheme for putting down injustice, misery, ignorance, suffering, sin; his appeal is not to the rules of a sinister and discreditable game, but to the bursting heart of humanity, the noblest and loftiest sentiments of man. His job is never in the foreground; it is concealed in his Vision. To get at the former one must dispose of the latter. Well, who is to do it? What true-born American will volunteer for the cynical office? Half are too idiotic

and the rest are too cowardly. It takes courage to flaunt and make a mock of Vision — and where is courage?<sup>6</sup>

### **Something to Sell**

The bureaucrat twentieth century style thus has something important and valuable to sell. He is either an expert or a man with a vision — more likely both.

He is the fellow who enforces the Volstead Act, the Mann Act, all the endless laws for putting down sin. He is the bright evangelist who tours the country teaching mothers how to have babies, spreading the latest inventions in pedagogy, road-making, the export trade, hog-raising and vegetable-canning, waging an eternal war upon illiteracy, hookworm, the white slave trade, patent medicines, the foot and mouth disease, cholera infantum, adultery, rum. He is, quite often as not, female; he is a lady Ph.D., cocksure, bellicose, very well paid.<sup>7</sup>

The government thus becomes little more than a perpetuator of safe, convenient, and stereotyped ideas. The lady Ph.D. who dispenses information on infant care from some government office dispenses her wisdom not only with a sense of mission but from a position of almost unbelievable authority — the kind of authority once delegated only to archbishops. The public naturally believes that

the lady Ph.D. reformer is not only knowledgeable in the extreme, but, because she is working for the government, *disinterested* as well. Government becomes in our time a mother lode of technological expertise and assumes oracular authority on the base of it — the very kind of oracular authority liberty-loving people would insist upon doing without.

Needless to say, Mencken rejects both of these assumptions about modern civil servants — that they are knowledgeable and that they are disinterested. Both are mistaken for the same reason. Government bureaucracies are nothing other than individual power and pressure groups, like similar power and pressure groups in the private sector of society, similarly seeking to push themselves above the others in importance and authority. If you have a Bureau of Narcotics, let us say, the people who run it are going to be subject to a struggle for power among competing agencies and competing viewpoints, and will tend to develop a missionary zeal, a pathological belief in the importance of “narcotics work.” They become intoxicated, so to speak, with the value of this narcotics work, and can in no way detach themselves from their missionary zeal, and can thus exercise no independent judgment on

their own activities, which is the same as saying that they are certain not to act intelligently on all matters of their own concern. To act intelligently one must be able to criticize one’s own doings. Thus, when they pull for more and more power and recognition, we are foolish if we allow ourselves to be deluded into seeing it all as a search for truth and virtue; it is no more a search for truth and virtue than we could expect from the advertising department of a used car dealership.

### **Warring Factions**

In short, what we get from a government bureaucracy is what we get from any other special-interest group — at worst, falsehood and deceit, at best, platitudes and half-truths. Actually, because of the multitude of reform or uplift factions in government in its twentieth century democratic form, what we get may actually be worse — it approaches a kind of mental unbalance or insanity since the various power groups cannot be easily reconciled; they tend to struggle and war against one another for hegemony. Let us consider an example from our own time rather than Mencken’s. Since the appearance in the 1960s and 1970s of the ecology reform movement it is only natural that certain factions of the government

should take up the crusade to clean up the environment. However, cleaning up the environment is expensive and is bound to come into conflict with other branches of the government committed to stemming the tide of inflation. What happens when two such factions meet in a collision course, as they are assuredly bound to do? How is it possible, for example, to reconcile the desire to conserve petroleum when the anti-pollution devices on automobiles bring about shocking increases in the consumption of gasoline? Of course these various demands result in conflict, a conflict which will invariably be carried on not in intelligent discourse but in a shouting or clamoring contest of a kind that is inevitable in a democracy, where the weaponry of the power groups is the weaponry of slogans, half-truths, simplistic formulas — the winner being the side which for the moment can successfully enflame the passions of the multitudes and cater to their immediate desires.

Even if it were theoretically possible to keep all the power centers of a democracy in check it becomes increasingly difficult to do so practically because in our time bureaucracy, agencies of government, have so proliferated that their very enormity prevents them from being held in check. There is

no evidence in the twentieth century that any sector of the government has decreased in size, or, at least, no evidence that any bureau, department or office has willingly and without a struggle given up its authority and prerogatives. Every year some new area of reform can be expected to arise, but none of the old ones die. We now have agencies to police the safety in automobile manufacture, none of which existed in 1925 and were not perceived to be necessary. Similarly, we continue to have an unwieldy Agricultural Extension Service with an army of county agents prepared to advise the struggling farmer how to operate his tiny family farm at a profit at a time when the only farmers left are businessmen farmers who operate large farm corporations for big profits and know more about farm business and operation than the government agent himself. Why, then, can't we get the county agricultural agent to vanish into the mist of history? Well, obviously, because he has tenure, a strong grip on his position, he is secure in it and has no intention of giving it up without a struggle.

So it is with every branch of government. Far from being impersonal and toplofty as the public believes, every office holder has a very personal and private reason for being. Thus we are completely

deluded when we believe that public servants are motivated by the common weal or the common good. "These men, in point of fact, are seldom if ever moved by anything rationally describable as public spirit; there is actually no more public spirit among them than among so many burglars or street-walkers. Their purpose, first, last, and all the time, is to promote their private advantage, and to that end, and that end alone, they exercise all the vast powers that are in their hands."<sup>8</sup> (Always keep in mind that Mencken is not only talking about pecuniary interest; vested interests in *ideas* can be no less corrupting.)

Mencken's view of life under a democracy is thus a rather bleak and pessimistic one. He thinks that democratic man, in forsaking the ideals and duties of civil liberty, has committed himself to a kind of authoritarianism that is not really very different from that offered by the more outwardly authoritarian or totalitarian regimes of the world. He was also pessimistic in that he believed the present evangelical, Puritanical, reform-laden, expert-oriented form of government cannot be easily reversed, and he harbored no hope that it is possible to return to early American republicanism. But at times he was inclined to believe that democracy is a self-limiting

disease, and that it is just possible that the disease may one day remit.

Mencken himself was a jovial and good-hearted man and he did point out that it is possible to offer one simple consolation to those who live in a democracy. Democratic government is a good form of national entertainment. The government pitches from one outlandish scandal or frenzy to another, and most of these can be the source of some amusement to the intelligent man. "Politics under a democracy consists almost wholly of the discovery, chase and scotching of bugaboos. The statesman becomes, in the last analysis, a mere witch-hunter, a glorified smeller and snooper, eternally chanting 'Fe, Fi, Fo, Fum.'"<sup>9</sup> It all makes a good show, and the show may lighten the heart, except in those hours when one cannot stifle the nostalgic dreams of what America might have been. ❁

#### • Footnotes •

<sup>1</sup> Henry L. Mencken, *Notes on Democracy*, New York: Alfred A. Knopf, 1926, p. 44.

<sup>2</sup> *Ibid.*, p. 45.

<sup>3</sup> *Ibid.*, p. 49.

<sup>4</sup> Henry L. Mencken, *Prejudices, Fourth Series*, New York: Alfred A. Knopf, 1924, pp. 223-24.

<sup>5</sup> *Ibid.*, pp. 230-31.

<sup>6</sup> *Ibid.*, pp. 233-34.

<sup>7</sup> *Ibid.*, p. 232.

<sup>8</sup> *Ibid.*, pp. 224-25.

<sup>9</sup> *Notes on Democracy*, p. 22.

# Time-Lapse Thinking

Economics . . . is the science of tracing the effects of some proposed or existing policy not only on some *special interest* in the *short run*, but on the *general interest* in the *long run*.

— Henry Hazlitt, *Economics in One Lesson*

MOST politico-economic policies in our time are in response to the demands of this or that special interest or pressure group, while the general interest is ignored. Further, the long-run effect is overlooked in order that short-run "gains" may be achieved. This is the road to disaster, and no turn-about is possible short of a greater reliance on time-lapse thinking. Let Walt Disney's demonstration explain what I mean by time-lapse thinking.

Disney planted a rose seedling and made a motion picture of its growth, flicking a single frame every day or so until the plant was mature and the rose had bloomed. When he showed this film on a screen at sixteen frames per second, we then witnessed the whole beautiful phenomenon — the unfolding of a rosebud — in a min-

ute or two. Disney's time-lapse photography enabled us to experience an improvement in frequency perception; that is, the viewers were able to see the long-run effects of short-run causes. This is why I suggest the urgency of some time-lapse thinking.

While time-lapse photography and time-lapse thinking are similar in that each collapses time, there is an important difference. The former reduces the time between causes and effects that have already taken place; the latter requires that time be collapsed as related to future effects of present causes. True, no person has a crystal ball, nor could he read it if he had one. Yet, I believe there is a way of foreseeing what effects certain actions will have.

Carry this belief a step further. The easiest and perhaps the only

way to be certain that a short-run action is a gain or loss is to discover what its long-run effects will be. Why? *There is no such thing as a short-run gain that is not also a long-run gain, and vice versa.* As Emerson wrote, "The end pre-exists in the means." It is axiomatic that constructive service of the individual's purposes or of the general interest can never emerge from destructive means. Thus, collapse time, resort to time-lapse thinking, to evaluate day-to-day actions.

#### **No Future in It**

To illustrate: Is thievery a short-run gain for the thief? Most thieves think it is or they would not steal. Having a stunted perception, they fail to realize that the loss in life-values far exceeds the gain in loot. Were the thief capable of time-lapse thinking, he would clearly see that a population of thieves would perish. The long-run effect would be disastrous; therefore, the short-run action — the means — is disastrous and evil.

Direct theft is practiced by comparatively few of the total population. Most people find it unnecessary to do time-lapse thinking to put thievery in its proper place. However, millions of these same people not only condone but participate in legal plunder, that is,

they urge government to do the looting for them. They see nothing wrong with this; indeed, they regard the loot as a gain. Perhaps the only way for them to set their thinking straight is a resort to time-lapse thinking.

In a nutshell, let these millions project their practices into the future — everyone doing what the few are now doing, that is, everyone being paid for not working. Clearly, were there no work there would be no loot to take, nothing to plunder. As with thievery, all would perish. By the simple device of collapsing time, the future effect of their present actions would become obvious. Thus, living off others is not even a short-run gain. A few paltry dollars at the price of surrendering responsibility for self — the very essence of being — amounts to an enormous net loss.

#### **A Total Loss**

Many farmers get paid for not farming and regard the payments as gains. Apply this political nostrum to all productive activity, not only getting paid for not farming but getting paid for not generating electricity, not drilling for and refining oil, not making clothes and autos, and so on. Project such practices into the future and observe the self-evident consequences. Time-lapse thinking will reveal



the fallacy; it will serve as an eye-opener, a needed shock treatment. All losses *now!*

Reflect on the businessmen who seek political protection against competition, domestic as well as foreign. Assume the universality of this craving for short-run "gains" and then assess the future. What would be the economic picture? What would it look like? Ancient feudalism or medieval mercantilism or modern communism!

No need for more illustrations; a thousand and one could be cited. Time-lapse thinking not only is invaluable in deciding on sound economic policy but can be used to arrive at the correctness of present actions in all fields — educa-

tion, religion, politics, or whatever.

From such thinking stems this helpful conclusion: fret not for the morrow, only for today. Why? Because the morrow is a life-style edifice structured from today's actions. Wrote Addison: "This is the world of seeds, of causes, and of tendencies; the other is the world of harvests and results and of perfected and eternal consequences." Thus, if today's actions are as right as one can make them, then the morrow is as good as it can be.

My gratitude to Henry Hazlitt for his philosophy, and to Walt Disney for his technology. I have merely strung their pearls of wisdom on a single thread. ☉

### ***Overlooking Secondary Consequences***

IN ADDITION to these endless pleadings of self-interest, there is a second main factor that spawns new economic fallacies every day. This is the persistent tendency of men to see only the immediate effects of a given policy, or its effects only on a special group, and to neglect to inquire what the long-run effects of that policy will be not only on that special group but on all groups. It is the fallacy of overlooking secondary consequences.

In this lies almost the whole difference between good economics and bad.

HENRY HAZLITT, *Economics in One Lesson*

IDEAS ON



LIBERTY



**R**

for **POLITICAL PEACE:**

**A Quiet Internal  
Revolution**

RIDGWAY K. FOLEY, JR.

**THE MYTH** that the United States enjoys a consensus sheltering its public men from violence during the electoral process shattered a decade ago in Dallas, Texas, when President John F. Kennedy fell under a hail of gunfire. Prior to that onslaught, the nation smugly prided itself on a distinction from violent neighbors where political disputes find settlement in fire-power and plastic explosives. Yet in late November, 1963, a saddened and shocked nation gnashed its collective teeth and searched its collective souls for an explanation.

The succeeding years witnessed no slackening of excesses. A litany serves only to emphasize the dark and the macabre. Such diverse public personages as Senator Robert F. Kennedy, Rev. Martin

Luther King, and Governor George C. Wallace have crumpled at the hands of equally diverse assailants who, for varying shadowy motivations, have determined that the nation (or their concept thereof) will best survive without their particular target. Add to this spectacle a host of attempts upon the lives of less well-known officials and a truly grievous problem confronts the perceptive observer and disturbs those who advocate the peaceful life.

The fable of unprecedented freedom from violence in the domestic politics of the United States suffers the malaise of disharmony with empirical fact. For starters, Presidents Lincoln, Garfield, and McKinley died violently in office, and numerous other chief executives, including both Presidents Roosevelt, provided targets for assassins. Murder of lesser officials pocks our history. While

---

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

the first one hundred seventy-five years of our Republic did not completely resemble the reign of Lucretia Borgia, neither did it match the folktale of an extended peace. Perhaps the nation avoided the number of confrontations, kidnappings, and murders which permeated elections in Latin American nations, but its smugness ignored the existence of a very real problem.

### **A Plethora of Theories**

Analysts have advanced various theories concerning the causes of attempts upon the lives of political men and potential cures for this miasma.

One school of thought explains we live in a violent age. Yet in truth, man has never been fully insulated from coercion practiced by his predatory neighbors. Although it may be destructive of our dreams, no one has witnessed Utopia.

Another school of thought, having recently discovered that not all men produce equally, attributes political violence to unrest bred by poverty.

This answer ignores the fact that the "poverty classes" constitute the real beneficiaries of the voluntary exchange market system. What passes for poverty in present-day America only slightly resembles the short, cluttered and

brutish life in other nations and in other times. By this measure, if poverty breeds unrest and political violence, the present-day United States should bear witness to a peaceable life. Indeed, poverty seems notably absent from the lives of the best-known political assassins of recent vintage.

A third voice suggests that easy access to firearms results in harm to political men, and advocates implementation of strict "gun control" laws. These theorists overlook the fact that inanimate objects are never controlled—gun control really means *people control*.

Firearm control resides a short step away from other, more disturbing, types of controls normally associated with a totalitarian society. Furthermore, advocates of gun control cannot assure us that political bloodshed will cease if their views receive implementation. While the best-known political crimes of recent date have involved the use of firearms, reason does not restrict the terrorist to this means. Indeed, the use of explosives might not only accomplish the identical task but also slay numerous other persons who fortuitously happen to be in the vicinity. More pertinently, the criminally inclined seem unlikely to register their weapons, or to comply with other

prophylactic norms; indeed, we can mainly count on them to secure guns illicitly when no one else discovers a source.

A fourth observer suggests stricter application of the criminal laws and, with varying degrees of reason and irrationality, the cry for "law and order" peals across the land. Stripped of excess verbiage, purveyors of this concept (which often amounts to a thinly veiled attack on the entire court system), suggest harsh penalties for those convicted of crime, more restrictive appellate procedures, and minimal emphasis upon the rights of an accused as embodied in the Federal Bill of Rights. Yet destruction of the rights of the criminally accused may result in final analysis in destruction of the liberties belonging to all of us.

A fifth suggestion advocates increased protection for political figures in their public appearances. History demonstrates that even a monumental undertaking, such as protection for the President of the United States, cannot guarantee success. How much greater the cost in energy and resources and how much greater the likelihood of failure if the community attempts to protect *each* public figure from all conceivable man-inflicted harm! If society cannot afford to safeguard each

politician fully, how shall we choose which ones will be protected and which ones will be left to the mercies of attack?

Furthermore, this assertion suffers from a more fundamental malaise: ultimate protection for the political man further removes and insulates him from society at a time when too great a wall exists between electorate and representative. First, time and again, particularly at the local level, effective political campaigning demands maximum personal confrontation. More and more office seekers are ringing doorbells and haunting supermarkets, bringing their case to the constituency. Few are likely to forego what they believe to be a potent electoral tool for the sake of protection. Second, individuals in society feel a consuming and increasing sense of alienation from the political processes, a frustration and contempt for government and its apparatus. Greater insulation can only heighten this discontent.

**Prescription for Political Peace:  
A Silent Internal Revolution**

An antidote exists for the virulent strain of political slaughter rampant this past decade: individual freedom and a personal recommitment on the part of each of us to a belief in the sanctity of life. Each of the theories encoun-

tered heretofore offers assistance in this endeavor, yet each suffers from inherent limitations. I propose that violence will diminish if we limit political force to the administration of common justice, the prevention of external aggression, and the sanctioning of internal uses of force and fraud, and if each of us, citizen and politician alike, will rededicate his life to this libertarian principle.

Man, a questing, acting, purposive being, is capable of voluntary association to improve his lot and that of his neighbors. He is likewise capable of banding together with his fellows to inhibit the voluntary action of other individuals. He is finite and mortal, capable of outward improvement but incapable of perfection because of his finiteness. He is set apart from other creatures by his ability to choose: to observe, measure, test, evaluate, and select from alternatives. Because of his finity and imperfection, man's nature possesses a dark side, a predilection to violence, a tendency which must be externally or internally stifled ere society degenerate into civil chaos.

The anarchist and the libertarian possess common grounds, but they split asunder regarding the propensity of man to violence. For example, one thoughtful editorial recently asserted:

Since any individual is utterly incapable of preventing another person from killing him, if the other person is really determined and is willing to bide his time, and since governments have proved themselves incapable of providing such protection, the only real protection we know of exists in the principle of non-provocation: that is, in trying to so live one's life that no one will want to harm us.

And that, may we further suggest, means relying on the voluntary market place, rather than government force.

But, it also means more. It means that, through a process of re-education, the peoples of the world must be shown that the people of a country and their government are not the same thing. So long as the faulty idea is generally held that peaceful people on the one hand, and their squabbling, bickering bureaucrats on the other, are one and the same entity, atrocities against peaceful, unoffending people, such as happened at Munich, will occur again and again.

If we want peace, if we want security from aggression, to the greatest degree possible in an imperfect world, we must break the mental chain that binds us to bickering governments and to the consequences of THEIR actions. Since that chain exists in the mind, it is in the mind where it will have to be broken; with ideas, never with force.

Let us, individual to individual, proclaim to the world that "Freedom is self control. No more. No less." No Arab grasping this truth could

have acted as did the terrorists at Munich.<sup>1</sup>

The concept of nonprovocation<sup>2</sup> utterly fails in the presence of a terrorist or a bully — ask anyone who has tried to reason with such people — for man's shadowy nature may overcome.

The anarchist tenet crumbles under the philosophical hammer of Dr. Ludwig von Mises in "A Perfect System of Government" who succinctly puts the case:

Government as such is not only not an evil, but the most necessary and beneficial institution, as without it no lasting social cooperation and no civilization could be developed and preserved. It is a means to cope with an inherent imperfection of many, perhaps of the majority of all people. If all men were able to realize that the alternative to peaceful social cooperation is the renunciation of all that distinguishes Homo sapiens from the beasts of prey, and if all had the moral strength always to act accordingly, there would not be any need for the establishment of a social

<sup>1</sup> Grove, Cecil, "Let Us Break the Chain," Colorado Springs Gazette Telegraph (September 14, 1972).

<sup>2</sup> See also, regarding non-provocation and the market response to violence, LeFevre, Robert, "Deducing to Morality," Ramparts College Newsletter (Santa Ana, California, December, 1972) stating the anarcho-capitalist view, see further, his provocative article "Justice on Trial," Reason (Vol. 3, No. 11) February 1972, page 18.

apparatus of coercion and oppression. Not the state is an evil, but the shortcomings of the human mind and character that imperatively require the operation of a police power. Government and state can never be perfect because they owe their *raison d'etre* to the imperfection of man and can attain their end, the elimination of man's innate impulse to violence, only by the recourse to violence, the very thing they are called upon to prevent.<sup>3</sup>

On the other hand, the statist who looks to the government as the source of all problem-solving wisdom likewise misapprehends man's true nature. Like the anarchist, he views man as perfectible, as able to create Utopia or Heaven on Earth, if only the mass will emulate the social engineer. Yet the statist exhibits a certain ambivalence for he treats the average individual as unable to know his own mind — a consumer cannot rationally choose which brand of soup or soap to buy — yet when that same average individual comes to the polling place, he is suddenly qualified to choose the social architect who

<sup>3</sup> Mises, Ludwig von, "A Perfect System of Government," *The Ultimate Foundation of Economic Science* (Princeton, New Jersey: Van Nostrand, 1962) pages 94-101; reprinted in 22 *The Freeman* No. 12 (Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, December 1972) 747-752, at pp. 749-750.

will lead him from the wilderness. Of course, the statist never concedes that the leader derives from the mass and partakes of the identical finity and fallibility with his peers.

Because finite man possesses a violent nature, his appetite for violence must be curbed by the state. To this extent the answer of those who favor strict criminal law enforcement as a response to political violence appears meritorious, just as are the paeans of the apologists of the "violent age" argument, which recognize that a stated number of frustrated individuals will give vent to their distrust by violent action. Yet the very real frustration with political life and the beings which inhabit that world deserves consideration, for in that frustration and discontent may repose a partial reason for cruel attacks on political men. The solution: neutralize that frustration by restricting political action to its proper sphere: prevention and punishment of force and fraud, provision for the common defense and establishment of a system of justice whereby disputes may be fairly adjudicated. Leave the management of the rest of men's lives to each individual, giving free reign to creative powers in any direction chosen by free people seeking their own destiny. The twofold result: (1) an out-

pouring of creative energy, unpredictable in direction but in final analysis bound to produce the goods and services most desired by mankind, and (2) a release of tension and an inhibiting of the darker side of man as each person recognizes that he is no longer a mere pawn in the hands of superior forces lacking rights and control over his life, but rather possesses the ultimate obligation responsibly to live his own life and to seek his own ends. Concomitant with the latter result: a recognition that force or the destructive use of energy will not effectively gain desired ends and perception that free men can best secure their goals by willing exchange and peaceful human actions.

#### ***Wanted: A Reverence for Life***

Respect for human life undergirds the freedom ideal. The libertarian concept of freedom derives from the belief that each individual has the right to self-determine his existence, to the extent permitted by his finite nature, absent any man-concocted restraints,<sup>4</sup> save those necessary to assure an equal right to every other person. Each man forms an

<sup>4</sup> See Read, Leonard E., "Justice Versus Social Justice," *Who's Listening?* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1973) 93 *et seq.* from whom I have borrowed this phrase.

end in himself, not an object to be used or engineered by other beings possessing a monopoly of force. It is the acme of arrogance to suggest that A is better suited by nature, talent, or motivation to live B's life for him in even the most minute particulars. From this fundamental right we can discern the transcendent rights of liberty and property: a man cannot chart his life's course if he is not free to choose among the widest range of alternatives, and if he is not free to keep, donate, exchange or destroy the value (property) which he has created or acquired from others in willing exchange.

Contemporary society not only witnesses a gradual erosion of this reverence for life but also participates in that destruction. Elected representatives seriously considered legislation permitting what is euphemistically termed euthanasia or "mercy killing."<sup>5</sup> The right to life certainly encompasses the right of the individual to cling to, or to terminate, his own earthly existence; it cannot logically include the right to destroy another human being.<sup>6</sup>

Again, the judiciary has exhibited a singular ambivalence toward human life in recent years. How can one square the right to abort a human life<sup>7</sup> with the declaration that the death penalty

constitutes cruel and unusual punishment in contravention of the eighth and fourteenth amendments?<sup>8</sup>

Political men must thus bear partial responsibility for their own condition. True, rational beings cannot justifiably destroy the life of a political figure. Nevertheless, when the victim participates in a system which denigrates human life, chains men to unwise policies, and panders to their base desires, he cannot escape the natural consequences of his acts, consequences which include the likelihood that some of *his* victims — men robbed of their liberty and essential humanity — will react violently toward his person. Thus a presidential candidate who sup-

<sup>5</sup> The Oregon Legislative Assembly debated this measure: See (Oregon) Senate Bill 179 (1973) enacting a "Voluntary Euthanasia Act."

<sup>6</sup> Destroyers of life often overlook the axiom that each choice made by man in his lifetime is a moral choice, and that the actor must bear full responsibility for the consequences of his choices. He cannot improve his lot by the alibi that he acted under "legal sanction" or as part of a clique — moral principles break but do not bend, and evil is not less evil when performed by an association. See Harper, F. A. "Morals and Liberty," 21 *The Freeman* No. 7 (Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, July 1971) 426, 430.

<sup>7</sup> See *Roe v. Wade*, U.S., 93 S.Ct. 705, 35L.Ed.2d 147 (1973).

<sup>8</sup> *Furman v. Georgia*, 408 U.S.238, 92 S.Ct. 2726, 33L.Ed.2d 346 (1972).



ports the continuance of a system of conscription which recruits men to die in battle, a congressman who votes for looting the populace by subsidizing one group at the expense of another, or a senator who campaigns on divisive emotions in his community to secure election should not exhibit surprise when an assailant from the mass haunts them.

### **That Internal Revolution**

A revolution need not be coercive or violent; the most effective ones take place in the hearts and minds of mankind, slowly, almost tediously, but with certainty.

Each of us, statesman and citizen alike, must partake in this quiet personal rededication to the principle of the sanctity of life and the postulate of freedom. Each must accept the fact that he bears full responsibility for the moral consequences of his choices. The statesman must respect the citizen's need for full responsibility for his life; the citizen must respect the statesman, who comes from the populace, as entitled to equivalent treatment.

How to effect this revolution from within forms a salient inquiry.<sup>9</sup> Generally, man may induce action by other men through two means: force and persuasion. The free man must discard force as a respectable alternative inasmuch

as it denies the essence of the freedom philosophy.<sup>10</sup> I cannot force free choice upon you, for your liberty lies in choosing. It is a contradiction in terms to "force people to be free." Likewise, I cannot deny you the opportunity to assassinate a political figure by prior restraint consonant with a respect for individual liberty. I can only persuade you not to perform such a deed.

If persuasion provides the key, how can anyone of us effectively dissuade our fellow men from misdeeds? One can seldom substantially persuade another without two-way communication; the listener must desire to hear and must want to take action. Otherwise, according to the homily, "good advice falls on deaf ears." Preaching, ranting, raving, offer small effect. The answer — light a candle in yourself. Act as a free man, respectful of human life and

---

<sup>9</sup> A comprehensive analysis of the methodology of freedom reaches far beyond the scope of this essay which, by its nature, must be restricted to the most conclusory of statements. For those interested in the most exciting in-depth analysis of liberty's mode of growth, I respectfully suggest the writings of Leonard E. Read, e.g., Read, Leonard E., *Talking to Myself* (Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 1970) 9 *et seq.*

<sup>10</sup> See Read, Leonard E., *Let Freedom Reign* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York 1960) 78-86. See also Note 6 *op cit.*

dignity in a world of illiberal darkness. Few of us truly conduct ourselves in harmony with these principles. We may utter the appropriate cliché and think the proper thoughts, but our actions belie our words and manifest a disrespect for the essence of life in others.<sup>11</sup> If your actions are meritorious, they will be emulated by others who see your light.

A slow and laborious process? To be sure, but it harmonizes with the principle underlying action—respect for the individual and his capacity to choose. Instead of concentrating on improvement of others, each of us must engage in that silent little revolution within, dedicating his life to improvement of self and understanding of man's

amazing gift of free action and its concomitant responsibility. To the extent that each person in society achieves the ends sought in his personal revolution, limited only by his finiteness, political men will achieve personal safety. ☉

<sup>11</sup> I discard my principles and demonstrate my disrespect for the right to life of my fellow man on every occasion when I seek to do good for him, or for someone else, with the property of my neighbor (without his consent), no matter how gracious or pure my motives. Likewise, I disparage the right to life of my colleague when I attempt to coercively order his life for his own good. These simple little predations, while possibly less odious than the felonious taking of life, in fact offer small copies of the same germ which infects the thinking of the political assassin. Remember Emerson's dictum: The end pre-exists in the means. It applies here, as elsewhere. See Read, Leonard E., *Let Freedom Reign*, Note 10, *op cit*, 78-86; Harper, Note 6, *op cit*.

### ***The Value of Freedom***

THROUGHOUT HISTORY orators and poets have extolled liberty, but no one has told us why liberty is so important. Our attitude towards such matters should depend on whether we consider civilization as fixed or as advancing. . . . In an advancing society, any restriction on liberty reduces the number of things tried and so reduces the rate of progress. In such a society freedom of action is granted to the individual, not because it gives him greater satisfaction but because if allowed to go his own way, he will on the average serve the rest of us better than under any orders we know how to give.

H. B. PHILLIPS, "On the Nature of Progress"

IDEAS ON



LIBERTY



# the FREE-FOR-ALL SOCIETY

GARY NORTH

**FREE-FOR-ALL:** what an image! It brings forth memories of childhood, with a mass of children running, yelling, leaping on top of each other — a chaotic mass of humanity, with “every kid for himself.” Or it appears in the average American’s mind as a barroom brawl, with slugging drunks, broken chairs and tables, bodies flying through the air. How many B-grade Westerns or 1944 military musicals have included in the second reel a fight between two guys in a bar, and as soon as three punches have been exchanged, fifty-four other men are slugging it out with each other in a mindless pandemonium?

Such nonsense may be all right for children or the fantasies of

---

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

the late, late show, but how many of us would actually like to live our lives in a constant free-for-all? Not many, I suspect. Endless lawless chaos, endless pokes in the nose: it is not a pleasant prospect. Such a world would make it extremely difficult for men to plan, labor, produce, trade, or bring progress into the world. Leisure would disappear. In fact, the only way a free-for-all can exist, even for short periods of time, is for someone to subsidize it. It is no surprise that the free-for-all is associated with bawling children and brawling drunks. They are the only ones who can afford it. No society could long survive as a constant free-for-all.

Yet how many people today seem to regard the economy as a free-for-all? The ancient slogan of the socialists has been that nature is wholly abundant, but artificial human institutions and eco-

conomic arrangements thwart the operation of nature's bounty. Production is "normal"; distribution is fouled. Therefore, all we need to do is tear down the artificial barriers to wealth. This was the vision of Marx and Engels, and it is alive and well in every society on earth, in spite of the fact that it is not always associated with Marx and Engels.<sup>1</sup> Marx and Engels did not invent the slogan; it has been around for as long as men have tried to appropriate the fruits of each other's labor.

#### **Limitations of Nature**

The premise is fallacious. Nature has limited capabilities for production. If we have learned nothing else from the ecology movement, we should have learned this. Nature's productive power is a thin veneer; most of nature's energy is expended in merely replacing what dies, day to day. It is man, with his wonderful gift of reason, which makes nature flourish. Man creates wealth, and this process is not free (gratuitous). It takes an expenditure of energy, capital, and time to make nature give up her fruits for the purposes of mankind. The problem is not distribution; the problem is always production. Production

creates its own distribution; distribution does not create production. (The widespread distribution of nothing spreads mighty thin.)

It is because the premise of socialist redistribution is fallacious that a society of "free-for-all" economic goods would become one enormous free-for-all. Economic goods are scarce, that is, at zero price there is greater demand for them than supply of them. Prices are the sure indication of just how far we are from a free-for-all economy. Prices allow us to plan, evaluate our costs, make clear and responsible choices. They restrain our demands on nature and on each other. If there is anything in creation that is unlimited, it is our demands; everything else is restricted. So we live in a world of scarcity. But if we should try to abandon free pricing as our tool of allocation, what will replace it? State planning agencies? Votes? Guns? Fists? We would have ourselves a free-for-all in more ways than one. It would be every man for himself, like fifteen pups on an eight-nippled mother. We would be placing an economic premium on brawling instead of cooperation. Productivity, already limited, would fall even more. And nature, already overtaxed, would be exploited unmercifully — after all, if nature is totally abundant, men should force her to give up


<sup>1</sup> See my study of early Marxism, *Marx's Religion of Revolution* (Nutley, New Jersey: The Craig Press, 1968).

her wealth. (Which is why the Soviet Union has such a disastrous pollution problem: Marshall Goldman, *The Spoils of Progress*, M.I.T. Press, 1972.)

### **Divided We Fall**

Those who insist on voting themselves a piece of another's pie are thereby affirming their commitment to a free-for-all society. Minimum wage laws, price supports, graduated income taxation (sadly called "progressive"), tariffs, government-guaranteed loans, regulated industries: the list goes on and on. With every piece of new legislation, the brawl-

ing increases, as more people jump into the fray.

We can legislate ourselves into a free-for-all world. I would prefer to pay my money and take my choice. At least in these circumstances, what I see is what I get. In a free-for-all, one seldom gets even this much. What you don't see is what you get, such as a fist in the ear. Those who are productive tend to do poorly in slugs, and those who are expert brawlers usually are not very efficient producers. A world of production can afford a few brawls, but a world of constant brawling starves. 

### **Capitalism**

KARL MARX completely rejected the only economic system on earth under which it is possible for the workers themselves to own, to control, and to manage directly the facilities of production. And shocking as the news may be to the disciples of Marx, that system is capitalism!

Here in America, ownership of our biggest and most important industries is sold daily, in little pieces, on the stock market. It is constantly changing hands; and if the workers of this country truly wish to own the tools of production, they can do so very simply.

They do not have to seize the government by force of arms. They do not even have to win an election. All in the world they have to do is to buy, in the open market, the capital stock of the corporation they want to own — just as millions of other Americans have been doing for many decades.

BENJAMIN F. FAIRLESS, *The Great Mistake of Karl Marx*

IDEAS ON



LIBERTY

# PROFIT

## SHARING

PAUL L. POIROT

SO MYSTERIOUS is the process of profitably producing and marketing anything – say, a pair of shoes – that many persons are willing to believe it is accomplished by exploiting the customers, or the hired laborers, or perhaps both. In that case, their reactions may run in all directions but tend to follow three main channels:

- 1. Profits should be shared with employees.*
- 2. Consumers should organize as a cooperative in order to share the profits among themselves.*
- 3. The government can do it cheaper because it doesn't have to make a profit.*

Actually, these are not three separate alternatives to the free market – the profit and loss arrangement under open competition and voluntary exchange; they

are but three different aspects of compulsory collectivism.

To demonstrate why that is so requires careful analysis and understanding of the profit and loss features of the market process. And we start with the fact that numerous individuals are competing for possession and use of scarce and valuable resources. There simply isn't enough of any economic good or service to cover all the uses anyone might desire. So the problem is to use these resources as efficiently as possible, avoiding waste, and letting the willing customers judge what is efficiency and what is waste.

If the customer is to be the judge, this means that no seller can know precisely in advance what a given item may bring in the market. If he is a grower of potatoes, for instance, he knows

there will be the costs of owning or renting a plot of land, a supply of seed potatoes, of fertilizer, of tools and labor for planting and cultivating and harvesting and preparing the potatoes for market. But he doesn't know precisely in advance the amount of each of these costs. He doesn't know what the weather will be; or how much of what quality crop the harvest may yield; or what customers will be willing to pay, for his potatoes in particular or for potatoes generally, at any given time during the marketing season. In other words, he is an *entrepreneur*, bidding for scarce and valuable resources for conversion to a product which he hopes customers will want at a price high enough to cover all costs, including his own labor and other investment, and still leave him a profit. If not, his is the loss.

In other words, profit is the reward willing customers accord an entrepreneur who efficiently uses scarce resources to satisfy their wants. And the amount of the profit, or loss, is never known until after the fact — after all the results of the production and marketing operation are complete, having been carried out in open competition with the producers and consumers of all other goods and services.

A moment's reflection must re-

veal how nebulous and uncertain a thing is entrepreneurial profit as thus identified. It reflects a man's superior skill at seeing and exploiting new or better opportunities to utilize resources to serve consumers — seeing a need and doing a job faster and better than others! For the moment competitors discover the opportunity and exploit it to any great extent, then the margin for profit will largely have disappeared. Then, perhaps one or a few of the most efficient competitors may still earn a profit; but most will only recover costs; and more and more will be driven by competition into the loss column or toward other lines of production. Thus is the opportunity for profit closed almost as rapidly as it appears in a competitive market situation; and in general it seems safe to say that more productive business activity merely breaks even (covers costs) or results in loss than yields an entrepreneurial profit.

#### **What Kind of Profit?**

Let it be clearly understood that we are not discussing here the terms *profit* or *loss* as customarily used in business accounting and measured by "the bottom line." What the XYZ Company reports as "profit" or "income after taxes" might possibly be made up in part of true entrepreneurial profit; but

it most certainly consists in large measure of *interest*, for out of that "income after taxes" must come any return on a stockholder's investment. If he doesn't recover the going rate of interest — either in dividends or in added value of his share — his investment has yielded a loss in the sense that he might better have invested elsewhere.

So, when the idea of "profit sharing" is proposed, the thoughtful proponent surely can not be thinking of sharing the interest portion of returns to investors. If they can't earn interest, they'll abandon that investment and seek another repository for their savings — with the result that the employee's job disappears to the extent that he takes a share of the return that should have gone to the investors who provided the savings (the tools) upon which the job depends. Nor is this a consequence of some arbitrary decision rendered by a greedy capitalist — his determination to grind poor workers to the bone. On the contrary, the decision is rendered by consumers and their purchases — or their refusal to buy.

When all the facts are in, the consumers will have made known to the entrepreneur what profit, if any, his efforts have yielded. He will have been free to ignore the market, of course. He could

have borrowed funds at twice the market rate of interest if he wanted to. Likewise, he could have paid two or three times the market wage rate to workmen. But it seems inconceivable that he could behave so magnanimously for very long without seriously depleting his personal savings and setting the stage for competitors to drive him out of business. "Good guys" aren't all that popular; consumers pay willingly for efficiency, but have to be coerced into paying for anything else.

#### *Incentive Pay*

The proposal to share profits with employees is often justified on grounds of the extra productivity men generate as a result of "incentive pay." That is a cogent argument; payment of workers on a piece-work basis was being practiced successfully long before "profit sharing" came into vogue. Indeed, this is the principle under which the "cottage industries" operated at the beginning of the industrial revolution, various jobs being "farmed out" for completion in the worker's home at so much per unit of product. In a sense, the worker in that case is his own entrepreneur; the more he produces, the more he earns. However, as production methods become more sophisticated, with more complicated and more expen-



sive machines and assembly-line operations, cottage industries give way to the factory system and a tendency to pay workers by the hour rather than by the piece. Labor unions have encouraged the trend away from payment on a piece-work basis or incentive payments in general, despite protestations that union demands can and should be met out of company profits.

As previously suggested, where several companies have entered into competition in a given industry, producing the same or similar products, the likelihood is that only Company A — or a comparative few of those companies — will show any entrepreneurial profits that conceivably could be shared with workers or customers or investors. The greater number of competitors will barely yield the going market rate of return on investment, or even show a loss. (Bear in mind that one can never be certain just what portion of a company's "income after taxes" is strictly entrepreneurial profit and what portion is a necessary return to investors to induce them to leave their capital in that business.)

But if Company A is in a position to offer its workers a profit-sharing plan, then immediately the other competing companies would have to grant comparable

wage increases or stand to lose employees to Company A. Obviously, some of the other companies would be driven out of business. The question then arises: Is Company A in a position to take on an uncertain number of additional employees and still offer its profit-sharing plan? If not, what becomes of those unemployed workers, except that they must tend to drive wage rates downward as they seek other jobs?

#### ***What Should Be the Price?***

So, let us return to the basic premise of the market process: that numerous individuals are competing for possession and use of valuable resources. And the object is to determine *how scarce* and *how valuable!* *What should be the price* that most accurately reflects the supply-demand situation, leaving the ultimate choice to the consumer? In other words, we're discussing the role of business in a system of voluntary exchange, as distinguished from government regulation and control — compulsory collectivism.

Without market pricing, there is no reliable system of economic calculation or business accounting, no way for competitors to know how well each is doing. For instance, reconsider the potato grower. How is he to know whether to use more land, or more

seed and fertilizer and tender loving care per acre, to produce potatoes most economically? He looks to the market prices of these various productive resources to help him to a decision — and perhaps prays for rain and a good crop.

Or, suppose a person is seeking a job. He will be interested in knowing what other workers are earning in that job or in similar lines of work. And, of course, prospective employers are continuously checking to see what wage rates are being paid by other employers for comparable jobs. Neither the prospective employee nor the prospective employer really wants to wait until the end of the year — or the end of a season when profits might be known — to find out what wage rate should have been paid. Each prefers to know what the market rate is *as of now*, a figure that enables him to say yes or no, to do business or not.

Will the job pay \$3.00 an hour, or is it to be \$2.50 now and a chance for a share of profits later — if the project shows a profit? What wages are other employers paying? How many other workers are on a cash wage, and how many are willing to wait for a share of profits? What is the market situation? What is the going price for labor? The fact is that the profit-sharing system affords no way to

know the market price, no method of economic calculation or business accounting, no reasonable basis for reaching a business decision.

And this is true, not only of profit sharing with employees, but also of the consumer cooperative idea of profit sharing. Either way, were the practice made universal, the market would be unable to provide a firm price structure that could be used for business accounting and upon which business decisions could be based. From that predicament, it would be a very short step for some to press the conclusion that the government should make that decision — manage the business — whether or not it could show a profit. The problem is that there is no way to show a profit, or to know the cost, or to find any other basis for a business judgment, if the market is not allowed to perform its vital function of price determination.

### **Sharing with Government**


Until now, we have been discussing the profit-sharing idea as proposed or applied within the so-called private sector — sharing with employees, or consumers, or investors. But as intimated earlier, these are merely phases of or steps toward government management and control of business —

compulsory collectivism. Another way to look at it is from the viewpoint of "*profit sharing*" with government — and this is the real problem.

The trend is well established. Businesses must pay income taxes graduated to fall most heavily on any company that appears to be operating profitably. "Excess profits" are subject to special taxation. And graduated personal income taxes are designed to sop up any profit that otherwise might have leaked out of the business into the pocket of some individual. Meanwhile, various governmental relief and welfare programs operate to reward those individuals and business ventures that the market had designated as losers or failures because of their inefficient and wasteful performance.

Beyond all those tax and welfare interventions with business activities and market pricing is the most serious political disruption of all: government designation of what traders may use as "legal tender," the manipulation and control of money and credit—in a word, *inflation*. This is the ultimate in "profit sharing," the process by which governments claim title to scarce and valuable resources in defiance of all attempts by the market to channel the ownership and control of scarce resources into the hands of the most

efficient users, the successful innovators and entrepreneurs, the ones who best serve the choices and desires of consumers. By its control of money and credit and its inflationary policies, the Federal government effectively closes the market and defeats the market function of price determination. Inflation disrupts the means of business accounting and economic calculation to the point that conscientious entrepreneurs are led into serious malinvestment and waste of scarce resources. When entrepreneurs are thus conditioned to rely upon government intervention for their opportunities to earn a profit, the market economy is foreclosed and the people doomed to serfdom under socialism.

What hope is there to avoid this course toward certain disaster? It depends on the willingness of individuals to understand that traders know best what they want to use as money, that "legal tender" laws hamper the market determination of prices, and that any form of profit sharing which rewards failure rather than successful business practice is license rather than liberty. Unless consumers are permitted to decide how much entrepreneurial profit goes to whom, there can be no free and prosperous commonwealth. 



# Am I Responsible for What Others Think?

JUDY HAMMERSMARK

I REMEMBER a line in a famous Western movie, where the hero confronts the villain: "I am not responsible for what you think." Somehow, those words made an indelible impression; "I am not responsible for what others think," became ingrained as part of my philosophy. I was convinced that others' misconceptions were none of my business, none of my doing or responsibility.

As an American housewife, I cook, clean, tend children, prepare my family's meals. But I am more than a machine. As I go about my work, I think, formulate opinions about everyday and national and world affairs. Often, I think my reasoning is superior to that of men elected to Congress, those who are selected to be leaders. Common sense tells me when they are in error. Should I call attention to it?

Many of my friends and neighbors (even members of my family) who are benefactors of free enterprise have little understanding or appreciation of our system. Many bitterly condemn free enterprise. "Socialism," they say, "is inevitable, the wave of the future."

Is it? Is it actually superior to our way? Why then, I wonder, must we forever bail out the victims of socialism, as most recently in Russia and Red China when our country "sold" them millions of bushels of grains. Socialistic countries find it difficult to even feed their own.

Because of modern technology (the offspring of free enterprise) I am able to accomplish things a woman in a communist country would never dream of. Her spare moments are in the service of the state, reading only those books approved by her government, daring never to voice opinions contrary

to those upheld by her "leaders." Freed by my conveniences, my dishwasher, my fully automatic washer and dryer, I am writing this. My spare time is spent in pursuit of my own happiness: reading, writing, marketing and selling the product of my leisure. This makes me an entrepreneur. I have a vital concern, therefore, in preserving free enterprise, which honors my creativity, my happiness. It becomes my concern when neighbors (through misunderstanding) vote against freedom. And since the majority rules, it becomes a duty to persuade others to act upon the principles of freedom.

### **Self-Defense**

Is not self-preservation one of man's valid instincts? Have I not an obligation as well as a right to try to persuade friends and family to accept my way of thinking?

It is extremely difficult for me, an ordinary housewife, to convince others, to present my ideas logically and persuasively.

"Who does she think she is?" is a common reaction.

For example, my father-in-law is a carpenter of the old school. Born and reared in Norway, he learned his trade from highly skilled craftsmen. His talent is much in demand, and he is fit and capable of continuing work. But

at age 65, he became eligible for social security. Now, he is limited in the number of hours he can work, the amount of income he can make, without endangering his government allotment. Consequently, he spends many idle hours, rejecting the generous bids of those who would like to buy his services.

Exposing fallacies and socialistic error is difficult, especially to members of my own family. Yet, if I would proclaim the merits of free enterprise, I must demonstrate to my father-in-law the myth of social security.

"Yes, but without social security, millions would starve." Would they? Many Americans recall the days before the passage of the Social Security Act, and it was indeed an era different from today. Families were closer knit, and neighbors cared about one another. Men and women remained productive as long as they were able to work. They kept busy and happy, and they saved for their retirement. I would guess that more old people now go hungry, with social security, than went hungry then without it. Many oldsters have developed the attitude, "Ah, I'll let Uncle Sam take care of me. No sense trying to save." And many youngsters conclude, "To heck with grandpa — he's got plenty to live on. Social security,

you know!" Consequently, many of our aged are forgotten, alone, living off inadequate government funds.

Another fallacy came to my attention in conversation with a teacher friend. "Children," she stated, "are mostly unteachable." Instead of laying blame on mandatory government schooling she offered this solution: All parents ought to enroll their children in state day care centers by the age of two. Children would then be handled by competent experts, freed from bumbling, often inexperienced parents, eliminating all behavior problems, thereby making this teacher's job easier.

### **What's Right With America?**

My last 4th of July was a spiritless affair with friends and relatives who spent the day declaiming our American ways and building up the opposition. Misconceptions abounded. "Russia," one noted, "seldom has any crime. Not like we do in the United States."

"And they don't have problems with young people, not like we do," another joined in.

"You never hear of a Russian teenager smoking pot or taking L.S.D.," someone added. "And they don't have the unwed-mother problem or the venereal disease that we do."

My home town has given up the tradition of a parade and fireworks. Not one firecracker interrupted the humdrum conversation. Everyone seemed to have forgotten that the 4th of July had a meaning, and that it was Independence Day.

My family on this day was a prime example of complacency, fat and satisfied — eager for the luxuries afforded by a free economy, but just as eager to accept the guaranteed life. I remembered the 4th of Julys of my childhood. They were something! Patriotic speeches, watermelon, fireworks, flags everywhere. But not anymore.

"Would it be too corny," I thought, "to mention that our Founding Fathers believed that people might govern themselves?" They made only one guarantee — and that was freedom. And along with that went something called individual responsibility — the right to pick and choose, good or evil, the right to try and to succeed if one should. In those days, you built your own house (there was no government housing), you planted your own crops (or you didn't eat). Welfare? Social security? Those things were not promised in the Constitution. Those who refused to work might starve; but those who could not work were cared for by loving friends, the

type of charity that came from the heart. It was an age of spiritedness.

I am their "little girl," a granddaughter, a wife, a mother, a washer of dishes, a changer of

diapers. But more important, *I am an American*. Although my voice is weak, often faltering, I stand up. All eyes are turned to me. And I am shaking.

"Now just a minute," I begin...



### *The Sense of Duty Done*

IDEAS ON



LIBERTY

I HONOR ANY MAN who in the conscious discharge of his duty dares to stand alone; the world, with ignorant, intolerable judgment, may condemn; the countenances of relatives may be averted, and the hearts of friends grow cold; but the sense of duty done shall be sweeter than the applause of the world, the countenances of relatives or the heart of friends.

CHARLES SUMNER

### *Laws Follow Beliefs*

IDEAS ON



LIBERTY

THE GOVERNMENT of the United States (or of France or Russia or any other nation over a significant period of time) will be and do whatever most of the voters want or will tolerate. No mechanistic scheme or written document can ever for long prevent the effective minority (usually called the majority) of the people from doing whatever it is they want to do.

Thus, whenever the majority (that is, the effective minority) of the American people accept again the general philosophy that inspired the Constitution, we will return to the Constitution; not before. For while laws may reflect what people believe, it is the beliefs, *not* the laws as such, that generally determine their actions.

DEAN RUSSELL

## Salute to Von Mises

SEPTEMBER 29, 1973, marked the 92nd birthday of Ludwig von Mises, the greatest analytical economist of his generation. He has also been one of this century's ablest champions of private enterprise and the free market.

Those 92 years have been amazingly fruitful. In conferring its Distinguished Fellow award in 1969, the American Economic Association credited Mises as the author of 19 volumes if one counts only first editions, but of 46 if one counts all revised editions and foreign translations.

In his late years other honors have come to Mises. He was made an honorary doctor of laws at Grove City College in 1957, an honorary doctor of laws at New York University in 1963, an honorary doctor of political science at the University of Freiburg in 1964. In addition, two *Festschriften* were devoted to him—*On Freedom and Free Enterprise* in 1956, containing essays in his honor from

19 writers, and *Toward Liberty*, a two-volume work published in 1971 on the occasion of his 90th birthday, with contributions from 66 writers.

But such honors, even taken as a whole, seem scarcely proportionate to his achievements. If ever a man deserved the Nobel Prize in economics, it is Mises. But in the few years of its existence, that award has gone to a handful of so-called "mathematical economists" — in large part, one suspects, because only a parade of unintelligible mathematical equations impresses the laymen responsible for finding laureates as being truly "scientific," and perhaps because granting it to economists primarily for their mathematical ability relieves the donors from seeming to take sides in the central political and economic issues of our time — the free market vs. government controls and "planning," capitalism versus socialism, human liberty versus dictatorship.

Ludwig von Mises was born on September 29, 1881, in Lemburg, then part of the Austro-Hungar-

---

Mr. Hazlitt's guest editorial commentary is reprinted here by courtesy of *Barron's National Business and Financial Weekly*, Oct. 1, 1973.



ian Empire. He entered the University of Vienna in 1900, studied under the great Eugen von Böhm-Bawerk, and acquired his doctorate in law and economics in 1906. In 1909, he became economic adviser to the Austrian Chamber of Commerce, a post he held till 1934.

In 1913, following the publication of his *Theory of Money and Credit* the preceding year, he was appointed professor of economics at the University of Vienna, a prestigious but unpaid post that he also held for 20 years. His famous seminar in Vienna attracted and inspired, among others, such brilliant students as F. A. Hayek, Gottfried Haberler and Fritz Machlup.

In 1934, foreseeing the likelihood that Hitler would seize Austria, Mises left, advising his students to do the same. He first became professor of international economic relations at the Graduate Institute of International Studies in Geneva. In 1940, he came to the United States.

Mises was already the author of more than half a dozen books, including three masterpieces, but only one of these, *Socialism: An Economic and Sociological Analysis*, had been translated into English. So Mises was practically unknown here, and, as the fashionable economic ideology then was Keynesianism and its New Deal

offspring, he was shrugged off as a reactionary.

Gaining an academic appointment proved difficult. Turning to books, he wrote *Omnipotent Government*, a history and analysis of the collapse of German liberalism and the rise of nationalism and Nazism. It was not until 1945 that he became a Visiting Professor at the Graduate School of Business Administration of New York University, a post he held until 1969.

His body of work is large and impressive. But we can confine ourselves here to considering two of his three masterpieces — *The Theory of Money and Credit*, which first appeared in German in 1912; *Socialism*, originally in German in 1922; and *Human Action*, which grew out of a first German version appearing in 1940.

Mises' contributions to monetary theory have been too numerous to list completely. For one thing, he succeeded in integrating the theory of money with the great body of general economic theory. Before him general economic theory and the theory of money were kept in separate containers, almost as if they were unrelated.

Mises also saw the fallacies in the proposals of the so-called monetarists, that "the price level" could or should be stabilized by government managers who increased the quantity of money by

a certain percentage every year. He saw that inflation cannot be automatically controlled — that because of its changing effects on expectations, an increase in the quantity of money, in its early stages, tends to increase prices less than proportionally; in its later stages, more than proportionally.

Mises also rejected the simplistic concept of “the price level.” He pointed out that increases in the quantity of money do not raise all prices proportionately; the new money goes to specific persons or industries, raising *their* prices and incomes first. The effect of inflation is always to redistribute wealth and income in ways that distort incentives and production, create obvious injustices, and enkindle social discontent.

Moreover, Mises presented in this book, for the first time, at least the rudiments of a satisfactory explanation of the business cycle. He showed that boom and bust were by no means inherent in capitalism, as the Marxists insisted, but that they did tend to be inherent in the monetary and credit practices prevailing up to that time (and largely since). The fractional bank-reserve system, and the support furnished by central banks, tend to promote the over-expansion of money and credit. This raises prices and arti-

ficially lowers interest rates, thus giving rise to unsound investment. Finally, for an assortment of reasons, the inverted pyramid of credit shrinks or collapses and brings on panic or depression.

Mises' *Socialism* is an economic classic written in our time. It is the most devastating analysis of socialism ever penned. It examines that philosophy from almost every possible aspect—its doctrine of violence, as well as that of the collective ownership of the means of production; its ideal of equality; its proposed solution to the problem of production and distribution; its probable operation under both static and dynamic conditions; its national and international consequences.

This is by far the ablest and most damaging refutation of socialism since Eugen von Böhm-Bawerk published his memorable *Karl Marx and the Close of His System* in 1898. It is more. Böhm-Bawerk confined himself mainly to an examination of Marx's technical economics. Mises scrutinized socialism in all its ugly aspects.

His outstanding contribution was to point out that socialism must fail because it is incapable by its very nature of solving “the problem of economic calculation.” A socialist government does not know how to distribute its labor, capital, land and other factors of

production to the best advantage. Since it does not know which commodities are being produced at a social profit and which at a social loss, it does not know how much of each commodity or service to plan for.


In short, the greatest difficulty to the realization of socialism, in Mises' view, is intellectual. It is not a mere matter of goodwill, or of willingness to cooperate energetically without personal reward. "Even angels, if they were endowed only with human reason, could not form a socialistic community." Capitalism solves this problem of economic calculation through money prices and money costs of both consumers' and producers' goods, which are fixed by competition in the open market.

On the basis of this single achievement, the late Oscar Lange, a Marxist economist who later became a member of the Polish Politburo, once proposed that future socialists erect a statue to Ludwig von Mises. Said Lange: "It was his powerful challenge that forced the socialists to recognize the importance of an adequate system of economic accounting to guide the allocation of resources in a socialist economy." Lange was at least brought to recognize the existence of the problem and thought he had solved it. In fact, the only way that socialists can solve it is by adopt-

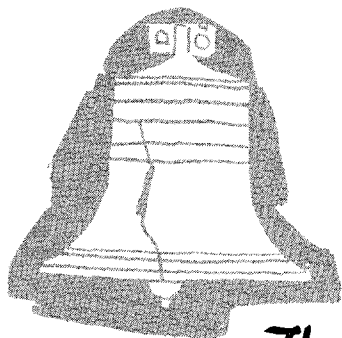
ing the principles of capitalism.

Because it illustrates not only the cogency of his logic, but also the depth of his feeling, the power of his intellectual leadership, and the uncanny foresight with which he judged the course of events more than 40 years ago, I cannot forbear from quoting a passage from the last page of Mises' *Socialism*:

"Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping towards destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historic struggle, the decisive battle into which our epoch has plunged us."

As the eminent French economist Jacques Rueff once put it: "Those who have heard him have often been astonished at being led by his cogency of reasoning to places whither they, in their all-too-human timorousness, had never dared to go." 

**Dr. Mises died October 10, 1973.**



## *The Rebirth of Liberty*

IN 1976, which is practically upon us, we'll be listening to all those bicentennial orations about the founding of our Glorious Republic. The whole business promises to be an orgy of hypocrisy. The politicians making some of the speeches will be fresh from legislative halls where the debates concern such things as price controls, land use acts, the dangers of sticking with a voluntary army, the need for more inflationary spending, the iniquity of capital gains even when reckoned in inflationary dollars, the necessity of taking money from the states before giving it back as revenue sharing, and the granting of power to quite unscientific men to tell us how many units of Vitamin A and

Vitamin D we may swallow at breakfast.

There is a distinct possibility that the situation will call for a wake more than for a celebration. But there are some people around who still know what our forebears fought for in 1776, and what they intended when they wrote the Constitution and the Bill of Rights. One of these people is Clarence B. Carson, whose *The Rebirth of Liberty: the Founding of the American Republic 1760-1800* (Arlington House, \$8.95) reminds us in quiet accents that it was the idea of limited government, not abstract democracy, that moved our ancestors to take the field against King George III and to write a basic document designed

to keep unchecked majority rule from overriding inalienable individual rights.

Dr. Carson's book, which will be familiar to readers who have followed some of its separate sections in *The Freeman*, differs somewhat from such well-known works as John Fiske's *The Critical Period of American History* and Clinton Rossiter's *Seedtime of the Republic*. Where Fiske was mainly concerned with how the idea of a federal republic took hold of the minds of men during the "anarchy" of the Articles of Confederation years, and where Rossiter sought to explain the development of certain pre-Revolutionary War thought-processes that tried to combine pragmatism with idealism, morality, individualism and conservatism (they don't always go together), Carson takes a wider cut.

### **An Epic Span**

He sees the period extending from 1760 to 1800 as an epic span. Before 1760 the separate American colonies had little to do with each other. Internal travel was difficult save by water, and the rivers, other than the Delaware, did not connect one important center with another.

The traditions were different: some colonies were proprietary, some had charters. Massachusetts leaned toward theocratic govern-

ment, Virginia was Church of England, the Pennsylvanians, many of whom were Quakers who followed the Inner Light, were hospitable to various sects, Maryland was a haven for Catholics. New York, of course, was Dutch, and it was the Swedes who brought the log cabin to Delaware.

The trade routes ran across the Atlantic, not from colony to colony, and the trade itself was shaped to suit the ends of British mercantile philosophy. Dr. Carson makes the point that it was not mercantilism itself, hateful though it was, that roused the Americans; it was the idea of taxing them to support Crown monopolies and favored industries that were in trouble because mercantilism resulted in wars that had devastating commercial results. It was not until the British Parliament abandoned its old precedent and began to tax the colonists without consulting them that America started on the road to rebellion.

Dr. Carson is careful to describe the American Revolution as something quite different from the type of overturn that came in with the storming of the Bastille in Paris. Most Americans had always thought of themselves as Englishmen, and therefore entitled to all the immemorial rights stemming from Magna Carta and the development of the English common law. They read Coke and Black-

stone and philosopher John Locke and considered themselves co-equals with all those Englishmen who had stayed at home. They had had their own experience of local government. Their allegiance was to the British King, not to the House of Commons, which, after all, was merely the local government of a distant island.

When King George III let them down by permitting his Parliament to impose taxes on them without representation, it was a sign that the British Crown had itself become revolutionary. So, as Peter Drucker observed some twenty-five years ago, 1776 signalled, not revolution, but a counterrevolution seeking a return to a conservative (or classically liberal) tradition. It was only after King George III and his ministers turned the "lobsterbacks" on the good people of Boston that American patriots began thinking of complete independence. Even then the idea of cutting the old ties came hard.

### **Unexpected Help**

The colonists did not win their war unaided. They tried to finance it in the worst possible way, by printing scads of paper currency that gave rise to the saying "it's not worth a Continental." The terrain itself saved General Washington's ragged musketeers: Brit-

ish armies couldn't round up the necessary transport to meet the Americans in the farming back country. The Americans won by hanging on until the French entered the war and sent a fleet to help bottle up Lord Cornwallis's troops in Yorktown. Britain had to sue for peace in order to free herself to confront European realities: it was becoming too costly to take on France and Spain as well as the rebellious colonists.

Then the strangest thing happened: after fighting a war that could have been ended several years earlier if the horrifying inflation hadn't prevented General Washington from mobilizing the resources of the continent, the Americans proceeded to win a big victory at the peace table. Neither France nor Spain wished to see the British keep the territory that stretched from the Alleghenies to the Mississippi. Nor did the British wish to concede the so-called Northwest Territory to any continental European power. So, by adroit maneuvering, the American plenipotentiaries, Ben Franklin, John Jay and John Adams, managed to keep what is now our Middle West (along with Mississippi, Tennessee and western Kentucky) for the young nation.

Discounting what happened after the Spanish-American War, and the land-grabbing that gave

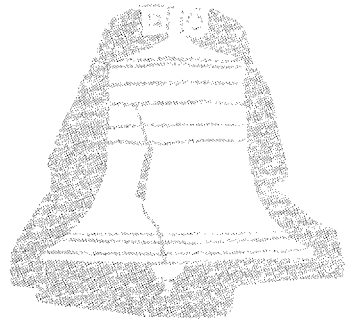
us California, New Mexico and Arizona, the performance of Franklin, Jay and Adams is just about the only instance of successful post-war statesmanship in our history. If we had only had Franklin and his mates at Versailles and Yalta, the Twentieth Century would surely have been different.

### **Limited Government**

After the peace of 1783 came the great weakness. The Founders remedied that by making an assiduous study of history and arriving at the conclusion that limited government, not raw majority rule, was needed to put free men to work establishing businesses, hacking farms out of the wilderness, sending traders to India and the China Sea, and putting steamboats on the Hudson and the Delaware. The American Dream was made possible because a few good and capable men had clung to the idea of liberty for the individual through a long period of trial.

Two centuries later we seem ready to throw it all away. Instead of limited government, we have centralized all sorts of power in Washington, D.C. Maybe Dr. Carson's book will help our modern Jamie Madisons and John Adamses stem the tide by abolishing "controls" and stopping inflationary government spending by 1976. But don't bet on it. What we need is to

get Dr. Carson's thinking into our schools, and with "public education" being financed from Washington how are we to bring any such thing about?



- **A THEORY OF JUSTICE** by John Rawls (Cambridge, Mass.: Harvard University Press, 1971) 607 pp., \$15.00.

*Reviewed by: John Hospers*

IT IS NOT OFTEN that a book of abstract philosophy is reviewed at length by virtually every philosophical journal in the English-speaking world, not to mention journals in sociology and political science as well as the popular press. *A Theory of Justice* by Professor John Rawls, chairman of Harvard's Philosophy Department, has received more pages of reviews, probably, than any book of philosophy since Wittgenstein's

*Philosophical Investigations* in 1952. Though it is 600 pages long and far from a model of style or clarity, it has been heaped with praises from fellow philosophers and social scientists, and bids fair to represent "the wave of the future" in the area of political philosophy. The criticisms that have been made of it have been largely such as only fellow-philosophers can understand; for example, points in logic having to do with his mode of reasoning. But the premises from which he reasons have been much less questioned, and the consequences of Rawls' ideal of the just society if it were put into practice have been hardly considered at all. In these remarks I wish to emphasize these aspects of Rawls' theory.

What, according to Rawls, are the features of a just society? How will it be set up, and what factors will determine the distribution of the various goods that people desire? Rawls' answer is that right choices on all these issues are the choices a person would make if he were *impartial*; and the test of impartiality is what he would choose if he were shielded behind "the veil of ignorance" of his future situation in that society.

### ***The Veil of Ignorance***

Imagine a group of people newly landed on an island and about

to frame a constitution and other rules regulating their behavior in relation to one another. Those who are engineers, let us say, would want to have high pay for engineers, and farmers would agitate for legislation to aid farmers; people of talent and imagination would wish a society that rewarded the talented and the imaginative, while those without talent would want to make sure that they could live off welfare checks paid for by people more talented than themselves. But now suppose, Rawls suggests, that no one knows what his role will be in the new society; he doesn't know whether he will be a farmer, a shopkeeper, or a scientist; he doesn't know whether he will be an employer or an employee, and so on; so he won't vote for conditions which favor one group against another, for fear that he would turn out to belong to one of the unfavored groups.

"But suppose he is a creative person, surely he'll favor the creative people more than the rest."

To circumvent such objections, Rawls makes his hypothetical individuals ignorant, not only of their particular role in society, but of their temperament, their age, their sex, even of the era in history in which they will live (else they might favor one era against another). If you don't



know whether you will be male or female, you will not favor discrimination against women on the one hand or special favors for women on the other. If you don't know whether you will be black or white, you will not favor any kind of racism, lest you turn out to be among the persecuted group. Making your choices from behind the veil of ignorance, before you know any of the relevant facts about your own future situation, will ensure that you will not vote for favoritism to, nor discrimination against, any of these various groups. The "veil of ignorance" is a device intended to ensure impartiality of judgment in planning a political-social order.

#### ***A Mild Form of Socialism***

Assuming everyone to be impartial along the lines just described, what kind of a society would each citizen, possessed of rationality and a knowledge of all the alternatives, but ignorant of all the particular facts about himself and his situation, choose as the just society? Roughly speaking, Rawls' just society turns out to conform to the ideals of a moderately left-leaning member of the Democratic Party.

Thus, there are certain "primary social goods" that every human being should have and no one should be deprived of: "rights and

liberties, opportunities and powers, income and wealth" (p. 92). That these various factors could work heavily against one another is a problem not squarely faced in the book; for example, if everyone is to receive a basic income from the state, aren't the liberties and opportunities of those who have to support them severely curtailed? Indeed, it would seem that the "rights and liberties" are to be very restricted indeed, so much so that some of them, which many Americans believe to be of paramount importance in the life of our republic, will be virtually eroded away. For example, Rawls favors government ownership of some (but not all) of the means of production: the free market, he believes, is not just, and requires intervention by the state to correct it. Nor is he opposed to heavy taxation to support the indigent, and a large government bureaucracy over whose decisions one has no control.

But what does this do to the freedom to make one's own choices (and undergo the consequences thereof), and the right to retain the fruits of one's labor? If the state can expropriate the fruits of one's labor, for example, to the extent of 80 per cent tax on income, and use it for its own purposes which may be opposed to the purposes of those who have earned

the money, one is in bondage to the state as truly, though not quite as totally, as the ancient slave was to his master. A state that preserves your life but makes you work for it nine months out of every twelve is one that has deprived you of the rights to determine by your own choices the greater part of the course of your life. Rawls is not a complete egalitarian, but he sets alarmingly few limits to the expropriative power of the state — with consequences for human liberty that lead us straight into 1984.

### **Welfarism**

Rawls would have “the least advantaged” in a society receive a basic stipend from the state. Though it is barely mentioned, it is clear from whence this money is to come: the unproductive are to be supported at the expense of the productive, which inevitably means that there will be more and more unproductive, increasing in proportion to the degree that parasitism is made more attractive than productivity. In other words, we have Peter being robbed to pay Paul, via the political authority — and again the disturbing question arises as to what this does to the rights of the workers and producers.

In any case, the obvious question one wants to raise in this

connection, in order to make a moral assessment of the situation, and which Rawls nowhere raises, is: *Why* are they unproductive, that is, in need of support by others? Here is a man who is sick and cannot work; here is a man who refuses to work although suitable jobs are available. They are both economically “disadvantaged,” one through no fault of his own and the other because of his own conscious choice. Are they both to be treated alike, that is, supported by the state via taxation? Presumably Rawls’ answer is yes, since they both lack income, though for different reasons. On this point the political theorists of the twentieth century have not taken Herbert Spencer’s advice to heart, assuming as they do

. . . that Government should step in whenever anything is not going right. It takes for granted, first that all suffering ought to be prevented, which is not true; much of the suffering is curative, and prevention of it is prevention of a remedy.

In the second place, it takes for granted that every evil can be removed; the truth being that, with the existing defects of human nature, many evils can only be thrust out of one place or form into another place or form — often being increased by the change.

The exclamation also implies the unhesitating belief . . . that evils of

all kinds should be dealt with by the State. There does not occur the inquiry whether there are at work other agencies capable of dealing with evils, and whether the evils in question may not be among those which are best dealt with by other agencies. And obviously, the more numerous governmental interventions become, the more confirmed does this habit of thought grow, and the more loud and perpetual the demands for intervention. (*The Man versus the State*, 1884; reprinted Caxton Printers, 1940, pp. 34-35.)

If one is to discuss justice, one should surely take into consideration such observations and distinctions as Spencer makes. But Rawls, like most writers on political philosophy in our own century, fails to do so.

### **Inequalities Justified**

Rawls is not an egalitarian; he holds that inequalities in income are justified as long as they increase (or do not decrease) the economic benefits to "the least advantaged" (disadvantaged for whatever reason). Suppose that the distribution of goods in a society (which for the sake of simplicity we shall take to consist of five persons only) is 6-6-4-4-4. Now an invention comes along which will enormously increase the standard of living, so that the resulting distribution becomes 50-50-40-40-3. Would it be justified?

No, presumably the invention would have to be suppressed in spite of the great rise in the standard of living of almost everyone, because one person in the society is slightly worse off because of it.

For example, the automobile is invented, thousands of people are employed in the new industry, the public is happy to have rapid and inexpensive transportation via Model T Fords, and everyone is benefited except the manufacturer of buggy-whips, who once did a land-office business but is now out of work because of the new invention. Perhaps Rawls would say that the innovation is all right provided that the former buggy-whip-maker is supported on public relief. But even very handsome relief payments are not likely to equal the amount of money he was formerly making in manufacturing and selling buggy-whips. So he is genuinely a loser by the new technology. But even if his income is now 3 instead of his former 4 or 6, it would seem that Rawls would prohibit the new technological advance on the ground that at least one person, the buggy-whip-maker, was worse off than before the innovation occurred. I submit that if this is really his requirement, no major innovation would ever have occurred, from the dawn of history to the present,

no matter how great its benefit to mankind, since there is always someone somewhere who is worse off because of it.

### **The Problem of Production**

In general, Rawls — along with most other political philosophers of the twentieth century (e.g. Professor Nicholas Rescher in his two recent books, *Distributive Justice and Welfare*) — says a great deal about the *distribution* of goods and very little about how these goods are to get produced. The more you penalize productive people for their productivity, the less motivated they will be to produce, and the lower the standard of living is likely to become; why produce if one will only be taxed to death for conferring productive benefits upon the rest of society? This tendency to seize the goods of some in order to provide unearned goods for others (usually in order to buy votes), a tendency which grows with each election year, until (as its final outcome) everyone is in a state of splendidly equalized destitution, has been a main source of the decay of many past civilizations, and as far as I can see it would kill Rawls' civilization too; at least he takes no great precaution against it. [Cf., Isabel Paterson, *The God of the Machine* (New York: Putnam,

1943), the chapter entitled "The Humanitarian with the Guillotine"; F. A. Hayek, *The Constitution of Liberty* (University of Chicago Press, 1960), esp. Chapters 10-13; John Hospers, *Libertarianism* (Los Angeles: Nash Publishing Co., 1971), esp. Chapters 6 and 7; Murray Rothbard, *For a New Liberty* (New York, Macmillan, 1973), Chapter 8.]

### **Schemes of Redistribution**

The complex schemes of distribution one finds in Rawls, Rescher, and others would be appropriate in only one context — that of a man who has earned his own money and is trying to decide how he shall apportion it, for example, in his will: shall he give it to all his children equally, or more to this one because he is more deserving and less to that one because he is a spendthrift, and more perhaps to this son who although not more deserving is paralyzed and can't fend for himself? Such a man might profit from reading Rawls and Rescher on how he could most justly dispense his bounty to others. But in the usual Rescherian context, that of the bureaucrat employed by the state, who sits in the Department of Health, Education and Welfare deciding how he shall spend money which has been taken (via the

coercive machinery of the state) from some, in order to be allotted to others in accordance with his whims or the latest directive from his superiors, the thing becomes an Orwellian nightmare. The only advice to such a person would be: "Stop the robbery — the money isn't yours to spend in the first place. Give it back to the people from whom it has been stolen!"

### **Justice Between Generations**

According to Rawls, there should also be "justice between generations" (pp. 293-98); no one generation should be preferred to any other. For example, the people in one generation should not use up all the sources of energy if this means that subsequent generations will have to do with less. Admittedly this is very difficult to determine: we may save on some resource now, only to find that the sacrifice was useless — because in the next generation some new source of energy is found which was not even thought of now. Rawls' "equality between generations" thesis prompts me to make a suggestion consequent upon the above: if, in the present generation, you take away from class A and give it to class B, the incentive of class A will be reduced, their morale will deteriorate and the productivity of class A will be

hampered; and there will be nothing left to A to give to the members of class B — with the result that "splendidly equalized destitution" will already have been achieved by the next generation! Now, since justice, Rawls insists, is neutral as between generations, what about that next generation? Is it justly deprived and rendered poverty-stricken because of the lack of productivity bequeathed it by the present generation? It would seem that the features of Rawls' semi-statist political system, which is supposed to protect the next generation against the depredations of the present one, are more likely to ensure instead the deterioration of living standards via the gradual Sovietization of society by the time the next generation arrives.

### **Affluence Needed**

The state-supported schemes of distribution of wealth, designed to make Rawls' society approach (though not reach) a state of complete economic equality are, as Rawls himself admits, possible only in a fairly affluent society. In a society in which no one can exist much above starvation level, even by grubbing for a living fifteen hours a day (as among some African tribes), no such system of publicly-sustained beneficence

would be possible, since such beneficence can come only from a surplus of production, and when there is no surplus there is nothing to be beneficent with. Indeed, it seems clear to more than one observer of history that civilization has risen to its present level of affluence only by ignoring many of Rawls' requirements for a just society.

But what is one to say of a plan for society that may work (temporarily — until its built-in sops to egalitarianism kill it), once one has climbed up to the roof, so to speak, but cannot be used as a ladder for getting up to the roof, for the excellent reason that then one would never get there? The society Rawls envisions, so liberally sprinkled with the seeds of totalitarianism, so careless of the right to the fruits of one's labor that these fruits would be seized from him and left to the wasteful distribution schemes of power-hungry bureaucrats, is not one that a person, who wants to ensure his own long-term survival as a human being enjoying the continued benefits of civilization, would ever choose "from behind the veil of ignorance."

---

Professor Hospers of the University of Southern California School of Philosophy, is the author of *Libertarianism: a Political Philosophy for Tomorrow*, reviewed in the March 1972 FREEMAN.

▶ THE STRIKE-THREAT SYSTEM: THE ECONOMIC CONSEQUENCES OF COLLECTIVE BARGAINING by W. H. Hutt  
(New Rochelle, N. Y.: Arlington House, 1973, 290 pp.) \$11.95

*Reviewed by: Robert G. Anderson*

ANOTHER economic fallacy has been effectively refuted by the scholarly analysis of W. H. Hutt in his most recent book. The false belief that unions exercising the threat of strikes upon employers improve the welfare of labor is analyzed thoroughly and the conclusion is obvious:

the effect of wage rates determined under labor union pressure is to distort society's production structure, while it causes no redistribution whatsoever in favor of the poorer classes as such. . . . the system has all along been reducing the flow of real wages and the average of real wage rates. (pp. 6-7)

While the book primarily concerns itself with the economic consequences of the strike-threat in our labor market, it presents an equally devastating argument for the superiority of the free market in the determination of the wage rates of labor.

The book shows:

that what we call "the market" provides the only conceivable means of

achieving either orderliness and the elimination of coercive action in the process of human cooperation, or results which are regarded intuitively as "just" by the overwhelming consensus among free peoples. (p. 13)

At first this may all seem to be simply a restatement of free market arguments. However, Hutt's thesis does not concede the "right to strike," a matter on which most free market proponents are willing to yield.

Hutt argues:

To forbid strikes and boycotts would not be to restrain any basic human right. Every person would remain free to refuse to sell his assets, his products, and his services, when the refusal is not a breach of contract. That is, a person would retain his unrestrained right to prefer (a) to be employed by another, (b) to work on his own account, or (c) to enjoy leisure instead of pecuniary remuneration. But this right cannot be appealed to as justification for the *concerted* or the *simultaneous* refusal of a group of persons to continue to work in an industry, in a firm, or in a key position in an industry or firm. (p. 53)

The Hutt argument against the mass withdrawal of all workers is convincing. However, while he clearly demonstrates that such action can result only in a loss of welfare to the members of society,

the dilemma arises in matters of implementation. Any "anti-strike" laws would be contrary to the tenets of the free market philosophy unless a clear breach of contract can be demonstrated.


In refuting John Stuart Mill's argument about the futility of striking, Hutt argues that strikes often *do* pay. But they "pay," I would argue, because laws protecting property are not enforced. The growth of the strike-threat system has come about because laws favoring unions have been implemented, and laws protecting persons and property have not been enforced.

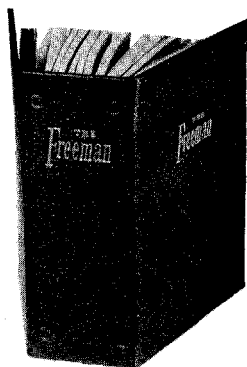
The strike-threat is clearly the product of a collectivist mentality, and in all probability would be non-existent in an ideal free society. However, if individuals wish to pursue an action detrimental to their welfare (the *concerted* or the *simultaneous* refusal of a group of persons to continue to work in an industry), their freedom in pursuing such folly must be defended. Professor Hutt argues otherwise, and after a thorough reading of *The Strike-Threat System*, the reader should draw his own conclusions.

The analyses of labor's past and labor's share are extensively dealt with by Hutt. He lays to rest the popular notion that unions were once beneficial, showing that

unions have always inflicted injustices and disrupted production. His chapters on the impact of unions on the total labor market are invaluable to the critic of union history.

One thing for certain, this book most certainly will become a clas-

sic for students of the free market philosophy examining the labor market. At long last a satisfactory volume exists for teaching the free market theory of labor economics. We all owe Professor Hutt our gratitude for filling this void in economic literature. 



HANDSOME BLUE LEATHERLEX

## **FREEMAN BINDERS**

**\$2.50** each

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION  
IRVINGTON-ON-HUDSON, NEW YORK 10533

---



## THE FREEMAN — Volume 23, January-December 1973

Prepared by BETTINA BIEN GREAVES of the Foundation staff

NOTE: In page references, the number preceding the colon designates the month, those following refer to pages. All articles have at least three entries—author, subject, and title—except in a few cases when title clearly indicates subject matter. Books reviewed are listed on page 768.

## A

- ACADEMIC freedom  
Need for tolerance and humility, The  
(Weast) 7:411-420
- ADVERTISING  
Competition: classroom theory vs. business  
reality (Peterson) 9:550-554  
Does Madison Avenue rule our lives?  
(Mahoney) 4:230-232
- ALEY, Howard D.  
Dear America: an open letter from a young  
American. 11:672-673
- AM I responsible for what others think?  
(Hammersmark) 12:740-743
- AMERICAN dream, The (Nestler) 10:593-597
- AMERICAN Republic, founding of. *See*  
Carson
- AMERICAN Revolution unique (Drosdik)  
7:387-388
- ANARCHY, violence/chaos  
Free-for-all society, The (North)  
12:731-733  
Rx for political peace (Foley)  
12:722-730
- ANATOMY of consumerism, The (Brunk)  
3:78-84
- ANDERSON, Robert G.  
Energy crisis, The. 8:460-467  
*See also* Book reviews (Hutt)
- APPEAL to the intellect (Read) 10:609-611
- AUTOMOBILES and individual responsibility  
No-fault insurance means no moral  
responsibility (Foley) 8:486-506  
Purpose of traffic laws, The (Shumiatcher)  
8:451-459

## B

- BASTIAT, Frederic  
Something else. 5:309-314
- BATTEN, C. R.  
Natural controls, The. 3:140-142
- BEARCE, Robert G.  
Freedom/responsibility—the quest for  
individual dignity. 11:685-690
- BEFORE we burn it down! (Wells) 1:25-30
- BRADFORD, Ralph  
Freedom . . . what is that? 3:131-139
- BREESE, Edward Y.  
Hobson's choice. 9:533-536
- BRETTON Woods: 1944-1971 (Stevens)  
5:296-306

- BRODIN, Eric  
Is Red China an economic paper tiger?  
3:143-146
- BROWNFELD, Allan C.  
Political corruption: one result of  
all-powerful government and centralized  
power. 11:643-647  
*See also* Book reviews (Devine; Huntford;  
Methvin; Schwartz)
- BRUNK, Max E.  
Anatomy of consumerism, The. 2:78-84
- BURKE, Edmund — ideas of  
Edmund Burke on inflation and despotism  
(North) 2:117-124  
Loving one's country (Gow) 3:155-156

## C

- CAN we keep free enterprise? (Hazlitt)  
6:339-348
- CANFIELD, Joseph M. *See* Book reviews  
(Stevens)
- CAPITALISM and morality (Coleson)  
10:625-633
- CARSON, Clarence B.  
Founding of the American Republic, The  
(18) Bill of Rights, The. 1:31-44  
(19) Establishing the government.  
2:85-98  
(20) Steering a course for the nation.  
3:165-182  
(21) Beacon of liberty, The. 4:195-206
- CHAFF about wheat (Rickenbacker)  
2:114-116
- CHALLENGES of the communications  
explosion (Lesly) 10:598-608
- CHAMBERLAIN, John. *See* Book reviews
- CHARITY, private/voluntary  
Giving and receiving with respect  
(Wortham) 7:422-428  
Welfare as a right (Foley) 11:663-671
- CHILD/children, welfare of  
Family, The (Rushdoony) 7:429-432  
Let education go commercial (Johnson)  
11:655-662
- CHINA, Red, an economic paper tiger?  
(Brodin) 3:143-146
- CIVILIZATIONS, ancient and modern  
Freedom . . . what is that? (Bradford)  
3:131-139  
Two experiences (Prochnow) 12:707-708  
Was Plato a collectivist? (Roberts)  
9:557-563

- CLOSING the generation gap (Watts)  
7:433-439
- COLESON, Edward  
Capitalism and morality. 10:625-633  
Reformation and economic development  
today, The. 6:368-376
- COLLEGE/university education  
Competition: classroom theory vs. business  
reality (Peterson) 9:550-554  
Giving and receiving with respect  
(Wortham) 7:422-428  
Need for tolerance and humility, The  
(Weast) 7:411-420  
Northwood idea, The (Watts) 3:157-164
- COLVARD, Ray L.  
Valueless education. 1:15-24
- COMMUNICATIONS explosion, challenges of  
(Lesly) 10:598-608
- COMMUNISM  
Before we burn it down! (Wells) 1:25-30  
Industrialism: friend or foe? (Watts)  
4:211-217  
Is Red China an economic paper tiger?  
(Brodin) 3:143-146  
Portrait of an evil man (Kuehnelt-Leddihn)  
9:525-532  
*See also* Marx; Socialism
- COMPETITION: classroom theory vs.  
business reality (Peterson) 9:550-554
- COMPETITION — what and when (Paton)  
6:353-365
- COMPLICATIONS (Summers) 8:483-485
- CONFESSION of error, The (Read)  
8:468-470
- CONFUCIUS — quoted  
Premises of freedom, The (Dozer) 1:3-10
- CONSUMER sovereignty, consumerism  
Anatomy of consumerism, The (Brunk)  
2:78-84  
Competition: classroom theory vs. business  
reality (Peterson) 9:550-554  
Competition — what and when (Paton)  
6:353-365  
Does Madison Avenue rule our lives?  
(Mahoney) 4:230-232  
Profit-sharing (Poirot) 12:734-739
- CONTROLLING pollution (Sennholz)  
2:67-77
- COONEY, Ronald F.  
Evolution and liberty. 5:290-295  
Herbert Spencer: apostle of freedom.  
1:54-60
- CRY for freedom is the scream of nature,  
The. (O'Connell) 11:691-698
- D**
- DEAR America: an open letter from a young  
American (Aley) 11:672-673
- DEMERS, R. W.  
Passing parade, The. 5:288-289  
Weary distance, A. 9:555-556
- DEMOCRACY/majoritarianism  
Family, The (Rushdoony) 7:429-432  
Mr. Mencken on liberty (Douglas)  
12:709-718
- DIETZE, Gottfried., *See* Book reviews  
(Leibholz-Bonhoeffer)
- DOES Madison Avenue rule our lives?  
(Mahoney) 4:230-232
- DONWAY, Roger  
Limits of credulity, The. 9:537-546
- DOUGLAS, George H.  
Mr. Mencken on liberty. 12:709-718
- DOWN with national priorities (Mode)  
9:523-524
- DOZER, Donald M.  
Premises of freedom, The. 1:3-10
- DROSDIK, Vincent A. III  
American Revolution unique. 7:387-388
- DRUG legislation — mainline to disaster  
(Patton) 1:45-53
- E**
- ECONOMIC depression, boom/bust cycle  
Making of an international monetary  
crisis, The (Stevens) 4:233-251
- ECONOMIC production/development  
Capitalism and morality (Coleson)  
10:625-633  
Industrialism: friend or foe? (Watts)  
4:211-217  
Reformation and economic development  
today, The (Coleson) 6:368-376
- ECONOMICS and the press (Summers)  
9:564-565
- EDUCATION, libertarian  
Can we keep free enterprise? (Hazlitt)  
6:339-348  
Myth of the perfect solution, The (Foley)  
2:105-114  
Right congregation, wrong sermon  
(J. C. Sparks) 4:218-221
- EDUCATION/schooling, government vs.  
private  
Closing the generation gap (Watts)  
7:433-439  
Family, The (Rushdoony) 7:429-432  
Let education go commercial (Johnson)  
11:655-662  
Valueless education (Colvard) 1:15-24  
*See also* College/university
- ENERGY crisis, The (Anderson) 8:460-467
- ENERGY in the U. S.  
Natural controls, The (Batten) 3:140-142  
Who profits from East-West trade?  
(Guccione) 10:612-620

**ENTREPRENEUR**, role of  
 Complications (Summers) 8:483-485  
 Profit-sharing (Poirot) 12:734-739

**ENVY**, consequences of  
 Can we keep free enterprise? (Hazlitt)  
 6:339-348  
 Imitation (Rushdoony) 9:566-572

**ERROR**, confession of, The (Read)  
 8:468-470

**EUROPEAN** communities and the free  
 economy, The (Powell) 5:259-268

**EVOLUTION** and liberty (Cooney)  
 5:290-295

## F

**FAMILY**, The (Rushdoony) 7:429-432

**FOLEY**, Ridgway K., Jr.  
 Myth of the perfect solution, The.  
 2:105-114  
 No-fault insurance means no moral  
 responsibility. 8:486-506  
 Rationale for liberty, A. 4:222-229  
 Rx for political peace: a quiet internal  
 revolution. 12:722-730  
 Welfare as a right. 11:663-671

**FOUNDING** of the American Republic, The.  
*See* Carson

**FREE** enterprise: a definition (Zarbin)  
 6:334-338

**FREE** enterprise, free market  
 Can we keep free enterprise? (Hazlitt)  
 6:339-348  
 Capitalism and morality (Coleson)  
 10:625-633  
 Industrialism: friend or foe? (Watts)  
 4:211-217  
 Market, The — or the welfare state  
 (Poirot) 10:621-624  
 Northwood idea, The (Watts) 3:157-164  
 Passing parade, The (Demers) 5:288-289  
 Reformation and economic development  
 today, The (Coleson) 6:368-376  
 Socialized error (Poirot) 7:407-410

**FREE**-for-all society, The (North)  
 12:731-733

**FREEDOM**  
 Industrialism: friend or foe? (Watts)  
 4:211-217  
 Mr. Mencken on liberty (Douglas)  
 12:709-718  
 Premises of freedom, The (Dozer) 1:3-10  
 Rationale for liberty, A (Foley) 4:222-229  
*See also* Liberalism/liberty

**FREEDOM** is an uninsurable risk (Poirot)  
 5:269-274

**FREEDOM**/responsibility — the quest for  
 individual dignity (Bearce) 11:685-690

**FREEDOM** . . . what is that? (Bradford)  
 3:181-189

**FREEDOM** of press/speech/thought  
 Cry of freedom is the scream of nature,  
 The (O'Connell) 11:691-698

Economics and the press (Summers)  
 9:564-565

Free enterprise: a definition (Zarbin)  
 6:334-338

Right to be wrong, The — and the  
 obligation to be right (LaDow)  
 11:680-684

**FRIEDMAN**, Milton — ideas of  
 No shortage of gold (Sennholz) 9:515-522

## G

**GENERATION** gap, closing the (Watts)  
 7:433-439

**GIVING** and receiving with respect  
 (Worham) 7:422-428

**GOLD**, gold standard. *See* Money

**GOVERNMENT** intervention/regulation/  
 Control  
 Anatomy of consumerism (Brunk) 2:78-84  
 Can we keep free enterprise? (Hazlitt)  
 6:339-348  
 Complications (Summers) 8:483-485  
 Controlling pollution (Sennholz) 2:67-77  
 Energy crisis, The (Anderson) 8:460-467  
 European communities and the free  
 economy, The (Powell) 5:259-268  
 Free enterprise: a definition (Zarbin)  
 6:334-338  
 Political corruption (Brownfeld) 11:643-647  
 Socialized error (Poirot) 7:407-410  
 Weather forecast for 1984! (Santangini)  
 7:421

**GOVERNMENT**, role of  
 Herbert Spencer: apostle of freedom  
 (Cooney) 1:54-60  
 Myth of the perfect solution, The (Foley)  
 2:105-114  
 Rx for political peace: a quiet internal  
 revolution (Foley) 12:722-730  
 Was Plato a collectivist? (Roberts)  
 9:557-563  
*See also* Carson

**GOW**, Haven Bradford  
 Loving one's country. 3:155-156  
*See also* Book reviews (Ellul; Lukacs)

**GRAEVES**, Bettina Bien. *See* Book reviews  
 (Hazlitt)

**GRESHAM**, Perry E.  
 Liberty and public opinion. 6:323-333

**GUCCIONE**, Eugene  
 Who profits from East-West trade?  
 10:612-620

## H

**HAMMERSMARK**, Judy  
 Am I responsible for what others think?  
 12:740-743

**HAZLITT, Henry**

Can we keep free enterprise? 6:339-348

Pros and cons of socialism, *The*.

3:148-154

Salute to von Mises. 12:744-747

*See also* Book reviews (Boulware;

Harrington; Mises; Rothbard)

**HEALTH care, human rights and government**

intervention (Kuskey) 11:648-654

**HERBERT, Auberon — ideas of**

Health care, human rights and government

intervention (Kuskey) 11:648-654

**HERCULEAN task, A (Mahaffy) 1:11-14****HISTORY, historiography, revisionism**

Limits of credulity, *The* (Donway)

9:537-546

**HOBBON'S choice (Breese) 9:533-536****HOOD, Robert E.**

Seeds of oppression. 5:307-308

**HOSPERS, John. *See* Book reviews (Rawls)****HOW NOT to advocate a gold standard**

(Stevens) 8:471-482

**HOW to stop inflation (Read) 11:674-679****I****IDEAS/ideologies and public opinion**

Challenges of the communications explosion  
(Lesly) 10:598-608

Freedom/responsibility—the quest for  
individual dignity (Bearce) 11:685-690

Imitation (Rushdoony) 9:566-572

Liberty and public opinion (Gresham)

6:323-333

Need for tolerance and humility, *The*

(Weast) 7:411-420

Our disordered lives (Opitz) 7:399-406

Pilot errors (Read) 4:207-210

Right to be wrong, *The* — and the

obligation to be right (LaDow)

11:680-684

Sheltering ideologies (Read) 2:99-104

**IF I were king (Read) 9:547-549****"I'M for the achiever" (Upton) 3:147****IMITATION (Rushdoony) 9:566-572****INDIVIDUAL freedom**

Cry for freedom is the scream of nature,

*The* (O'Connell) 11:691-698

Down with national priorities (Mode)

9:523-524

Freedom/responsibility — the quest for

individual dignity (Bearce) 11:685-690

Hobson's choice (Breese) 9:533-536

Inequality enshrined (Read) 7:389-394

Premises of freedom, *The* (Dozer) 1:3-10

Real American Revolution, *The* (Roche)

7:395-398

Salute to von Mises (Hazlitt) 12:744-747

*See also* Freedom; Responsibility;

Self-reliance

**INDIVIDUAL, rights of**

Health care, human rights and government

intervention (Kuskey) 11:648-654

Right to be wrong, *The* — and the obligation

to be right (LaDow) 11:680-684

Rx for political peace: a quiet internal

revolution (Foley) 12:722-730

Welfare as a right (Foley) 11:663-671

**INDUSTRIALISM: friend or foe? (Watts)**

4:211-217

**INEQUALITY enshrined (Read) 7:389-394****INSURANCE, principles of**

Freedom is an uninsurable risk (Poirot)

5:269-274

No-fault insurance means no moral

responsibility (Foley) 8:486-506

**INTELLECT, appeal to (Read) 10:609-611****IS escape from the poverty trap possible?**

(B. M. Sparks) 10:579-592

**IS Red China an economic paper tiger?**

(Brodin) 3:143-146

**J****JOHNSON, Thomas L.**

Let education go commercial. 11:655-662

**K****KEYNES — ideas of**

Confession of error, *The* (Read) 8:468-470

No shortage of gold (Sennholz) 9:515-522

**KUEHNELT-LEDDIHN, Erik von**

Portrait of an evil man. 9:525-532

**KUSKEY, Garvan F.**

Health care, human rights and government

intervention. 11:648-654

**L****LaDOW, Charles R.**

Right to be wrong, *The* — and the

obligation to be right. 11:680-684

**LAND, government ownership and zoning**

Controlling pollution (Sennholz) 2:67-77

**LESLEY, Philip**

Challenges of the communications

explosion. 10:598-608

**LET education go commercial (Johnson)**

11:655-662

**LIBERALISM/liberty**

Herbert Spencer: apostle of freedom

(Cooney) 1:54-60

"Permissiveness" or liberty? (Wilson)

6:349-352

Stubborn facts and hard heads (Opitz)

5:275-287

*See also* Freedom

**LIBERTY and public opinion (Gresham)**

6:323-333

**LIMITS of credulity, *The* (Donway)**

9:537-546

**LOVING one's country (Gow) 3:155-156**

## M

- MAHAFFY, Francis E.  
Herculean task, A. 1:11-14
- MAHONEY, Dennis H.  
Does Madison Avenue rule our lives?  
4:230-232
- MAKING of an international monetary crisis, The (Stevens) 4:233-251
- MARKET, The — or the welfare state (Poirot) 10:621-624
- MARX, Karl — ideas of  
Free-for-all society, The (North)  
12:731-733  
Limits of credulity, The (Donway)  
9:537-546  
Portrait of an evil man (Kuehnelt-Leddihn)  
9:525-532  
Pros and cons of socialism, The (Hazlitt)  
3:148-154
- MEDICINE/medicare/medicaid  
Health care, human rights and government intervention (Kuskey) 11:648-654
- MENCKEN (Mr.) on liberty (Douglas)  
12:709-718
- MISES, Ludwig von — ideas of  
Pros and cons of socialism (Hazlitt)  
3:148-154  
Salute to . . . (Hazlitt) 12:744-747
- MODE, Arthur S.  
Down with national priorities. 9:523-524
- MONEY, credit and the gold standard  
Bretton Woods: 1944-1971 (Stevens)  
5:296-306  
Can we keep free enterprise? (Hazlitt)  
6:339-348  
Edmund Burke on inflation and despotism (North) 2:117-124  
How NOT to advocate a gold standard (Stevens) 8:471-482  
How to stop inflation (Read) 11:674-679  
Making of an international monetary crisis, The (Stevens) 4:233-251  
Market, The — or the welfare state (Poirot) 10:621-624  
No shortage of gold (Sennholz) 9:515-522  
Salute to von Mises (Hazlitt) 12:744-747
- MORAL/religious principles  
Capitalism and morality (Coleson)  
10:625-633  
Closing the generation gap (Watts)  
7:433-439  
Family, The (Rushdoony) 7:429-432  
Loving one's country (Gow) 3:155-156  
Northwood idea, The (Watts) 3:157-164  
Our disordered lives (Optiz) 7:399-406  
Reformation and economic development today, The (Coleson) 6:368-376  
Stubborn facts and hard heads (Optiz)  
5:275-287

- MORALITY, decline of  
American dream, The (Nestler) 10:593-597  
Drug legislation — mainline to disaster (Patton) 1:45-53  
Imitation (Rushdoony) 9:566-572  
No-fault insurance means no moral responsibility (Foley) 8:486-506  
Political corruption (Brownfeld)  
11:643-647
- MYTH of the perfect solution, The (Foley)  
2:105-114

## N

- NATIONAL priorities, down with (Mode)  
9:523-524
- NATURAL controls, The (Batten) 3:140-142
- NATURAL law/order  
Evolution and liberty (Cooney) 5:290-295  
Stubborn facts and hard heads (Opitz)  
5:275-287
- NEED for tolerance and humility, The (Weast) 7:411-420
- NEGROES, education of  
Giving and receiving with respect (Wortham) 7:422-428
- NESTLER, John E.  
American dream, The. 10:593-597
- NO-FAULT insurance means no moral responsibility (Foley) 8:486-506
- NO shortage of gold (Sennholz) 9:515-522
- NORTH, Gary  
Edmund Burke on inflation and despotism.  
2:117-124  
Free-for-all society, The. 12:731-733
- NORTHWOOD idea, The (Watts) 3:157-164

## O

- O'CONNELL, Thomas Frederick  
Cry for freedom is the scream of nature, The. 11:691-698
- OPITZ, Edmund A.  
Our disordered lives. 7:399-406  
Stubborn facts and hard heads. 5:275-287
- OUR disordered lives (Opitz) 7:399-406

## P

- PASSING parade, The (Demers) 5:288-289
- PATON, W. A.  
Competition — what and when. 6:353-365
- PATTON, Robert  
Drug legislation — mainline to disaster.  
1:45-53  
"PERMISSIVENESS" or liberty? (Wilson)  
6:349-352
- PETERSON, Mark  
Competition: classroom theory vs. business reality. 9:550-554
- PILOT errors (Read) 4:207-210
- PLATO — life and ideas of  
Was Plato a collectivist? (Roberts)  
9:557-563

## POIROT, Paul L.

Freedom is an uninsurable risk. 5:269-274  
Market, The — or the welfare state.

10:621-624

Profit-sharing. 12:734-739

Socialized error. 7:407-410

*See also* Book reviews (Overesch)

## POLITICAL action/power/privilege

Appeal to the intellect (Read) 10:609-611

Hobson's choice (Breese) 9:533-536

How to stop inflation (Read) 11:674-679

Liberty and public opinion (Gresham)

6:323-333

Mr. Mencken on liberty (Douglas)

12:709-718

Pilot errors (Read) 4:207-210

Sheltering ideologies (Read) 2:99-104

Sisyphus (Read) 6:366-367

Socialized error (Poirot) 7:407-410

Time-lapse thinking (Read) 12:719-721

Welfare as a right (Foley) 10:663-671

*See also* Government intervention

## POLITICAL assassination

Rx for political peace: a quiet internal  
revolution (Foley) 12:722-730

## POLITICAL corruption: one result of

all-powerful government and centralized  
power (Brownfeld) 11:643-647

## POLLUTION and the environment

Controlling pollution (Sennholz) 2:67-77

Energy crisis, The (Anderson) 8:460-467

## PORTRAIT of an evil man (Kuehnelt-

Leddihn) 9:525-532

## POVERTY trap, is escape possible?

(B. M. Sparks) 10:579-592

## POWELL, J. Enoch

European communities and the free  
economy, The. 5:259-268

## PREMISES of freedom, The (Dozer) 1:3-10

## PRICES/pricing and government interference

Can we keep free enterprise? (Hazlitt)  
6:339-348

Energy crisis, The (Anderson) 8:460-467

Profit-sharing (Poirot) 12:734-739

## PRIVATE property

Controlling pollution (Sennholz) 2:67-77

Family, The (Rushdoony) 7:429-432

Socialized error (Poirot) 7:407-410

## PROCHNOW, Herbert V.

Two experiences. 12:707-708

## PROFIT-sharing (Poirot) 12:734-739

## PROFIT-sharing

How to stop inflation (Read) 11:674-679

PROS and cons of socialism, The (Hazlitt)  
3:148-154

PUBLIC opinion/relations. *See* Ideas

PURPOSE of traffic laws, The (Shumiatcher)  
8:451-459

## R

RATIONALE for liberty (Foley) 4:222-229

READ, Leonard E.

Appeal to the intellect. 10:609-611

Confession of error, The. 8:468-470

How to stop inflation. 11:674-679

If I were king. 9:547-549

Inequality enshrined. 7:389-394

Pilot errors. 4:207-210

Sheltering ideologies. 2:99-104

Sisyphus. 6:366-367

Time-lapse thinking. 12:719-721

REAL American Revolution, The (Roche)  
7:395-398

REFORMATION and economic development  
today, The (Coleson) 6:368-376

## RESPONSIBILITY, individual

Am I responsible for what others think?

(Hammersmark) 12:740-743

Herculean task, A (Mahaffy) 1:11-14

No-fault insurance means no moral  
responsibility (Foley) 8:486-506

Purpose of traffic laws, The (Shumiatcher)  
8:451-459

*See also* Individual freedom; Self-reliance

## RICKENBACKER, William F.

Chaff about wheat. 2:114-116

## RIGHT congregation, wrong sermon (J. C.

Sparks) 4:218-221

## RIGHT to be wrong, The — and the

obligation to be right (LaDow) 11:680-684

## ROBERTS, John J.

Was Plato a collectivist? 9:557-563

## ROCHE, George Charles III

Real American Revolution, The. 7:395-398

## RUSHDOONY, R. J.

Family, The. 7:429-432

Imitation. 9:566-572

## RUSSIA, trade with

Chaff about wheat (Rickenbacker)  
2:114-116

Who profits from East-West trade?

(Guccione) 10:612-620

## RX for political peace: a quiet internal

revolution (Foley) 12:722-730

## S

SALUTE to von Mises (Hazlitt) 12:744-747

## SAMUELSON, Paul A. — ideas of

Competition: classroom theory vs. business  
reality (Peterson) 9:550-554

## SANTANGINI, Andrew V.

Weather forecast for 1984! 7:421

## SEEDS of oppression (Hood) 5:307-308

## SELF-reliance/respect/improvement

Closing the generation gap (Watts)

7:433-439

Cry for freedom is the scream of nature,  
The (O'Connell) 11:691-698

- Dear America: (Aley) 11:672-673  
 If I were king (Read) 9:547-549  
 "I'm for the achiever" (Upton) 3:147  
 Is escape from the poverty trap possible?  
 (B. M. Sparks) 10:579-592  
 Premises of freedom, The (Dozer) 1:3-10  
 Weary distance, A (Demers) 9:555-556
- SENNHOLZ, Hans F.**  
 Controlling pollution. 2:67-77  
 No shortage of gold. 9:515-522
- SHELTERING ideologies (Read) 2:99-104**
- SHUMIATCHER, M. C.**  
 Purpose of traffic laws, The. 8:451-459
- SISYPHUS (Read) 6:366-367**
- SMITH, Adam** — ideas of  
 Capitalism and morality (Coleson)  
 10:625-633  
 Real American Revolution, The (Roche)  
 7:395-398
- SOCIAL SECURITY**  
 Freedom is an uninsurable risk (Poirot)  
 5:269-274  
 Market, The — or the welfare state  
 (Poirot) 10:621-624
- SOCIALISM**  
 Salute to von Mises (Hazlitt) 12:744-747  
 Socialism, pros and cons of (Hazlitt)  
 3:148-154  
 Valueless education (Colvard) 1:15-24  
*See also Communism*
- SOCIALIZED error (Poirot) 7:407-410**  
**SOMETHING else (Bastiat) 5:309-314**
- SPARKS, Bertel M.**  
 Is escape from the poverty trap possible?  
 10:579-592
- SPARKS, John C.**  
 Right congregation, wrong sermon.  
 4:218-221
- SPENCER, Herbert:** apostle of freedom  
 (Cooney) 1:54-60
- STEVENS, Paul**  
 Bretton Woods: 1944-1971. 5:296-306  
 How NOT to advocate a gold standard.  
 8:471-482  
 Making of an international monetary  
 crisis, The. 4:233-251
- STUBBORN facts and hard heads (Opitz)  
 5:275-287**
- SUMMERS, Brian**  
 Complications. 8:483-485  
 Economics and the press. 9:564-565
- SUMNER, William Graham** — ideas of  
 Evolution and liberty (Cooney) 5:290-295
- T**
- THORNTON, Robert M.** *See* Book reviews  
 (Ward)
- TIME-lapse thinking (Read) 12:719-721**
- TRADE, international**  
 Chaff about wheat (Rickenbacker)  
 2:114-116  
 European communities and the free  
 economy, The (Powell) 5:259-268  
 Is Red China an economic paper tiger?  
 (Brodin) 3:143-146  
 Limits of credulity, The (Donway)  
 9:537-546  
 Something else (Bastiat) 5:309-314  
 Who profits from East-West trade?  
 (Guccione) 10:612-620
- TRANSPORTATION**  
 Controlling pollution (Sennholz) 2:67-77  
 No-fault insurance means no moral  
 responsibility (Foley) 8:486-506  
 Passing parade, The (Demers) 5:288-289  
 Purpose of traffic laws, The (Shumiatcher)  
 8:451-459
- TRUTH/honesty/integrity**  
 Appeal to the intellect (Read) 10:609-611  
 Need for tolerance and humility (Weast)  
 7:411-420
- TWO experiences (Prochnow) 12:707-708**
- U**
- U. S. Constitution, principles of**  
 Myth of the perfect solution, The (Foley)  
 2:105-114  
*See also Carson*
- U. S. history**  
 American Revolution unique (Drosdik)  
 7:387-388  
 Is escape from the poverty trap possible?  
 (B. M. Sparks) 10:579-592  
 Mr. Mencken on liberty (Douglas)  
 12:709-718  
 Real American Revolution, The (Roche)  
 7:395-398  
*See also Carson*
- UPTON, Miller**  
 "I'm for the achiever." 3:147
- V**
- VALUELESS education (Colvard) 1:15-24**
- W**
- WAR/peace**  
 Right congregation, wrong sermon  
 (J. C. Sparks) 4:218-221
- WAS Plato a collectivist? (Roberts)  
 9:557-563**
- WATERGATE**  
 Political corruption (Brownfeld)  
 11:643-647
- WATTS, V. Orval**  
 Closing the generation gap. 7:433-439  
 Industrialism: friend or foe? 4:211-217  
 Northwood idea, The. 3:157-164
- WEARY distance, A (Demers) 9:555-556**

WEAST, Donald E.

Need for tolerance and humility, The: the restoration of intellectual virtues in academic life. 7:411-420

WEATHER forecast for 1984! (Santangini) 7:421

WELFARE as a right (Foley) 11:663-671

WELFARE state philosophy  
American dream, The (Nestler)  
10:593-597

Herculean task, A (Mahaffy) 1:11-14  
"Permissiveness" or liberty? (Wilson)  
6:349-352

Seeds of oppression (Hood) 5:307-308  
Market, The — or the welfare state  
(Poirot) 10:621-624

WELLS, E. F.

Before we burn it down! 1:25-30

WHEAT, chaff about (Rickenbacker)  
2:114-116

WHO profits from East-West trade?  
(Guccione) 10:612-620

WILSON, Robert C.  
"Permissiveness" or liberty? 6:349-352

WORTHAM, Anne  
Giving and receiving with respect.  
7:422-428

## Z

ZARBIN, Earl

Free enterprise: a definition. 6:334-338

ZUPAN, M. L. See Book reviews (Acton)

## BOOK REVIEWS

(Reviewer's name in parentheses)

ACTON, H. B. The morals of markets  
(Zupan) 10:637-638

BLUMENFELD, Samuel L. How to start your own private school — and why you need one (Chamberlain) 5:317-318

BOULWARE, Lemuel R. What YOU can do (Hazlitt) 5:318-320

CARSON, Clarence B. The rebirth of liberty (Chamberlain) 12:748-751

CRANE, Jasper. See MacBride

DEVINE, Donald J. The political culture of the United States (Brownfeld) 3:188-190

ELLUL, Jacques. The political illusion (Gow) 11:702-704

HARRINGTON, Michael. Socialism (Hazlitt) 3:148-154

HAZLITT, Henry. The conquest of poverty (Chamberlain) 6:377-380

———. The foundations of morality (Greaves) 6:380-384

HUNTFORD, Roland. The new totalitarians (Brownfeld) 3:186-188

HUTT, W. H. The strike-threat system (Anderson) 12:758-760

LANE, Rose Wilder. See MacBride

LEIBHOLZ-BONHOEFFER, Sabine. The Bonhoeffers: portrait of a family (Dietze) 3:190-192

LEVINE, Isaac Don. Eyewitness to history (Chamberlain) 9:573-576

LOVE, Robert. How to start your own school (Chamberlain) 5:315-318

LUKACS, John. Passing of the modern age (Gow) 10:638-640

MacBRIDE, Roger Lea, editor. The lady and the tycoon: letters of Rose Wilder Lane and Jasper Crane (Chamberlain) 11:699-702

MADDOX, John. The doomsday syndrome (Chamberlain) 3:183-186

McINNES, Neil. The western Marxists (Chamberlain) 10:634-637

METHVIN, Eugene. The rise of radicalism (Brownfeld) 8:510-512

MISES, Ludwig von. Socialism: an economic and sociological analysis (Hazlitt) 3:148-154

NOCK, Albert Jay, editor. See Ward  
OVERESCH, Frederic W. Foundation for protest (Poirot) 4:256

RAWLS, John. A theory of justice (Hospers) 12:751-758

READ, Leonard E. Who's listening? (Chamberlain) 8:507-510

ROTHBARD, Murray N. The essential von Mises (Hazlitt) 7:447-448

SCHMIDT, Emerson P. Union power and the public interest (Chamberlain) 7:440-443

SCHWARTZ, Harry. The case for American medicine (Brownfeld) 7:445-447

SIEGAN, Bernard H. Land use without zoning (Chamberlain) 4:252-255

STEVENS, G. R. History of the Canadian National Railways (Canfield) 7:443-445

ULAM, Adam. The fall of the American university (Chamberlain) 1:61-64

WARD, Artemus. Selected works of Artemus Ward, Edited, with introduction by Albert J. Nock (Thornton) 4:255-256

WILLIAMS, Duncan. Trousered apes (Chamberlain) 2:125-128