ESSAYS ON LIBERTY

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EDITOR'S NOTE

The study of freedom and presentation of the findings in a manner helpful to anyone who is interested is the objective of the staff and the friends of the Foundation for Economic Education. The studies are released, as completed, in the form of pamphlets, single page tracts, an occasional book, or as journal articles.

This is the third volume of essays on liberty selected from the studies previously published as separate releases or as articles in *Ideas On Liberty* or in *The Freeman*. Volumes IV and V of "Essays On Liberty" also are being published in 1958. Volumes I and II, which appeared in 1952 and 1954 respectively, are still available. Many of the essays in this volume, as indicated on the Contents pages, may be obtained in pamphlet or single-sheet form. Samples and prices will be furnished on request.

A brief biography of each author appears on pages 433 to 440.

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WHO IS A LIBERTARIAN?

by Dean Russell

THOSE of us who favor individual freedom with personal responsibility have been unable to agree upon a generally acceptable name for ourselves and our philosophy of liberty. This would be relatively unimportant except for the fact that the opposition will call us by some name, even though we might not desire to be identified by any name at all. Since this is so, we might better select a name with some logic instead of permitting the opposition to saddle us with an epithet.

Some of us call ourselves "individualists," but others point out that the opposition often uses that word to describe a heartless person who doesn't care about the problems and aspirations of other people.

Some of us call ourselves "conservatives," but that term describes many persons who base their approval of an institution more on its age than on its inherent worth.

Many of us call ourselves "liberals." And it is true that the word "liberal" once described persons who respected the individual and feared the use of mass compulsions. But the leftists have now corrupted that once-proud term to identify themselves and their program of more government ownership of property and more controls over persons. As a result, those of us who believe in freedom must explain that when we call ourselves liberals, we mean liberals in the uncorrupted classical sense. At best, this is awkward and subject to misunderstanding.

A Good and Honorable Word

Here is a suggestion: Let those of us who love liberty trade-mark and reserve for our own use the good and honorable word "libertarian."

Webster's New International Dictionary defines a libertarian as "one who holds to the doctrine of free will; also, one who upholds the principles of liberty, esp. individual liberty of thought and action."

In popular terminology, a libertarian is the opposite of an authoritarian. Strictly speaking, a libertarian is one who rejects the idea of using violence or the threat of violence—legal or illegal—to impose his will or viewpoint upon any peaceful person. Generally speaking, a libertarian is one who wants to be governed far less than he is today.

• *A libertarian* believes that the government should protect all persons equally against external and internal aggression, but should otherwise generally leave people alone to work out their own problems and aspirations.

While a libertarian expects the government to render equal protection to all persons against outright fraud and misrepresentation, he doesn't expect the government to protect anyone from the consequences of his own free choices. A libertarian holds that persons who make wise choices are entitled to enjoy the fruits of their wisdom, and that persons who make unwise choices have no right to demand that the government reimburse them for their folly.

• *A libertarian* expects his government to establish, support, and enforce the decisions of impartial courts of justice—courts which do not recognize or refer to a person's race, religion, or economic status. If justice is to be rendered, the decisions of these courts must be as binding upon government officials and their actions as upon other persons and their actions.

• *A libertarian* respects the right of every person to use and enjoy his honestly acquired property—to trade it, to sell it, or even to give it away—for he knows that human liberty cannot long endure when that fundamental right is rejected or even seriously impaired.

• *A libertarian* believes that the daily needs of the people can best be satisfied through the voluntary processes of a free and competitive market. And he holds the strong belief that free persons, using their own honestly acquired money, are in the best possible position to understand and aid their fellow men who are in need of help.

• *A libertarian* favors a strictly limited form of government with many checks and balances—and divisions of authority—to foil the abuses of the fearful power of government. And generally speaking, he is one who sees less, rather than more, need to govern the actions of others.

• *A libertarian* has much faith in himself and other free persons to find maximum happiness and prosperity in a society wherein no person has the authority to force any other peaceful person to conform to his viewpoints or desires in any manner. His way of life is based on respect for himself and for all others.

• *A libertarian* doesn't advocate violent rebellion against prevailing governments—except as a last resort before the concentration camps. But when a libertarian sees harm rather than good in certain acts of government, he is obligated to try his best to explain to others who advocate those measures why such compulsory means cannot bring the ends which even they desire.

• *The libertarian's goal* is friendship and peace with his neighbors at home and abroad.

COMPETITION? YES, BUT . . .

by Charles F. Phillips

WHAT I am going to say to you is not the usual Conference on Distribution talk—at least, it is not like the other four I have delivered to these Boston gatherings. Usually, a talk at this Conference is scientific in nature; it is based upon an analysis of facts and attempts to reach conclusions based upon those facts. What I have to say today, however, is more of a statement of faith—a faith which I cannot prove statistically—but one in which I believe deeply. Specifically, it is the faith that the preservation of a competitive society is important to the preservation of our way of life—and, further, that all too many of us who profess to believe in the competitive economy actually engage in actions harmful to its future.

To ask an American businessman—whether he be grocer, baker, or candlestick maker—if he believes in competition is almost like asking for a sock on the nose. *Of course* he believes in competition—and he raises his voice to add emphasis to his answer.

But, after he has cooled off a bit from your question, you may find that he has his own definition of competition. For example, let's walk with him down the street toward the grocery store of which he is the proprietor.

Across the way in a window of one of his competitors is a large sign: "Sugar, X cents per pound." You call it to his attention and at once his brow knits. "That's unfair competition," he says. "That so-and-so has cut his price again to attract *my* customers." I remind him that he believes in competition. "Why, yes," he replies, "but not unfair and ruthless competition." And, if you then ask him, "But why is it unfair for a competitor to cut his price?" he will explode, "Why, any darn fool knows that it is unfair to sell sugar for X cents. You can't make any money at that price. There ought to be a law in this state against such practices."

We Are for Freedom, But—

I wonder if the reaction of our friend, the grocer, does not illustrate a simple truth which can be expressed in the short but incomplete sentence: "We all like competition but . . ."

We all like competition since we know it is essential for our type of economy, and we like the freedoms which our economy gives to each of us—the freedom to enter or withdraw from any specific field or career; freedom to set our own prices; yes, even freedom to undersell somebody else and take business away from him.

But . . . all too often when a competitor really acts like a competitor and does something which hurts us—cuts a price, sells harder, improves quality—it becomes "unfair competition" and we run to our trade association, our resources, or the government for protection.

Of course, you think I am exaggerating the situation, and to a degree I am; but perhaps less than you think. Let's take a little look around this distribution world of ours.

We might begin by a little historical excursion in the retail field. If we go back to the turn of the present century, we find that small country merchants were going through the mail-order scare. Following the lead of Montgomery Ward Company and Sears, Roebuck & Company, mail-order firms were springing up in many parts of our country. To the small country retailer, this newer form of retailing was unfair. It did not employ salespeople. It did not involve the operation of a retail store. It could purchase in huge quantities. For these and other reasons, the local merchant was undersold and he objected to this result. Obviously, such competition was unfair! In a number of communities, "trade at home" clubs were organized while some local retailers organized mail-order catalogue burning parties.

Unfair, They Say

Along about the same time, the "unfair" competition of the department store was also growing. As a matter of fact, by 1895 the department store had developed to such an extent that a group of retailers meeting in convention, "after an exciting debate," passed a resolution condemning this form of retailing, as it would "result in oppression of the public by suppressing competition (note that word 'suppressing') and causing the consumer in the end to pay higher prices and ultimately create a monopoly . . . and, further, that it (would) close to thousands of energetic young men who lack great capital the avenue of business which they should find open to them."[1] Once again, the bogey of unfair competition had reared its ugly head. Yet, it is probably not being cynical to remark that what these retailers really were opposed to was the fact that the department store was a formidable competitor.

What happened in the late twenties and early thirties in the chain store field is known from personal experience to practically all of us attending this Conference today. Based on charges that the chains were monopolistic; that they used such unfair practices as loss leaders; that they were a detriment to community life because of their absentee ownership, unfairness to local bankers, failure to pay their fair proportion of taxes; and that they were unfair to their employees through long hours, low wages, and offering little chance of advancement, smaller retailers spent much time, effort, and money in attacking this new method of unfair competition. Customers were urged to curtail their purchases at chains. The Robinson-Patman Act was sponsored, the misnamed Fair Trade laws were encouraged, and in over twenty states special taxes discriminating against the chains were enacted.

We all like competition, but . . .

Of course, this excursion into retail history belongs to the past, and you may ask: Is anything like this going on

[1] Phillips, C. F., *Marketing*. Boston: Houghton Mifflin Company, 1938. p. 308.

at the present time? The answer is "yes"—and in practically every area of business. Let's note a few illustrations.

The Discount Houses

Pick up the trade paper of today, and you will discover that discount houses are a form of unfair competition. All over the country, they are rapidly springing up on the basis of underselling the so-called established retailer, which means, and I now quote the executive secretary of the National Association of Retail Druggists, that they are trying to destroy "every established retailer in the United States . . . by unfair competition. . . ."[2] And he goes on with two sentences which might well have been lifted verbatim from dozens of speeches made against the chain store twenty-five years ago.

> Unless the discount house is effectively curbed . . . there will inevitably be anarchy in the market place. The American public must ask itself whether it wishes to sacrifice the legitimate retailers who make outstanding contributions to our economic and community life and who are the backbone of our mass distribution system.

Discount houses are even pointed to as being unfair to the consumer because, after all, they do not offer him all the services of the established retailer. Incidentally, whether the customer wants those services or not is rarely considered when this argument is advanced.

And, what do the established retailers offer as a solu-

[2] Day, Cameron. "More discount houses everywhere—is this a threat to advertising?" *Printers' Ink,* April 30, 1954. p. 33.

tion to the discount house? Is it an honest effort on their part to meet this new competitive factor by reducing their own margins and prices—which, if history proves anything, *must* be the way to meet it in the long run? In a few instances, the answer is yes. To illustrate, here is a refreshing statement from the chairman of the board of Sears, Roebuck & Company, Theodore Houser, who says:

> I have no patience with people who say that there ought to be some way to stop the discount house. The important thing is to bring down the price to the consumer. If the discount house can do that, good. It's Sears' job to get in there and pitch.[3]

But Houser's statement is really the exception which proves the rule. The majority of established retailers act as if they think the answer is *more* Fair Trade—despite the fact that it is the wide margins set by Fair Trade which are playing an important role in encouraging the growth of the discount house. Consequently, they clamor for the manufacturer to cut off the flow of merchandise to the price cutter and to enforce his Fair Trade contracts. In brief, they say: "Let's not meet competition; let's have someone eliminate it for us."

Outlying Shopping Centers

Another form of what some of today's retailers refer to as unfair competition can be discovered by talking with a downtown merchant in any city where one or

[3] "For Sears: A New Era and a New Problem" in *Business Week*, May 1, 1954. p. 44.

more major outlying shopping centers have been developed. "Here I am, a well-established retailer," he will tell you. "I have been in this location for thirty years, and I have always given good service to the public. Now, some real estate operator has come along and developed a shopping center five miles outside of this community, and *my* customers are driving out there where they have ample room to park and where they can shop during the evening. In view of all I've done for this community, I don't think it is fair."

Make Competition Illegal

Or, again, talk with the president of one of today's drug chains. Twenty-five years ago *his* organization was the culprit. At that time, *he* was the unfair competitor—the price cutter—but, today, he finds that the supermarket has added a drug section and is underselling him.[4] Whereas he opposed re-sale price maintenance laws twenty-five years ago, today he is one of their strong advocates. His own definition of unfair competition has shifted rapidly, depending upon who is being undersold. Incidentally, this same shift in opinion is becoming evident among the executives of the older and well-established food chains, and the leading trade paper in this area is now an advocate of Fair Trade.[5]

We see another aspect of the Fair Trade fight in New

[4] For a study of this trend, cf. "Grocer Horns in on Druggist" in *Business Week*, February 16, 1952. p. 158 ff.
[5] Cf. Godfrey M. Lebhar's editorial on "Is Fair Trade in Jeopardy?" in *Chain Store Age* (Grocery edition), June, 1954, p. 51.

Jersey. Here—as elsewhere—the supermarkets began to sell packaged medicines at reduced prices. The regular druggists' reaction was not to meet competition in the market place, but to try for a court ruling to prevent sales of packaged medicines in stores not having registered pharmacists.[6] This method of fighting competition is catching. It has also appeared in Minnesota, California, and other states.[7]

We all like competition, but...

Automobile Industry

Or, again, consider the so-called plight of the automobile dealer during these past several months. For a number of years now, he has been riding the gravy train. Cars were hard to get; he was in a sellers' market and he made money. But, late in 1953, it became apparent that a shift was occurring; and by last spring, it was clear that the tide was out. The sellers' market turned into a buyers' market.

Many dealers who had grown up in the industry during its easy selling days and had never been trained for the "hard sell" suddenly found themselves in trouble. Their profit margin disappeared; they went into the "red." Some of them began to appear in Dun & Bradstreet's failure statistics. Of course, said the dealers, it was all the manufacturer's fault. As the dealers put it:

[6] "New Jersey Supers Resist Druggists' Smears" in *Super Market Merchandising,* May, 1954. pp. 191-5.
[7] *Printers' Ink,* September 12, 1952. p. 7.

"The real trouble is that auto-makers are producing more cars than dealers can sell,"[8] and they urged their resources to reduce their production. Oh, the dealers would admit that they might have had some part to play in the situation, since some of them were bootlegging cars—selling them to so-called illegitimate dealers who in turn would sell them at reduced prices. To check such so-called unfair competition, the National Automobile Dealers Association even asked the United States Justice Department to come to the dealers' rescue and prohibit bootlegging!

But, we do not have to limit ourselves to illustrations from what we normally consider the retail field. Did you follow the ten-month strike of Local 15 of the United Hatters and Millinery Workers International Union against the Hat Corporation of America? The strike started in July of 1953, brought on basically by the Union's demand that the company sign a contract containing a clause that would prohibit it from opening new plants outside of the Norwalk area and from transferring work now done in Norwalk to any outside plant.

What the Union wanted was a limit on competition. It did not want its members to compete with workers in some other area where Hat Corporation might establish a factory. Fortunately, after ten months, the Union lost its fight. It is worth contemplating, however, what would have happened had a similar strike been won when the United States was still located on the East Coast only.

[8] *Time*, June 7, 1954. p. 104.

Obviously, it would still be located on the East Coast only; and equally obviously, its standard of living today would be far below what it now is.

Agriculture and Exports

Then, of course, there is the farmer—the so-called individualist, the man who stands on his own feet, and, as the politician puts it, "is the backbone of the nation." Here, of course, is someone who believes in competition. Yes, he does, but again there comes that but—and the but in his case is a big one, so big that through powerful lobbies he has forced through Congress price support laws which give him protection far in excess of even that provided for the retailer through Fair Trade.

In the foreign trade area, we can find this same attitude. A Randall Commission was appointed; and last January it came up with a program which could be described by the phrase, "more trade, less aid." For a time, it seemed as if practically everyone in the country was in agreement that this slogan would be a good one to put into practice. It looked as if we were going to make progress in minimizing some of our tariff barriers which limit competition and result in lower standards of living both here and abroad. Yet, when a specific program to accomplish these ends was proposed last March, many of those who, at their trade association meetings, are warm advocates of competition, suddenly found that there were certain wage cost differentials which led them to oppose lower tariffs "as posing a grave threat to the domestic economy."[9] As they warmed up to their subject, they pointed out that lower tariffs would throw American workers out of jobs, curtail purchasing power, and send us into a depression. The fact that domestic difficulties in specific areas would be far more than offset by benefits in other areas is something with which they were not concerned.

We all believe in competition, but . . .

Education

I can even illustrate this attitude in the field of education—college education at that. Throughout the United States, colleges use scholarships to capture students—and I use the word "capture" deliberately. Sometimes we want them for their I.Q., sometimes for their A.P. (athletic prowess) and sometimes for both. At my college, of course, (or president Jones' college if he is the one doing the talking) we limit these scholarships to students who are in serious financial need; but, unfortunately, (that is the word used by college presidents when several of them gather together in a room to discuss the situation) there are a few colleges which use scholarships as an unfair method of price-cutting. Don't you think, their conversation continues, our regional association can do something about this?

Even educators like competition, but . . .

[9] For more details on these arguments, cf. "U. S. Foreign Economic Policy" in *National City Monthly Letter on Business and Economic Conditions,* May, 1954. pp. 55-59.

Anticompetitive Attitude

By no means is this anticompetitive attitude confined to the United States. As a matter of fact, we are probably less prone to accept this attitude than businessmen throughout the world. In Guy de Carmoy's excellent little article on "What's Wrong with France?" he suggests that:

> In great part the French crisis is moral. Too many Frenchmen have developed the habit of seeking government protection. Industrialists, already protected against domestic competition by cartels, want the government to shield them against foreign competition by high tariffs and restrictive quotas. The peasants want government subsidies to enable them to buy the highly priced French manufactured goods. The workers want the government to supplement their inadequate wages with generous family allowances and other social benefits, while demanding at the same time the closing of borders to foreign labor, even when it is needed for expansion of the French economy.[10]

He then adds that, while "the French believe that they still have a free economy . . . (what) they actually have . . . is the competition for subsidies of innumerable groups, each of which presses the state to protect its acquired position by artificial means." To underline his point, he adds that currently 35 per cent of the national budget of France goes for direct and indirect subsidies to business, industry, and agriculture.

Apparently, France believes in competition, but . . .

Now, as I conclude, let me be sure that I am not mis-

[10] Carmoy, Guy de, "What's Wrong with France?" in *Reader's Digest*, May, 1954. pp. 117-122.

understood as to the point I am trying to make. Please do not think I am saying there is no such thing as unfair competition. When a competitor resorts to false and misleading advertising, engages in misbranding, and makes false and disparaging statements against competitors or their products, he is engaging in practices which all of us would denounce.

What I am saying is this. Much of what we daily refer to as unfair competition is really just keen competition. It is the kind of competition that is essential to our type of economic system. If we want to maintain the freedoms which our system gives us—to enter businesses of our choice, to produce the merchandise we please, to set our own prices—then we must accept the competition which is essential to that kind of an economy. We must not always look to our trade association or our government to protect us from the actions of our competitors.

Do We Want Another System?

Of course, there are other kinds of economic systems. I studied one at firsthand last winter when I spent several months in India. There I discovered that if you want to make a substantial capital investment in your plant, you must get the approval of the government licensing committee and this is not easy to do. To illustrate, during 1953, the textile industry in India—as in the United States—was not having a very happy time. A number of companies decided to install automatic looms to reduce their cost and, hence, to compete better both in the domestic and in the world markets. During the year, ten applications for such installations came before the government licensing committee: All ten applications were refused: The committee felt that the automatic looms would create unfair competition for the firms not installing similar equipment. As a result, India's textile industry finds itself increasingly unable to compete in today's market and, what is even more important, Indian customers were continuing to pay the higher prices required by the older, less efficient and, hence, more costly looms. Perhaps it is this kind of reasoning—perhaps it is this limitation on competition—which plays a part in explaining why the average per capita income in today's India is about $39.00 per year.

A Suggestion

I would make this positive suggestion. Let us spend more time—in our offices, stores, conferences, and trade association meetings—improving our operations and less time trying to curb our competitors. Not only will individual companies be better off, but so will society. If America wants to continue its long-time development toward a rising standard of living, we need to encourage more, not less, competition.

When Stuyvesant Fish was president of the Illinois Central Railroad, there walked into his office one morning an Irishman, hat on and pipe in mouth, who said:

"I want a pass to St. Louis."

"Who are you?" asked president Fish, somewhat startled.

"I'm Pat Casey, one of your switchmen."

Mr. Fish, thinking it was a good chance to impart a lesson in etiquette, said, "Now, Pat, I'm not going to say that I will refuse your request, but there are certain forms a man should observe in asking a favor. You should knock at the door; and when I say 'Come in' you should enter and, taking off your hat and removing your pipe from your mouth, you should say, 'Are you president Fish?' I would say, 'I am. Who are you?' Then you should say, 'I am Pat Casey, one of your switchmen.' Then I would say, 'What can I do for you?' Then you would tell me, and the matter would be settled. Now you go out and come in again and see if you can't do better."

So the switchman went out. About two hours later there was a knock on the door and president Fish said, "Come in." In came Pat Casey with his hat off and pipe out of his mouth.

"Good morning," he said, "are you president Fish of the Illinois Central Railroad?"

"I am. Who are you?"

"I am Pat Casey, one of your switchmen."

"Well, Mr. Casey, what can I do for you?"

"You can go to hell. I got a job and a pass on the Wabash."[11]

Pat Casey might have spent the rest of his life cursing president Fish and voting for congressmen who pledged

[11] Botkin, B. A. and Harlow, A. F., *A Treasury of Railroad Folklore.* New York: Crown, 1953.

themselves to work for the removal of Fish as the president of the Illinois Central Railroad. Instead, he exercised his ingenuity and got a job and a pass on the Wabash. Rather than spending our time cursing our competitors and making efforts to limit their competitive activities, some of us need to get a job and a pass on the Wabash.

SECURITY MAY BETRAY US

by Archibald Rutledge

I LIVE on a great river, and westward from my place, for some 60 miles, there is not a human habitation. In another direction not far from where I live is a plantation, the owner of which is not satisfied with the size of the deer on his property. So he imported from Michigan a huge security-reared stag. This buck was kept for some time in an enclosure on the plantation, inside a 7½-foot wire fence. It was in the autumn, the mating season of the deer. A native buck from the man's own place jumped that wire fence at night, killed the great stag more than twice his size, and, once more leaping the fence, escaped into the wilds again.

When wild creatures are given the artificial security of parks, zoos, and circuses, they never fail to deteriorate—certainly in a physical way, and, in a sense, in a moral way as well. They become soft, careless, dull-witted, degenerate. All the incentive for them to achieve and to maintain physical perfection and mental alertness has been withdrawn. They have been made to pay a fearful price for their safety.

In human life, a review of the lives of most men of real eminence reveals that they had to overcome the obstacles and perils of insecurity. But for these insecurities, they probably would have remained mediocre. The greatest foe of attainment is *security,* which is foe to the constant exercise and development of courage, aspiration, and effort. Many men and women who are buds of genius never flower because they are protected from ever having to really exert themselves; they lose that vital spark.

It would be vain to hope to find the heroes and heroines of the race on bathing beaches, in night clubs, in any of the resorts of ease and of pleasure. We always find them in life's front-line trenches, on the perilous frontiers of uncertainty.

Negative Logic

Rarely except in affliction are we awakened to a sense of our own weakness and folly, or come to realize how little all our acquisitions can conduce to our peace of heart, which perhaps is the only real triumph in life. By some kind of negative logic, hardship, which we are accustomed universally to lament, is a blessing; and security, for which we long so ardently and strive for so unremittingly, may betray us.

Whenever I hear that the *government* is helping someone, I feel sorry for that person. Or whenever I find that someone, by a monopoly grant of power, has a sure market or a sure job, I feel sorry for him too. Even helping a person to help himself may be a disservice to him; for you will probably—perhaps unconsciously—compel him to do it your way. Charity, if needlessly bestowed, probably will have a vicious effect. People who are promised support will hardly work. All grants, all subsidies, all rewards for services not rendered have a deleterious effect on character; and if character is not of foremost consideration, what is?

I have an old friend who is a cabinetmaker, a master craftsman of the ancient sort. He knows his woods. Whenever I want anything special in the way of a piece of cabinet wood, I go to him. One day I asked him for the very strongest piece of oak he had. As he gave it to me, he said, "I cut it on a bare hilltop. It has stood all the storms—alone, and without leaning on any other tree." I often think of that when considering the best person for a job, or when I hear fond parents say, "I am going to spare my child all the hardships I had to endure."

SOCIAL SECURITY

by Paul L. Poirot

THIRTEEN thousand United Mine Worker beneficiaries of the Anthracite Health and Welfare Fund were advised early in 1954 that future pension and death benefits would be cut to half their former rate. Miners of hard coal, who had retired expecting the fund to provide security and independence in their old age, thus found that insecurity may be the penalty for reliance on a poorly funded promise.

The 50 per cent cut in anthracite fund pensions was said to be necessary because of a continuing decline in revenue resulting from a steady drop in hard coal production in recent years. But why should the anthracite industry experience a steady drop in production during a period of general industrial expansion? The obvious answer is that labor, capital, and managerial ability could be more profitably employed in the production of something other than hard coal. The health and welfare fund royalties which were added to the price of coal helped to weaken the capacity of the industry to compete.

In effect, such royalties constitute a special tax upon a product which has to compete with other fuels for a market outlet. This tends to reduce the value of past investment in the industry. It leaves the industry less attractive than before as an outlet for productive resources. Neither new capital nor new employees can find desirable jobs in an industry from which customers have been driven by a tax, even though the tax be levied in the presumed interest of those who have retired.

A Lesson To Be Learned

From a national point of view, it might not seem important what happens to the Anthracite Health and Welfare Fund or to its relatively few beneficiaries. But that point of view does not diminish the force of the blow to certain individuals. Nor should it diminish the force of the lesson for every other person in the United States. Lack of current revenue to maintain the promised rate of benefits is the sort of disaster which is likely to befall the beneficiaries of any poorly funded pension plan, whether it be privately or publicly financed.

Some advocates of broadened social security coverage may view the collapse of the anthracite fund as further evidence of the need to expand the federal program. But such a conclusion is unjustified. The failure of the security program for hard coal miners stands as a warning against any and every promise of security and independence which rests upon a questionable claim to the property or future productivity of other persons.

Regardless of the current economic outlook, there are no competitive industries in the United States today which have been guaranteed a prosperous future. No company, nor any industry, controls the buying whims of consumers or the forces of competition. The competitive economic arrangement allows individuals and even whole industries to fail—if and when capital, labor, and managerial resources are either pushed or pulled toward the more attractive employment opportunities which exist elsewhere. Unfortunately, there are no alternative employment opportunities for poorly funded pension rights. Labor, and management, and even invested capital to a certain extent, can move out of a failing business venture, as they have been moving out of anthracite mining operations. But the pension rights of retired hard coal miners are strictly dependent on the income from a declining industry. The inadequate pension fund is being depleted, with little chance of its being replenished.

Of course, there is no certainty that invested capital can be salvaged from a declining business. A pension right, though fully funded by ownership equity in a business, is vulnerable if that business is losing its competitive position in the market. The market permits unsound investment of any fund, including savings accumulated in the name of a pension fund. Ownership equity, however, is a far safer form of old-age insurance than is simple faith in a mere promise.

Security through Private Property

Investment of savings in productive private enterprise is the traditional method of achieving retirement security in the United States. Successive generations of farmers have worked to build ownership equity in land, buildings, equipment, and livestock, finally to retire in old age upon the income which younger farmers would offer for the rights to use that accumulated capital. Other persons have achieved old-age security through ownership of rental housing, business facilities, productive private property of one kind or another, valuable because someone else has use for it. If the individual seeks help in arranging his personal security program, the managers of banks, insurance companies, trust funds, and other business enterprises stand ready to accept responsibility for the sound investment of savings entrusted to their care.

It is true that ownership of property involves the risk of loss. The property may wear out, be destroyed, or otherwise lose its value, affording less security than the owner might have anticipated. Yet the economic progress which has been so well demonstrated in America attests to the advantages of saving and building ownership equity in productive private property. Such property enhances personal productivity, which helps to satisfy human needs.

Possible gains from the use of more and better tools far outweigh the risks of possible loss of savings. Knowing this, most American citizens would stand in stanch defense of rights to private ownership and control of property if the issues were clearly drawn. Yet this deep-seated subconscious respect for property rights may be overridden at times by the highly humanitarian and emotional appeal of an illusion such as the social security idea. In that case, the kind of shock treatment offered the beneficiaries of the anthracite fund may be a necessary step in the restoration of self-reliance among men.

No Safety in Numbers

It is easy enough to visualize that what already has happened in the case of the improperly funded anthracite pension fund could also happen to other company-wide or industry-wide private pension programs. But a great many advocates of nation-wide social security cannot see that the most probable result of that program will be the same disastrous default on promised pensions.

Much of the popularity of the social security program, as it has been operating in the United States, rests upon the false premise that social security is a form of old-age insurance with death benefits for survivors—just like annuities or life insurance policies sold by private insurance companies. Many employees who pay social security taxes apparently believe that they are putting away a savings fund and that any promised retirement benefits will simply be a part of their own savings coming back to them. They seem to believe that the promise of a pension under the social security program is quite as secure and has as much value as the prospect of future income from personally owned and controlled private property. And the experience of some of the early beneficiaries of the social security program leaves the impression that here is a far less costly thing than private insurance coverage—almost like something for nothing.

Taxes Paid and Benefits Received

Some persons, having paid social security taxes since they were first levied in 1937, therefore feel that they have earned the right to any benefits allowed under the program.

The maximum tax any person could have paid was $30 a year—1 per cent on the first $3,000 of his yearly wages—for each of the 13 years from 1937 through 1949. In 1950 he might have paid 1½ per cent on $3,000, and in 1951 through 1953, 1½ per cent on $3,600. Thus, if he had earned the maximum taxable income in each of the 17 years, he might have paid a total of $597 in social security taxes. His employer would have matched that amount, bringing their combined total to $1,194.

If that person had retired on January 1, 1954, having reached the age of 65, and if his wife had also passed her 65th birthday, they would be eligible for retirement benefits of $127.50 a month. Thus, within 10 months, that man and his wife would receive more in social security benefits than both he and his employer could possibly have paid as social security taxes for his account over the 17 years since the program was initiated. But the life expectancy at age 65 is more than 10 months—about 13 years, in fact. By what twist of logic or of morality does any person expect to get from 10 to 15 or even more times the benefits for which he has paid? At whose expense, and why?

The foregoing figures are based on the maximum taxes anyone could have paid through the first 17 years of the program. Many of the millions of persons already receiving social security old-age benefits established their legal eligibility with far less than the maximum tax payments of $1,194. Is it any wonder that some persons look upon social security as a great insurance bargain?

The truth, however, is that social security is not insurance at all in the economic sense of the word. The value of *private* old-age or life insurance protection stems from the insured person's ownership equity in productive property. But the payment of one's social security tax entitles him to no more ownership equity in property than does the payment of a liquor tax, tobacco tax, gasoline tax, income tax, property tax, sales tax, luxury tax, poll tax, or any other kind of tax. The payment of social security taxes cannot endow the payers of that tax with special rights and privileges without denying the rights of other citizens to their income and property.

Politically Dependent

Unlike private insurance, the protection afforded by the social security program rests upon the willingness and *ability* of government officials to authorize future appropriations from future tax revenue. The so-called social security fund has not been invested in productive property. In place of the money which was collected to go into the fund, there are receipts saying in effect that the government used that money to meet current operating expenses of one kind or another. The government bonds which are said to constitute a social security fund can only be redeemed in valuable goods or services as any other government bonds are redeemed—by future levies against the private property and productive efforts of individuals. Who can say now what the real value of a government bond will be to the next generation of taxpayers who may be asked to redeem it in goods and services?

A bond is a form of indebtedness or a liability on the part of the person who issues it. It is deemed to be the asset of the person who holds it for redemption. The distinction between an asset and a liability is important. The government bonds held in the social security fund may look exactly like the government bonds held by individuals or by private insurance companies. The difference between such holdings has to do with the question of who owes what to whom.

If a private insurance company holds a government bond, that is an asset. It would be absurd for the company to issue and hold bonds of its own, claiming them as an asset, for they would also be a liability. The solvency of the social security fund is not affected, one way or the other, by its holding of bonds as evidence that the government is indebted to itself.

A governmental promise is a promise, whether backed by a bond, or by a social security account, or by a whole pyramid of promises, one upon another. To cancel or destroy the bonds held in the social security fund would not change anyone's equity in anything. The promise of a social security pension has value only because the government holds the power of taxation—not because it issues bonds or makes promises. The validity of social security claims against future taxpayers would not be changed if there were a thousand times as many bonds in the social security fund as at present—or if there were no bonds in the fund at all.

The Inflation Tax

Inasmuch as the redemption values of all government bonds, social security benefits, and other governmental promises of future delivery are contingent upon the future collection of taxes, it must be seen that each added bond or promise tends to weaken the financial position of the government. There is a limit to the tax burden which future generations will be willing and able to bear.

Actually, the mushrooming of governmental promises of future delivery is a form of current taxation—a method of dipping into private savings, which is commonly known as inflation. When the government sells one of its bonds, or collects the social security tax, it obtains a given amount of real purchasing power from individuals. The dollars with which the government eventually redeems its promises lose purchasing power in proportion to the volume of such outstanding promises. Meanwhile, all other promises which are payable in dollars, including the dollar obligations contracted by individuals, also lose their purchasing power. This encourages private spending and discourages saving and private capital formation. Inflation is a subtle and destructive method of taxation.

And the social security program is a part of that destruction of private enterprise in America.

It was a somewhat arbitrary decision which recently halved the returns to beneficiaries of the Anthracite Health and Welfare Fund—a decision forced by the hard economic fact that declining productivity necessarily means a lower standard of living. Likewise, when the day comes that American taxpayers will no longer tolerate a tax burden which robs them of incentive to produce and earn and save, then it will be an arbitrary decision which bears the sad news to social security beneficiaries: *"Lack of tax revenue precludes our fulfillment of the poorly funded promises of previous administrations."* The most probable political solution will be to let inflation eat away the value of the promised pension dollars. In other words, the dollars may be paid as promised, but beneficiaries will find little security value in those weakened dollars.

It may be argued, of course, that no aspirant for political office would ever dare renege on such promises to the old folks. But there is the possibility that eventually the citizens who work for a living may resent having their earnings treated as the property of the government. Those who will be paying the social security taxes are certain to outnumber those receiving social security benefits at any time in the foreseeable future. If the majority of voters should decide that social security isn't worth what it costs, then it won't matter a great deal whether or not the politician wants to renege on his promises.

A Threat to Property Rights

Persons who urge an expansion of the social security program seem to assume that American citizens are no longer interested in the preservation of private property—the protection of the human right to own and control the use of that which one has produced. This is not to suggest that the social security program is the only threat to private property in the United States. There are many others. But the social security threat is somewhat unique in that it encourages the victim to believe that he still retains some kind of a personal claim or right to repossess property which the government has taxed away from him. If rats destroy 4 per cent of a man's property, he sees that it is a loss of property and not a savings program. Yet somehow it is presumed to be a form of saving when the government takes and consumes the property. Or, is it presumed that the government actually does store and save the property which it takes in the name of social security? Either presumption, of course, is entirely without basis in fact. Yet, some persons, who will strongly resist socialism in the form of steel-mill seizures or nationalization of the railroads, somehow convince themselves that government control of property affords better old-age security than could be attained in any other fashion.

One other feature of the social security program tends to conceal the nature of its threat to property rights. The payroll-withholding of the social security tax makes it difficult for the individual to recognize that it is his own property which is being taken from him. If the wage earner isn't even allowed to see his money, how can he see that he might have used those withholdings to purchase property which could yield him a retirement income?

The deception is aggravated, of course, by the employee's impression that half of the cost of his social security is coming out of the pocket of his employer. But the employer is obliged to treat those matching contributions to the social security fund as just another current cost of labor. If that 2 per cent were not taxed out of his pocket, then competition would have drawn it out anyway, either in the form of higher current wage rates to employees or in the form of lower prices to consumers. So the net result is that *the employee, in reality, stands the burden of the full social security tax,* including the share he might have thought the employer was paying. It cannot truthfully be said of any part of the social security program that it is a method of soaking the rich to help the poor. Social security is a feature of the broad socialistic pattern—a special feature which is designed to get at the private property of the man who works for an hourly wage.

Earning Power Is Private Property

Far too many American citizens have taken the attitude that defending private property is the rich man's job; let *him* worry about his property rights! But such a shortsighted view misses the vital point that an individual's earning power is also a form of private property, particularly to be cherished and defended by any person who has failed to acquire property in other forms. To endorse a principle which allows the government to tax away ever-increasing proportions of privately owned property is to forfeit the only chance man has for independence. A government which can take a man's property, including his wages and other current earnings, can control that man's life. The person who desires freedom is obliged to limit the scope and power of his government.

The social security tax was initiated in 1937 at the comparatively low level of 2 per cent of an employee's wages, the employer and the employee each to bear half of the amount. By January 1, 1954, the total tax had risen to 4 per cent, which is still low in contrast with some of the prevailing corporate and personal income tax rates. It may be recalled, however, that the early advocates of income taxes also scoffed at the idea that such taxes could ever amount to as much as 10 per cent of a person's income. The ironic truth is that federal income tax rates have "progressed" upward to take as much as 92 per cent of personal income in some instances.

Ultimate Costs

A further truth is that a tax of 4 per cent of current payrolls barely begins to cover the potential claims which are accumulating under the social security program. Present plans call for successive future increases until the social security tax rate reaches an ultimate of 6.5 per cent by 1970. It is likely that by 1970 there will be at least one person over 65 years of age for every five of those younger persons who are supposed to be productively employed. Is 6.5 per cent of the wages of five persons—a total of 32.5 per cent of an average wage—going to be enough to keep one person comfortably in retirement? Or is this simply another of the wondrous examples of the higher mathematics of socialism?

Amateurs who cannot follow all of the political turns in the 6.5 per cent path to security may find comfort in the knowledge that some of the professionals haven't solved the magic formula either.

For instance, the compulsory social security program which Frenchmen have been trying to perfect for a good many years calls for a tax amounting to 16 per cent of payrolls. No doubt they also had hoped at one time that the tax need be no higher than 6.5 per cent.

The social security features of the United States railroad retirement system were initiated in 1937 with a payroll tax of 5.5 per cent, but by 1952 that rate had climbed to 12.5 per cent.

The anthracite fund pensions had to be cut from $100 to $50 a month, even though the tax-like contributions to the fund were said to be equivalent to more than 15 per cent of the wage bill of the industry.

Such experiences tend to arouse suspicion of either the motives or the basic intelligence of those who promise that by 1970 retirement security can be achieved at a cost of no more than 6.5 per cent of payrolls. If it cannot be achieved by small groups within a nation, and if it cannot be accomplished in other nations, then why should anyone believe that it can be done on a nation-wide basis in the United States—in 1970 or at any other time?

Compulsory Security

Its proponents "hope eventually to have all people who work for a living covered by social security." This calls for a national program compelling individuals to do what they could not or would not attempt on their own initiative. There is a certain plausibility in the rationale that persons most likely to be dependent in their old age should be obliged to help foot the bill during the productive years of their lives. Such reasoning, of course, presumes it to be the responsibility of the government to relieve the consequences of poverty. From such plausibilities, individuals are drawing the conclusion that they have a right to retire at age 65, with no further personal responsibilities for earning a living. When one attempts to follow through the various ramifications of those notions, he is bound eventually to question the original premise: Is it right that the alleviation of poverty be considered a social rather than a personal responsibility? If this is accepted as a general principle, then how does a society stop itself short of complete socialization?

Compulsory social security forces a person to invest a portion of his earnings in a "business" which already has a debt of more than a quarter of a trillion dollars and which seems determined to operate at a deficit—the

United States government. Little wonder that participation is compulsory!

Pay-As-You-Go

For those who enjoy diversion, there is talk about putting the social security program on a straight pay-as-you-go basis. This is supposed to mean that current benefits would be paid entirely out of current revenue under the program, with no pretense at building a fund to cover outstanding commitments. Such discussion might have some significance, except that the program, in effect, has always been on a pay-as-you-go basis. The fact that annual tax revenue under the program so far has always exceeded the payouts to beneficiaries doesn't mean that anything of value was ever stored away in a fund for future use. It may be true that not all of the money was used for retirement security for old folks, but it's gone! A person who chooses to believe that his social security tax money has been tucked safely away as in a personal savings account is only deceiving himself.

Fully Funded

The alternative to a pay-as-you-go social security program would involve governmental disbursement from goods previously collected and stockpiled as public property. This seems to be the alternative favored by persons who want a fully-funded social security program.

If such a stockpile were ever attempted, the magnitude of the problem may be judged by a look at the figures of private life insurance in the United States. An ordinary rate of return on the total volume of assets owned by all life insurance companies would yield only enough to provide about one and a half million persons with a regular income of $100. At least eight times that number of persons in the United States are aged 65 or older.

Do persons who urge the government to cover 12.5 million old folks with a fully-funded social security program understand the implications of such a proposal? The fund for such a program—assuming a monthly pension of $100—would have to yield an annual income of nearly 15 billion dollars. In effect, that would mean government ownership and control of about 500 billion dollars worth of the property which previously had been under private ownership—that much property in addition to what the government already owns outright, or at least controls through the power of taxation. In that sad event, it is doubtful that there would be any property income left for private use; the government would have claimed it all. At least, the precedent would have been established by which to erase the last vestige of the system of private capitalism in the United States.

When the chief actuary of the Social Security Administration says that the amount of Old-Age and Survivors Insurance in force "is about $300 billion at the present time" [August 1953], he is only referring to the size of the promise which the government has made. In other words, that is the liability which will have accrued when all persons who are now paying social security taxes become eligible to receive those benefits already promised. A former actuary of the Social Security Administration estimated in 1953 that the program as of that date was at least $150 billion short of being a funded insurance operation. Yet, some persons have the audacity to say that social security is like private life insurance!

A Method of Taxation

The truth is that the social security program is not an insurance program at all; it is a method of taxation. Instead of "premiums," the required payments are designated as social security *taxes*. That is no secret. Yet there remains something peculiarly deceptive about this particular method of tax collection which seems to give satisfaction to many of those who work and pay the tax. Nowadays a direct tax that can be recognized as such by the taxpayer is a rather crude and repulsive thing. Property owners have been taxed so heavily that many of them dislike the tax collector—a situation which can lead to all sorts of political complications. Where the citizens have grown accustomed to the idea of private ownership of property and the right of a man to the product of his own efforts, it is not politically expedient for the government to insist upon too much direct taxation. The majority won't stand for it. Politically, the government may dig heavily into the property of the wealthy few. But just let the government try to dig heavily into such property as may be owned by those citizens who constitute a voting majority! If the government expects to take a very high proportion of national income, it usually will search for methods of raising revenue which are more ingenious than direct taxation. And the social security tax is loaded with ingenuity.

Why Wage Earners Have To Pay

Government has become very expensive in the United States. The financing of government currently takes more than a third of the total national income.

When government was less expensive, it was possible to finance it through property taxes or levies against the income from property. But that is no longer true. Less than one-sixth of the national income of the United States is derived from the returns to capital; the other 85 per cent represents the price paid for current wages or for their equivalent to the self-employed and to management. Therefore, it is clear why the government seeks ways and means of taxing wages. Even if there were no promises of social security benefits, barely half of the other costs of government could be met out of a total confiscation of the income from private property. The only thing left to tax is the current productivity of those who work for wages and salaries.

Let no one be persuaded that the social security program is the only reason why the government finds it necessary to tax wages. But also let no one deceive himself that there is any way of financing the social security program and similar "benefits" from the Welfare State except through heavy taxation of wages and salaries.

When a government scrapes the bottom of the barrel of personal savings and private property, then its final recourse is to the daily production of those who work for a living. The promise of social security is like an anesthetic which temporarily relieves the pain of those workers whose earnings are being taxed away. But if the patient regains consciousness, it will be to discover that the operation took something from him which was vital to life and liberty—destroyed some of his potential as an individual, leaving him more dependent upon government than before.

There is no denying that social leveling has a strong emotional and humanitarian appeal, not only for those who feel weak and dependent, but also for many who feel strong and noble. And few will deny the virtue of helping those who want and need assistance. But if any person would retain the freedom to determine his own needs in life, he must equally defend the freedom of every man to determine in his own way how to help others. The political or coercive route to security is not entirely a primrose path of something for nothing. What starts out as a popular pastime of soaking the rich turns into a program of taxing everyone who works for a living. And as socialism advances, the weak and dependent find themselves competing with the youthful and strong who have also been driven by hunger to the public trough. Such competition in sheer desperation is far more ruthless than that which is sometimes frowned upon in the open market. When people lose respect for the rights of one another to life and to property, then the weak and dependent may expect to be early victims of murder and theft.

If the less productive members of a society truly seek security, let them rally to the defense of the freedom of choice and freedom of action of those who work for a living and who are personally productive. Let them voluntarily deal with one another in a market place kept free of compulsion. Such voluntary trading directs the instruments of production and the means of economic security into the hands of those most capable of serving all mankind. It promotes mutual respect for life and property. It stimulates every individual to develop his own talents to their maximum productivity. It encourages saving instead of squandering. The free market, and not its displacement by governmental controls, is the only route to the kind of personal security which makes for harmonious social relationships.

Security Is an Attitude

A feeling of personal security depends upon something more than the legal guarantee of a handout in time of need. Security is an attitude not necessarily satisfied by an "equal share" or even by an abundance of material goods and services. To be truly secure is to be without cause for anxiety, and that kind of security stems from the mind of an individual who knows that he has done his very best with what was properly his own. Such security is fed by one's respect for the rights of others to life and property, a respect upon which is based one's own claim to those rights.

Though older persons may not serve well in the armed forces, or in defense plants, or in the various other activities incidental to the support of big government, that need not preclude their being loved and respected as individuals. That is not sufficient reason for a law which tends to put an end to individuality and its expression at age 65. If the young men and women of today's generation have lost a sense of love and respect for their aging parents, that is something which the government cannot restore through its devices of compulsion. That is a form of insecurity which must be borne by parents whose cause for anxiety lies in their having failed to convey to their children the concepts of the sanctity of the individual and the rights to life and private property.

A Code of Ethics

The same time-weathered code of ethics which advocates honoring one's father and mother recommends respect for the life and livelihood—the private property—of others. To violate any part of that code destroys the meaning of the rest of it. Society cannot enforce a law which guarantees security to the aged by denying the producer the right to the product of his own efforts. The best that society can do is to give the individual a chance to honor and respect his elders. This means allowing the individual his choice concerning the use to be made of his own life and his own productive efforts. It is possible for an individual to honor and respect others who are tolerant of his freedom to choose. But rare indeed is the individual who can extract love and honor from others by compulsory means!

Such things as love, respect, honor, and justice in the relationships between persons are measurable and meaningful only to the extent that individuals voluntarily reject an opportunity to dislike, disrespect, dishonor, or deal unjustly with others. And old-age security also falls into that category. Since a weak person cannot force a strong person to help him, it would seem wise to put the appeal on some basis other than coercion. This means retrieving the responsibility for old-age security from the hands of government which depends exclusively upon the power of coercion.

IN AN IDEAL AMERICA

by Leonard E. Read

EVERY PERSON SHOULD BE FREE

...*to pursue his ambition to the full extent of his abilities, regardless of race or creed or family background.*

...*to associate with whom he pleases for any reason he pleases, even if someone else thinks it's a stupid reason.*

...*to worship God in his own way, even if it isn't "orthodox."*

...*to choose his own trade and to apply for any job he wants—and to quit his job if he doesn't like it or if he gets a better offer.*

...*to go into business for himself, be his own boss, and set his own hours of work—even if it's only three hours a week.*

...*to use his honestly acquired property or savings in his own way—spend it foolishly, invest it wisely, or even give it away.*

...*to offer his services or products for sale on his own terms, even if he loses money on the deal.*

. . . *to buy or not to buy any service or product offered for sale, even if the refusal displeases the seller.*

. . . *to disagree with any other person, even when the majority is on the side of the other person.*

. . . *to study and learn whatever strikes his fancy, as long as it seems to him worth the cost and effort of studying and learning it.*

. . . *to do as he pleases in general, as long as he doesn't infringe the equal right and opportunity of every other person to do as he pleases.*

The above, in a nutshell, is the way of life which the libertarian philosophy commends. It means no special privilege from government for anyone. It is the way of individual liberty, of the free market, of private property, of government limited to securing these rights equally for all.

THE FORGOTTEN MAN

by John Chamberlain

A NATION begins to decline when it neglects its own classics. But no trend is necessarily permanent, and classics can come back. Take the case of William Graham Sumner's *What Social Classes Owe to Each Other,* for example. Published originally in 1883, this little classic of individualism was long unavailable to the general reader. But in the last few years, it has been made available by several different organizations.

What Social Classes Owe to Each Other has had the strangest of histories. It was written at a time when the fallacies of welfare state thinking were just beginning to take hold in America. A professor of economics at Yale in the early eighties, Sumner sensed the oncoming socialistic deluge when it was the merest trickle. He could hardly know in 1883 that Edward Bellamy was already meditating in Boston on the notions of the utopian socialists, and getting ready to write his *Looking Backward: 2000-1887,* a book which does its best to suffuse the idea of the regimented slave state with a romantic glow. He could hardly have been aware that out in Chicago young Henry Demarest Lloyd was predicting (in the *Chicago Tribune,* of all places) that "the unnatural principles of the competitive economy of John Stuart Mill will be as obsolete as the rules of war by which Caesar slaughtered the fair-haired men, women, and children of Germania." Nor could he have known that in Indiana, Socialist Eugene V. Debs was taking his first flier in politics, as city clerk of Terre Haute. Yet Sumner felt in his bones that the world of his youth was about to shift on its axis. Faith in individualism was weakening; Sumner knew it from reading the accounts of speeches in the papers. The willingness of the Gilded Age plutocracy to accept government favors in the form of tariffs also impressed him as a sign of decadence; no free society, as he well knew, could be built on hypocrisy.

The Illfare State

A profound student of veering social currents, Sumner set his face uncompromisingly against the rising welfare state principles of the New Day. The record of history told him that the Welfare State inevitably becomes the Illfare State. In *What Social Classes Owe to Each Other* Sumner tried to underscore the lesson of history by bringing simple arithmetic to bear on the Welfarists' proposition. The State, as Sumner said, is All-of-Us organized to protect the rights of Each-of-Us. But when Some-of-Us try by political manipulation to live off Others-of-Us, rights necessarily go out the window. In Sumner's estimation the type and formula of most welfare—or illfare—state schemes come down to this: A and B put their heads together to decide what C shall be made to do for D. The vice of such scheming is that C is never consulted in the matter; he is simply clubbed by the police power of the State into diverting a part of his earnings to someone he has never seen. C is very likely a most responsible citizen; he is generally the type of person who supports himself uncomplainingly, sees to it that his children are educated, and contributes to the voluntary charities of his neighborhood. If C has any surplus over what it takes to live and provide for his children and his locality, he generally saves it and invests it, thereby adding to the capital equipment by which the nation's standard of living is maintained and raised.

Sumner called C the Forgotten Man. The phrase was doubly prophetic; for by a most ironical sequel Franklin D. Roosevelt picked it up in the nineteen-thirties and applied it, not to Sumner's C, but to Sumner's D. This simple act of misappropriation, which made C more forgotten than ever, did much to get the welfare state notions of the New Deal accepted by a troubled nation. Misapplied or not, there's nothing like a good phrase backed by a golden voice to win votes.

Seventh-Grade Arithmetic

The attempted rehabilitation of D at the expense of C never even really served its alleged purpose of helping D. It is written in the arithmetic books of the seventh grade that D is hurt, not helped, when A and B scheme to mulct C of the fruits of his toil. Now it cannot be that

Americans have actually forgotten their seventh-grade arithmetic; they have merely ceased to apply it to their thinking on social matters. Any child ought to be able to see that if C has, let us say, $3,000, it will buy just $3,000 worth of goods and no more. Let us say that A and B take $1,000 of C's money to spend on D. Some of the $1,000 must be used to support the sterile machinery of state collection, bookkeeping, and redistribution. But after the politicians and their office-holding dependents have taken their cut of the $1,000, D gets some of the money. In the natural course of events he uses it—to consume. What is left to C of the original $3,000 also goes largely into consumption; there simply isn't enough left of the total to enable C to save anything out for investment. So under welfare politics there is no addition out of the $3,000 to the capital stock of the nation. Thus, because of the schemings of A and B allegedly in behalf of D, the industrial system does not expand. The upshot of this is that D is prevented from getting a job. He remains at the mercy of A and B, who continue to take it out on C.

Since A and B are of the predatory type of do-gooder who insists on being unselfish with other people's money, they are not likely to get around to taking a refresher course in seventh-grade arithmetic. But if D has any pride at all, he must someday begin to apply what he learned in the seventh grade to his own social plight. Does he want forever to remain a ward of A and B, getting a continually decreasing portion of consumer goods as the population grows and presses against the limits of a static industrial system? Wouldn't it be far better for him to throw in his lot with C in an effort to expand the capital plant and so create a productive niche for himself in society?

The reason why D has not been able to see that his welfare depends on making a common front with C is that A and B have learned to delude him with inflationary tricks. A and B are always pointing out that the "gross national product" is up by so many billions of dollars over the product of ten years ago. What they do not bother to tell D is that the value of the dollar has been debauched, and that it is no longer a good measuring stick for anything. It is true enough that the gross national product of the United States has continued to increase. Despite the scheming of A and B, the Forgotten Man has been able to squeeze out some money for investment even after he has paid most of his savings out to support D. But by all the logic of arithmetic the United States would be far richer today in capital equipment if Franklin Roosevelt had made the correct identification of William Graham Sumner's Forgotten Man. If C had been left unmulcted, there would be more for everybody.

The "Law of Sympathy"

Sumner is usually thought of as a heartless logician, a basically uncharitable man. *What Social Classes Owe to Each Other* is, however, almost Biblical in its understanding of the "law of sympathy." At the very best, says

Sumner, one of us fails in one way and another in another, "if we do not fail altogether." It will not do to condone failure abstractly; but if a man happens to be pinned to earth by a fallen tree, it is scarcely appropriate to his immediate predicament to deliver him a lecture on carelessness. True, the man may have been careless; but a lecture won't get the tree off his leg. Amid the chances and perils of life, says Sumner, men owe to other men their aid and sympathy. But aid and sympathy must operate in the field of private and personal relationships under the regulation of reason and conscience. If men trust to the State to supply "reason and conscience," they so deaden themselves that the "law of sympathy" ceases to operate anywhere. Men who shrug off their personal obligations become hard and unfeeling, and it is small wonder then that they are entirely willing to go along with hard and unfeeling politics. It is when he decides to "let the State do it" that the humanitarian ends up by condoning the use of the guillotine for the "betterment" of man.

So far as I am aware, *What Social Classes Owe to Each Other* is not used as a text in any college in the country. If it is reprinted often enough, however, the time will come when it will make its way back to the campus. Students are curious even when they are deluded and misled; and when books are available, students will find their way to them.

William Graham Sumner's *What Social Classes Owe to Each Other,* 146 pages, paper-bound, may be secured from FEE, Irvington-on-Hudson, N. Y., $1.25 each.

IF MEN WERE FREE TO TRY

by John C. Sparks

PRIVATE ownership, private initiative, the hope of reward, and the expectation of achievement have always been primarily responsible for the advancement of mankind. Continued progress—be it spiritual, mental, or material—rests squarely upon a better understanding of the idea of individual freedom of choice and action, with personal responsibility for one's own decisions.

For the purpose of illustrating this idea, let us suppose you had lived in 1900 and somehow were confronted with the problem of seeking a solution within 54 years to any *one* of the following problems:

1. To build and maintain roads adequate for use of conveyances, their operators, and passengers.
2. To increase the average span of life by 30 years.
3. To convey instantly the sound of a voice speaking at one place to any other point or any number of points around the world.
4. To convey instantly the visual replica of an action, such as a presidential inauguration, to men and women in their living rooms all over America.
5. To develop a medical preventive against death from pneumonia.

6. To transport physically a person from Los Angeles to New York in less than four hours.
7. To build a horseless carriage of the qualities and capabilities described in the 1954 advertising folder of any automobile manufacturer.

Without much doubt you would have selected the first problem as the one easiest of solution. In fact, the other problems would have seemed fantastic and quite likely would have been rejected as the figments of someone's wild imagination.

Now, 54 years later, let us see which of these problems has been solved. Has the easiest problem been solved? No. Have the seemingly fantastic problems been solved? Yes, and we hardly give them a second thought.

It is not accidental that solutions have been found wherever the atmosphere of freedom and private ownership has prevailed wherein men could try out their ideas and succeed or fail on their own worthiness. Nor is it accidental that the coercive force of government—when hooked up to a creative field such as transportation—has been slow, plodding, and unimaginative in maintaining and replacing its facilities.

Does it not seem odd that a privately-owned automobile company found it expedient to sponsor a national contest with tremendous prizes and to conduct its own search in order to correct the faults of the publicly-owned and inadequate highway system? The highway dilemma has become more and more acute until someone other than the public owner seeks an answer. If the points of ownership had been reversed in 1900—that is, motorcar development in the hands of the government, and highways left to private individuals—we would today likely be participating in a contest sponsored by the privately-owned highway companies to suggest how to improve the government's horseless carriage so that it would keep pace with the fine and more-than-adequate highways.

How could roads be built and operated privately? I do not know. This is a subject to which none of us directs his creative attention. We never do think creatively on any activity pre-empted by government. It is not until an activity has been freed from monopoly that creative thought comes into play.

But go back to 1900. Could any of us then have told how to solve the six problems to which solutions have been found? Suppose, for instance, that someone could at that time have described the looks and performance of a 1954 automobile. Could any of us have told him how to make it? No, no more than we can describe how privately to build and operate highways today.

What accounts, then, for the 1954 automobile and other "fantastic" accomplishments? Government did not preempt these activities! Instead, these have been left to the area of free, uninhibited, creative thinking. Millions of man-hours of technically skilled, inventive thought have been at work. And the end is not yet. Nor will there be an end if the inhibitory influence of government is confined to its proper functions of protecting equally the life, liberty, and property of all citizens; if men are free to try their ideas in a competitive and voluntary market.

PROSPERITY BY PROCREATION

by F. A. Harper

Economics and obstetrics must have engaged in adultery to beget the new theory of baby prosperity.

A quarter of a century ago, when we were being plagued with imagined surpluses, many economists were concerned with what they called the nation's propensity to consume. Now this is being replaced with concern over the nation's propensity to procreate, and belief in baby prosperity is sweeping the land through publications ranging all the way from light reading for the layman's Sunday afternoon to technical business forecasts.

Here are a few samples: A popular magazine, having a thousand readers to the FREEMAN's one, recently published an article entitled "Our New Weapon Against Depression: The Baby Boom." A bankers' bulletin heaped more dirt on Malthus' bones by asserting: "It's hard to see much depression coming up if the present population is to increase two and two-thirds millions yearly through 1960." A renowned Harvard economist, speaking of an "extraordinary bright" prospect for the economy, says: "In part, these bright prospects are the result of the rapid rate at which population has been increasing."

The baby prosperity argument goes like this: A click every twelve seconds on a machine in the Washington Census Bureau announces the birth of another consumer for the market in America. As every storekeeper knows, new consumers mean new business, and new business means prosperity. Stock which the merchant has sold must be replaced. This sets in motion a new wave of business all the way back to the manufacturer and the producer of raw materials—not overlooking all the related services.

Or, to express the idea another way: The national income this year is said to be about $1,750 per person. Since there would have been no demand and no national income without any population, this amount is what the average person added to the market demand. Every newborn baby, then, adds $1,750 (plus or minus) to the national income; he is precious not only to his parents but also to the general economy.

This concept that babies give birth to prosperity calls to mind the traditional Chamber of Commerce program of enticing new businesses and more people to come to the town. In promoting these programs, it is often implied that if the population of the town can be doubled, everyone will be twice as prosperous—well, much more prosperous at least. But since one town's gain is another's loss, the claim can be made that babies bring prosperity without provinciality and selfishness. The stork doesn't use any moving van and disadvantage some other town; everybody gains.

That is the idea in brief. The article already mentioned concludes with this beautiful economic rainbow: "The blueprint for tomorrow is clear—the Children's Decade is unquestionably America's wealthiest asset for a depression-proof future."

The Appeal to Patriotism

The idea of baby prosperity adds another appeal to the natural emotional urge toward parenthood. Every procreator a patriot! The prospective sire of even a moron can believe that in adding another child he is adding umpteen dollars to the national income. All countrymen should tender to him their thanks. The sleep of long-suffering parents may be disturbed in the process, but that sacrifice is for the national welfare.

It is perhaps not an accident that a popular theory of baby prosperity came just at this time. It came in the wake of a gloomy business forecast which threw quite a scare into business circles a few months ago. Dr. Colin Clark, the noted Australian and British economist, flatly predicted that the United States faced a major economic setback. Coming from such a source, it frightened the fearsome and most of their complacent cousins. Its influence as a gloomy forecast was so great that it received the distinction of inducing a counterprediction from Washington. But even that was not enough to allay economic fears in a nation that has come to treat the Statue of Liberty as though it were a symbol of Mammon.

More persuasive than the official pronouncements of business health, I believe, has been the growing faith in baby prosperity. Its power lies in its plausibility, since it is so much easier to understand than the complex curves and depression curatives usually found in the economist's kit.

In self-defense against misguided business advice, it behooves us to take a critical look at the theory. I do not believe that the baby boom and increasing population assures prosperity. We may have prosperity during a period of increasing population, but without the one being the cause of the other.

In challenging the theory I do not mean to predict, either, that an increasing population will bring a depression. I am merely saying that to predict the business future one must consult sources other than the stork and the mortician.

In challenging the theory of baby prosperity I am not presuming to advise parents about having offspring. That is for them to decide on their own responsibility. I only suggest they omit this national welfare buncombe from their precalculations, leaving it entirely to the socialists for use as one of their political nostrums.

If the theory of baby prosperity were correct, why do we not find China among the most prosperous nations of the world? And India? They have a plenitude of offspring. They have great concentrations of population per square mile. If these make welfare in a nation, it should be rampant in such places. Yet they are among the least prosperous in the world. By looking at the matter in this way—simple observation and deductive reasoning—the theory is exposed as not only false, but false with a vengeance.

Its falseness, if we look beneath this surface evidence, lies in the simple fact that low production per person is what really causes the low level of living in any nation. Another baby does not raise the production per person automatically. After the baby has grown to a productive age, special conditions might result in increased production per person; but these conditions do not prevail in any nation already rather fully populated where more babies will almost certainly have the effect of reducing the level of living.

Every baby is born full of wants, and this adds to the pile of wants within the nation, to be sure. But it is production and not these wants which makes economic welfare. I have never known a person whose wants as a whole seemed to have any limit. One's want for a thing like salt is limited, but not his total wants for everything, including vacation trips and services and the like. If wants alone assured prosperity, there could never have been anything but unlimited prosperity anywhere in the world.

So the error in the theory of baby prosperity really lies in confusing wants with the things which satisfy these wants; in confusion between wants and effective market demand, or the means of buying. You and I want things but cannot have them unless we produce them, or produce the means of buying them, or have them given to us by someone who has produced them.

The level of living we now enjoy in the United States is in large degree due to the increased production made possible by the use of tools operated by electrical and other nonhuman sources of power. These tools have been accumulated for our use by persons who have saved and invested in them. I would say that perhaps 95 per cent of our level of living in the United States is due to the aid they have given to human hands. If we lacked most of these tools, as does the person in China or India, we would be producing little if any more—per person—than he does.

Baby Brings No Tool Kit

The newborn baby has neither goods nor real buying power attached to him when he comes. We are all born nude, economically as well as physically. And neither does he bring with him a kit of tools like those making possible some 95 per cent of what we are able to produce. So when he attains a productive age, others must share with him the use of tools already there. Everyone then has fewer tools to use and less can be produced—per person. The result is that the level of living must go down, not up.

Let us presume that the population were to double, due to a friendly invasion from Mars. If the Martians brought with them no tools and we were to share our tools with them, the production and level of living of those already here would have to decline by half, plus or minus. Our economic welfare would go down.

When the population increases faster than the tools with which to work, the use of tools will have to be spread thinner and thinner. And since tools give productive leverage to hand and brawn, there would then be less production and a lower level of living, as surely as four divided by two is two.

He who projects his business plans on a false premise, such as the assumption that more babies assure prosperity, will some day come out of his economic stupor on the sheriff's doorstep, broke.

But a false basis for predicting business prospects is not the only danger in the idea of baby prosperity. The concept is dangerously close to denying the right of man to be free, and that is perhaps its most serious aspect.

The idea that babies are valuable is not new. In the Homeric period of ancient Greece parents sometimes sold their children into slavery. Like goats, children had a price in the market place. Anyone trying to promote Planned Parenthood in that day would have been laughed out of home and goat-yard alike.

The Dignity of Man

Then a new idea came to dominate people's thinking. It was the belief in the dignity of each individual under God, under rights and responsibilities of self-ownership. The child was not for sale, nor was he thought of as an economic asset of any other person or any collective of persons, like a nation. He was not a digit of national wealth or income, for the calculations of some bureaucrat. So it came to pass that a child, in growing up to be a free man, was considered free from the day he was born and this new theological concept came to dominate the economic practices of mankind. And child slavery faded.

Over the intervening centuries the dominant culture of the Western world left the matter of the birth rate to the family, where it belongs—no longer weighing its children as economic assets. To do so has become a sacrilege. We love them, and that is that.

An Old Concept Reappears

And now the reactionary concept that babies are economic assets is again rearing its ugly head. To say that a baby is worth something to the market of America is dangerously close to saying that a baby has worth in the market as a direct object of sale. For a thing of worth is an asset, and an asset is saleable in the market.

The concept which made child slavery tolerable to ancient Greece is thus reappearing in respected intellectual circles, in the form of this idea of baby prosperity. It is a symptom of the collectivized thinking embodied in modern socialist-communist doctrine. We first accept the idea that our economic welfare is the responsibility of government rather than ourselves. Then we discover that babies are national economic assets, assuring prosperity. It is a perfectly logical derivative of this to say that the government may claim control of the means of welfare for which it has been acclaimed responsible.

And the government then becomes the logical manager of procreativity—perhaps, one day, under a new Department of Genopropagation empowered to select for you your mate and to control all your family affairs. The government in its new role, of course, must make the children work and produce when they are old enough.

Such steps into collectivism do not entail any disharmony of logic, and in that sense may not be as fantastic as they may at first appear. Children need not be auctioned off in a market place, as in ancient Greece. Enslavement to government is as truly servitude as if children are sold to private owners on the auction block.

It is never too early to destroy seed-thoughts which can grow into colossal destroyers of human dignity and freedom, like belief in baby prosperity.

WANTED: *More Millionaires*

by Dean Russell

THIS country may need a good, five-cent cigar; but it could better use a hundred or so new millionaires—modern Edisons, Carnegies, Hills, Fords, Wanamakers. We need men of vision who'll build and produce—not little men who wish to divide and equalize. In this age of the so-called "common man," we desperately need a few uncommon men.

For the past 50 years, we common men have been increasingly using our majority votes to penalize and hamstring the uncommon men of the market place, the persons who have the ability and ambition to become wealthy by offering the rest of us a desired product or service at an agreeable price. Spurred on by the demagogues who are trying to control us by pretending to take care of us, we're rejecting the original American idea of rewarding each person according to his merit as determined by the voluntary decisions of consumers who use their own money in a free market economy. Instead, we're demanding more government ownership and more government controls.

In an attempt to justify this increasing encroachment of government into the market place, we common men claim that no man is worth a million dollars; that when one man has a million, other persons are thereby reduced to poverty. Are these claims valid?

The Lucky and the Able

There are only two legitimate ways a man can become a millionaire—by luck or ability. It might be thought that the two are unrelated. But what about this puzzling fact: "Luck" and ability are so frequently found together. For example, were the American Indians just unlucky because they didn't invent engines and find oil? Why didn't the natives of Iran and Venezuela become millionaires themselves by developing their own oil? Were they merely unlucky? The discoveries and developments of "lucky" American capitalists have raised living standards for peoples all over the world—and have made millionaires of the "lucky" discoverers and developers.

The collectivistic countries—those following the communist philosophy of "to each according to need" by government authority—also never seem lucky enough to discover much of value to mankind. At best, they're imitators, not trail-blazers. They're more interested in dividing up the fruits of existing discoveries than in offering an incentive for additional developments. Their policy doubly discourages production: First, high production automatically decreases when the producers know that their higher earnings and profits will be taken from them. Second, low production automatically results when a government promises to give housing, medical care, old-age pensions, and other necessities to all people, whether they have earned them or not.

How about the children and grandchildren lucky enough to be born in a rich family? Since they had no part in accumulating the wealth, should they be permitted to keep it? For that matter, should any person be permitted to keep a gift from any other person? Before deciding, consider this: If, for example, the original Henry Ford had been told that he couldn't leave his money to his children or to anyone else he wished, he might never have become a millionaire. He might have produced only a few thousand cars instead of many millions of them. He would probably have closed up shop when he made his first half million dollars. Why should he attempt to earn more than that if he couldn't do with it as he wished?

For Better Living

That may or may not be called a selfish viewpoint, but it is the philosophy that made the American standard of living the envy of the world. True enough, the biggest factories belonged to millionaires and would-be millionaires. But for the first time in history, the workers who operated the machines produced enough to enjoy a decent standard of living.

It's doubtless true that a few millionaires were crooks. But since the primary function of government should be to stop skulduggery in general, why didn't government put the crooked millionaires in jail? Do you suppose the crooked millionaire-gangsters were protected by equally crooked politicians and government officials?

The purpose of government is to protect every person's life, liberty, and honestly acquired property—even if the property is worth a million dollars. If government performs that one function efficiently, it has done enough.

The honest effort of uncommon men to become millionaires created new sources of wealth. It didn't cost the rest of us a penny. On the contrary, the capitalistic millionaires created new jobs and paid high wages to the rest of us. It wasn't the pampered and glorified common man, but rather the defamed and slandered uncommon man, who put America on top of the world.

Now the collectivists in America are illegalizing the millionaires and dividing their fortunes by the tax route. The collectivists are destroying the traditional American idea of rewarding each person according to his merit as shown in a voluntary society by a free people using their own money. They're substituting the communist doctrine of "to each according to need" by force of government.

Reward for Services

In reality, though, the future prosperity of everyone—including the needy—depends on *encouraging* persons to become millionaires; to build railroads, houses, and power plants; to develop television, plastics, and new uses for atomic power. The reason is simple: No man in a free country can make a million dollars through the machinery of production without producing something that we common men want at prices we're willing to pay. And no man will continue to produce something we want at a price we're willing to pay unless he has the *chance* to make a profit, to become rich—yes, even to become a millionaire.

That may be economics or greed or just plain human nature. But it's the dynamo that made the American people the best-fed, best-clothed, best-housed, and most charitable people in history. Why should we now insist on equalizing ourselves down to the standard of living "enjoyed" by the common men in other countries where capitalistic millionaires have been replaced by collectivistic commissars?

THE LENGTHENING SHADOW OF GOVERNMENT

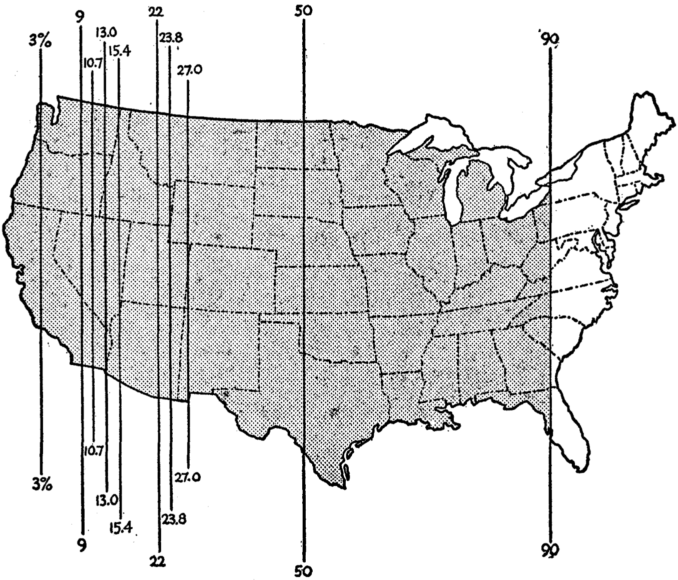
by Edmund A. Opitz

TRY an experiment. Take a blank map of the United States and shade in about 3 per cent of the area. This represents the amount of the total national wealth, exclusive of land, owned by government in 1902. Now extend the shadow until it covers 9 per cent of the area; this is the percentage of wealth owned by government in 1922. For a few years thereafter, the white area cuts back into the shadow before the trend resumes. Shade 13 per cent of the area for 1939, 22 per cent for 1946, and approximately 27 per cent for 1954. It is only a matter of time, if this trend continues, before 100 per cent ownership is achieved by government.

The trend is continuing. Translated, this reads: Some of us with political power will own everything; others of us will be allowed to own nothing.

A similar pattern may be traced in various industries. Put a dot on the map for the first federal power production in 1903. Then shade 10.7 per cent of the area to represent the proportion of the total generating capacity in the United States presently owned by the federal government. With the completion of construction now in progress or scheduled by both government and private utilities for the next two years, the federal government will own 15.4 per cent by the end of 1955. The corresponding figure for all public ownership (federal, state, and local) is 23.8 per cent. When the generation of electrical power from atomic energy is economically feasible, the federal government will have a monopoly under present laws. For all practical purposes, the shaded area takes over.

There is also a lengthening shadow in the field of higher education. In a recent study published by Colum-



bia University, it is stated that the federal government, in a typical postwar year (1947) spent just about 500 million dollars of the one billion dollars that it cost the colleges to operate. If we shade in a map labeled "higher education," there would be an equal division between light and dark areas. But if the education picture were extended to include secondary education and all levels of government, the shaded area would cover all but about 10 per cent.

In nearly every line of endeavor, there is a repetition of the same story. We can prepare shaded maps till our patience vanishes, and in almost every field we investigate, the darkened area relentlessly advances year by year.

Government encroaches more and more upon the area of personal relations. We are affected in a variety of ways, no matter what our occupation or station in life. Nearly every healthy youngster now growing up will encounter military service before reaching maturity; and, if he is lucky enough to survive, he will emerge from military service into a society where his life will continue to be politically regulated and controlled to a large extent.

Two Viewpoints

The facts are beyond dispute; government is occupying an ever more prominent place in our lives. But what is the significance of this trend? Discussion ranges back and forth over this question, seldom reaching a satisfactory conclusion. For some, the trend spells progress, while others deplore it. Each camp has its own picture of what political action really means, and the pictures are not alike. There is little precise understanding of what changes take place in human relationships as a consequence of government intervention. When government undertakes any action, the new situation created by political involvement needs to be described in more realistic terms than are commonly used.

Violence

The least common denominator of all political action is violence or the threat of violence. Law adds enforcement and penalties to a general rule; men are forbidden to do what they otherwise would do, or they are made to do what they otherwise would not do. All government action is predicated upon government's willingness to use its basic instruments—its armies, police, courts, and jails.

At first thought, it seems extravagant to declare that the introduction of government into any human relationship means the introduction of violence into that relationship. Our perception is not tuned to sense violence unless it is 100 per cent violence, and overt. When violence is less than 100 per cent, and covert, we tend to be unaware of it unless the facts are brought home to us by reason. We know, for instance, that the relationships in a prison are not based upon voluntary consent. All, or nearly all, the persons confined would prefer to be elsewhere; but their wishes are not consulted and they are held against their wills. There is *covert* violence in this situation, and only occasionally is there a prison riot with the covert violence becoming overt.

The Moralist and Violence

Violence doesn't have to erupt before it becomes a concern of the moralist; covert violence is also within his legitimate field of study. After violence erupts and results in bloodied and bruised bodies, the medical man has work to do. But the detection of violence in its covert forms is a task of the moralist because his is the science of human relations.

It is true that all life has been touched by violence at some time or place, and human action seems sporadically violent. But political action *invariably* carries undertones of violence in whatever it does. Once this nature of political action is understood, the matter of its limitation occupies a central place in moral philosophy.

A tiny grain of musk will scent a room for years; one part of dye will stain a million parts of water. In each of these cases, the effect is measured more by the intensity than by the amount of the cause. So it is with violence; a little of it goes a long way toward determining the quality and nature of the situation in which it is present. When violence is present in any quantity, it tends to take over.

Violence undeniably brooded over the Ol' Plantation. Yet the enchanting scenes sketched in scores of antebellum novels suggest the most idyllic conditions this side of the Green Pastures; the folks of quality sipping their mint juleps, the house servants attired in gorgeous livery, the field hands honestly tired from their day's work and finding rest by lifting their voices in haunting song. Violence on the Ol' Plantation? Those accustomed to this life would be dumbfounded at the suggestion, and would deny it vehemently. But we know that every master-slave relationship is instituted and maintained by violence.

Slavery, to be sure, is held in place by other factors too, such as inertia and despair, habit and custom. But "the peculiar institution" would not long endure in any society if it were propped up by these other things alone. Slavery rests upon violence which only rarely discloses itself as overt violence.

"Protection"

A long black automobile containing four men pulls up and stops in front of a cleaning establishment. A sleek looking gent gets out and goes in. He talks quietly to the proprietor, and the latter is only too happy to agree to a weekly payment of money in order to be protected against the demolition of his shop by bombing. There is no overt violence here. Mobsters do not live by the kind of open mob violence that makes headlines; they live by covert violence. But the fact that so little of a mobster's energy breaks out into overt violence does not conceal the truth that violence is the medium by which he lives.

The elegant society thief, Raffles, abhorred violence.

And to the casual observer, what could be further from violence than this man, in his immaculate evening clothes, "accepting" a diamond brooch from this lady, or a pearl necklace from that? Nothing appeared so vulgar in this scene as blood or bruises; Raffles couldn't stand either. And so that he would not have to produce either, he courteously *requested* that his fellow guests hand over their valuables. But we are not deceived by surface appearances. Raffles lived by violence, no less real for being covert.

A Velvet Glove

The scene in which the valuables changed hands was charged with violence, but the violence was in the upper register of the spectrum beyond the range of our senses—like the ultraviolet rays in sunlight. Just as we have to shift gears in our apparatus of perception to detect ultraviolet rays, just so do we have to augment our senses to detect the violence in an act of robbery when the victim "cooperates." But most of us understand that even genteel robbery involves violence, and not violence in any vague sense.[1]

Neither is the word violence used in any vague sense when it is said that all political action or government

[1] Clever schemes of education, propaganda, or persuasion are sometimes loosely termed "mental violence" by the purveyors of other clever schemes. But all such schemes seek to gain the assent of the will, whereas the use or threat of actual violence is designed to override the will—a different matter entirely. Clever quacks are a serious enough problem, but a charlatan armed with political power is infinitely worse.

intervention is violent. The violence in government is always implicit, only rarely explicit and overt; the mailed fist usually wears a velvet glove.

What is more, the mailed fist of government seems to be our own clenched hand. When the political structure is republican in form, it is only natural for us to assume the innocence of political action. After all, is not political action something we are doing to ourselves; and can we be accused of violating ourselves?

In a country occupied by a foreign power, it takes little discernment on the part of the conquered people to know what political action really is. Its violent nature is unabashedly linked to the sword. And under a monarchy or an oligarchy, the ruling body is set off from the main body of citizens, so that the "lower" orders have little difficulty in recognizing the political burden they carry around on their backs. But when the personnel of officialdom is drawn indifferently from the rank and file of the citizenry, and is chosen by this citizenry to represent it, then the true nature of political action is concealed by a thick disguise. The government is ours, and it is given the sanction which each of us is so skillful in inventing to justify any line of conduct he feels inclined to engage in. Our adeptness at rationalization is put into the service of the government.

A Rationalization

The first form taken by the rationalization is that which says: "We are the government." Even if this statement corresponded to the facts, it would not speak on either side of the contention that all political action is implicitly violent. If "we" are the government, then it follows that political action has no ethical sanction for actions that would be ethically wrong when performed by "us" as individuals. It is generally regarded as wrong for any of us to injure any other of us—whether the injury be directed at body, mind, or estate—unless the injury be the unavoidable result of legitimate self-defense. Therefore, if "we" are the government, it is also wrong for government to undertake action which injures anyone in any way, except when the injury is an unavoidable by-product of an effort to restrain the aggressive person who is attempting to impose his will upon other peaceful persons.

When once it is understood that political action cannot take place otherwise than in an atmosphere of covert violence, then this first form of rationalization must accept one or the other of two alternatives. It must frankly condone overt violence whenever anyone is in the mood for it, or else it must condemn any political action which would be a wrong use of violence if we as individuals undertook it.

A Theory of Government

The second form of rationalization admits the distinction between government and people. The political agency, it recognizes, is a group of several million elected and appointed individuals in more or less permanent control of the instruments of government. It is observed that, in practice, the use that will be made of the political agency is determined by the weight that pressure groups can bring to bear on it at strategic points. The line along which government will move is the resultant of the forces applied in different directions by conflicting groups in society. In this view, politics is the art of mustering interest groups and lobbying to gain privileges for them.

This is a sophisticated and widely held point of view. It is the view generally held by those who want to use government to provide better housing, more adequate diet, finer education, greater medical care, increased social security, and so on, naming the entire list of objectives which taken together comprise the Welfare State.

Good Objectives

Over these objectives, it may be said, there can be little dispute. All men of good will want to see all other persons better off economically. Thus there is little or no debate as to the objectives of the Welfare State. But there is a serious question about the *means* employed to realize them, because means determine ends.

Granted that the ends of better housing, education, and health are desirable, what means shall be used to attain these ends? The collectivist or welfare-stater advocates the use of political action as the method for obtaining these objectives. The libertarian, on the other hand, believes that the nature of political action makes it an unfit means for productive tasks. He would rely instead on the release of the creative energies of men and women working cooperatively and competitively, with government acting only to curb predation such as murder and fraud.

It is important to note that the collectivist or welfare-stater, while he tests the *objectives* by moral principles, does not apply moral judgments to his *means*. Actually, his ends are prefigured in the means he adopts. When pressed, he usually admits the covert violence implicit in political action; but he justifies his use of it by claiming that the people he hopes to help now are the innocent victims of political action of a previous era.

Robber Barons

When it is pointed out that two wrongs don't add up to a right, the collectivist cites the post-Civil War period as a horrible example of a few freebooters and pirates preying upon the nation. He has a finely developed conscience over the wickedness of the "robber barons." When his attention is called to the fact that the plundering of that era was done with the help of political intervention and was perfectly legal, he replies: "Maybe so, but it was immoral." Now call his attention to the fact that the principle of plunder of that era—that is, using political action to give some people an advantage at the expense of others—is the principle of the Welfare State and all other forms of modern collectivism. Point out to him that, by his own characterization, his principle is immoral. When he finally understands his untenable moral position, he will reply: "Yes, but it's legal."

Pressed still further, the welfare-stater takes refuge in the notion that political plunder is today spread more evenly to more people, which gives it a moral advantage over the political intervention of the post-Civil War period. Thus the collectivist position comes perilously close to making morality a function of time and numbers; what was wrong three quarters of a century ago is right now, and what was wrong for a few then is right now for many.

A Necessary Choice

Now it is possible to argue that there is no such thing as morality; that there is only custom, habit, legislation, and mores. But if there is such a thing as morality, it is the idea that some things are right and ought to be pursued though the heavens fall, and that these things are independent of time and numbers.

The collectivist cannot have it both ways. If he seeks to apply moral principles to ends and means alike, then his own means are suspect because they violate the moral norms which most persons recognize as binding upon themselves as individuals. If he ceases to apply moral principles to his ends, as he has never applied them to his means, he will lose his chief stock in trade—his tedious moralizing about what he is going to do for some people when he commands the resources of other people.

Government has the means of compelling assent to its decrees; it is the social apparatus of coercion. Its apparatus has always been available for those who gain control of it to be used by them for ends which they regard as desirable. But persistently throughout history, the political apparatus has been used by some of us seeking some advantage for ourselves at the expense of others of us. Control of the political apparatus gives a legal sanction to predation, reversing the true function of government which is to curb predation.

Society in Operation

Most of life in society is peaceable. People usually get along with each other. And when they don't, they make efforts to adjust their difficulties smoothly. In the relationships of marriage, business, and recreation—in schools, churches, lodges, and welfare organizations—the major ties that bind are love, mutuality, common interest, hiring and employment, bargaining and contract, voluntary agreements, fellowship, shared beliefs, custom, habit, moral obligation, and self-interest. These things bring people together for voluntary cooperation and competition and for the pleasures to be gained from the company of others of our own species.

There is no necessary violence in the myriad relations men in society have with each other, as there is necessary violence in the life of the thief or the mobster or the slaveholder. Occasionally, it is true, violence does occur in one of these situations; a husband beats a wife, a writer libels a man he doesn't like, a storekeeper cheats a customer, a teller embezzles, a man is murdered. The peace of society has been broken, violence has intruded into a hitherto nonviolent situation; but such intrusions are exceptional. Among primitives, a breach of the peace might result in acts of personal revenge or a blood feud, but a more complex society evolves an immense and complicated body of law to define reciprocal rights and duties in society, and to offer redress to those injured by the violence of others. The injured wife or the cheated customer has the offending person collared by the constable and locked in jail. For this act of violence by the political agency, there are moral as well as legal sanctions; it is based squarely on the moral right of the individual to defend himself against the murderer or thief.

The Function of Government

In order to redress injury, the political agency intervenes with violence on behalf of the injured person, neutralizing by its action the privately initiated violence. All that government does in this rather simple negative intervention, is to use its allotment of violence to cancel out or annul the violence that had partially paralyzed and poisoned the hitherto peaceful relationship.

In brief, there is a social use for violence properly used. The political agency, which wields power for society with society's consent, preserves the peaceful business of society by restraining those who break the peace by initiating violence. This division of labor permits the individual to devote his full time to productive efforts instead of using much of his time carrying a gun to defend himself.

But suppose that when the wife-beater has sobered up after a night in the cell and is pleading to go back to his family, the political agency should reason thusly: "We did so well last night in preventing this man from inflicting further injury on his wife, that it seems irresponsible to limit ourselves to these negative functions. Let's act positively and use the power of government to make this man love his wife. If he declines at first to go along with us, we'll lock him up until he sees things our way."

Instruments of Government

The absurdity of this needs no comment. Whatever the good intentions of those who comprise the political agency, and of those who urge it to take a more positive position in human affairs, government can act only with the instruments at its disposal. The instruments of government are armies, police, courts, and jails—all means of committing violence. Government cannot be other than it is. While it may and does attempt to use its instruments of violence for productive purposes—the Post Office, for example—the result is inevitably second-rate because it is a monopoly based on the threat of violence against would-be competitors.

Due to the nature of government, political action is always violent action—covert violence for the most part, but violence nevertheless. The nature of government limits the ends which can be achieved by using it as a means. An appropriate instrument to restrain people, it is not appropriate to making them love each other, produce more goods, or engage in any creative activity.

It is not difficult to see the violence implicit in the characteristic instruments basic to government, but it is sometimes difficult to detect the violent features in certain ventures of government which seem peaceful enough on the surface. For example, government builds a golf course, and some people who could not before afford golf now enjoy its benefits. Where is the violence? It is not at the level where people play around the course, but at the level where people are forced to surrender part of the fruits of their labor to pay for the construction of the course.

Those who will never use the course are forced to pay for it nonetheless, along with those who will use it. If those who are opposed to a public golf course refuse to pay whatever the government orders them to pay, the covert violence inherent in all political action will erupt in overt violence toward them. They will go to jail or suffer some other penalty. If they resist the government official sent to arrest them—well, what happens to persons who resist arrest?

If those who cannot afford to play golf were to take money directly from those who have it in order to indulge their taste for the game, they would be stigmatized as thieves. The apparatus of government would move against them and deal with them as they deserve. But if these same would-be golfers learn to get the money indirectly, using government as their means of so doing, then the situation is turned inside out. They are handed the benefits of cheap golf. And their victims, if they balk, are treated as criminals!

Public Housing

Public housing seems like a beneficent activity of government. Does it not clear slums and give people something they really need? Public housing provides a few people with better housing than they could otherwise afford. But—the price gap between what they can afford and what they get has to be met, and it is met out of the funds of other people. To the extent that those in public housing benefit, those not in public housing lose.

Furthermore, these losers are also forced to pay the political costs of being deprived of what is rightfully theirs for the dubious benefit of those to whom it is given. Economic and political considerations reveal that government intervention is a poor means of getting the most low-cost housing units for those who need them; while the government can decree *low rents* on its housing units by forcing some persons to subsidize other persons, the total costs of such a procedure are invariably higher than the costs of private ownership and personal responsibility.

But our stress here is on moral rather than material considerations. Injury is deliberately done to some people by political action on the false assumption that there will be a compensating advantage to others. Taking what rightfully belongs to anyone, no matter how much he has, is morally wrong even though the stolen goods be put to some good use. That which is immoral when it is illegal, is still immoral even after majority vote has made it lawful.

Immoral Means

Similar considerations apply to every plank in the welfare-stater's platform. The planks are sold to the public in terms of the objectives, which have every appearance of being desirable. It is only when we turn to the means that we perceive the immorality. Relying on political action to attain their ends, the collectivists are forced to rely on means which are undeniably immoral when measured by the code which is binding upon individuals. The means are immoral because they are inseparable from the use or threat of violence against peaceful persons, and bad means cannot achieve good ends. Do not ends pre-exist in the means?

The trend in this country toward greater government intervention in the creative efforts of men means that the peaceable social bonds that unite men in interpersonal relationships will be replaced gradually by compulsory regulations. To the extent that government encroaches upon the lives of individuals, violence gains control and cripples human affairs.

The Real Problem

There are few men who openly advocate overt violence, and they are a relatively minor problem. People are put on their guard by belligerent talk and can cope with violent men. The real problem is that men advocate violence, without knowing that they advocate it, to an audience unaware that violence is being advocated. The problem is complicated by the fact that the kind of violence advocated is not what the average person thinks about when he hears or uses the term.

When violence is covert, legal, and approved by a majority, it is more deadly by reason of its disguises. It works stealthily to increase friction in society and to erode and corrupt social bonds.

The shadow lengthens, political intervention and control increases, men rely more and more on violence to gain their ends. We careen, unwittingly, toward the servile state. This eventuality is not being forced upon us; we are doing it to ourselves, largely in ignorance of what it is we are really doing.

The Primary Task

The primary task is one of translation. We need to translate the meaning of political action into plain language and precise terms. Then there will be the open advocates of violence on the one hand; and on the other, the advocates of love, good will, cooperation, and competition. Once confronted by clear-cut alternatives, almost every man can choose in full knowledge of the meaning of his choice. But until we understand what is happening to us and why, the shadow will continue to lengthen.

A PENALTY TAX ON PROGRESS

by Henry Hazlitt

THE present drive to raise the income-tax exemptions and relieve millions of voters from the obligation to pay any income tax whatever is merely the latest illustration of how easily the progressive income tax can be turned into a demagogic weapon and a political football.

In the light of the ideological history of the tax, this development should not be too surprising. In the *Communist Manifesto* of 1848, "a heavy progressive or graduated income tax" is listed as the second point of a ten-point program that Marx and Engels demanded in order to make "despotic inroads on the rights of property" and as "unavoidable as a means of entirely revolutionizing the mode of production." In the course of time, "bourgeois" economists came to recommend such a tax in increasing numbers. But the excesses to which it has been carried (and which would have delighted Marx) have recently begun to produce a revulsion of feeling and thinking on the part of some economists who have had the courage to speak out.

A few years ago, for example, Harley L. Lutz of Princeton, arguing for a proportional income tax, contended that there was no logical stopping place to the progressive principle, based on the current specious form of the "ability to pay" theory, short of "complete equalization of incomes by confiscation of all incomes in excess of the lowest amount received by anyone." And more recently two University of Chicago lawyers, Walter J. Blum and Harry Kalven, Jr. (in *The Uneasy Case for Progressive Taxation,* University of Chicago Press), and the economist F. A. Hayek, have subjected the progressive-income-tax principle to searching criticism.

Major Objections

Let's try to set down some of the main objections:

1—It is a dubious moral principle, an abuse of democracy, and an invasion of minority rights for a majority to impose on a minority a higher tax rate than it accepts for itself.

2—The legal requirement of time-and-a-half wage rates for overtime is based on the assumption that progressive incentives are necessary to get people to work longer and that progressive rewards are justified as the workload increases. But the present income tax is based on precisely the opposite principle of decreasing rewards for increasing work. Take, for hypothetical illustration, a top-level surgeon who averages $500 an operation and might take on 240 paid operations a year. This would bring his income before taxes to $120,000. For his first operation in January he would get and keep $500. Going into February he would only be earning net (after income tax) $310 per operation. Along about June he would be getting (net) only $140 an operation. And when he got into November he would be turning over $445 of every $500 fee to the government and getting only $55 for himself. Under the present income tax the same principle applies, if less dramatically, to the incomes of all of us. The more hours we work, the less we get paid per hour.

3—Under this system people are increasingly penalized as they become more productive. Inevitably this tends to kill incentives to production and reduces the total national income and living standards.

4—The progressive income tax skims off precisely the funds most likely to go into new investment—into building the new tools and equipment that increase the productivity of the country and lift the living standards of the workers. It slows down the rate of economic progress.

5—And lastly, these confiscatory rates do not even raise revenue. They destroy the sources of revenue. The great illusion of the present age is that through these confiscatory rates we have been able to throw the burden of huge government spending on the very rich. But analysis shows that only 8 per cent of the personal income tax is paid by those making more than $100,000 a year, and only 16 per cent is paid by those making more than $50,000 a year. Looking at the matter from the other end, 74 per cent of the income tax is paid by people earning less than $25,000 a year, and 59 per cent of it is paid by people earning less than $10,000 a year.

HOW TO GET ACTION

by Leonard E. Read

"I WANT less talk and more action."

Thus speak Americans when they suddenly awaken to the fact that their liberties are endangered. Talk, they say, is useless; only action counts. But perhaps talk and action aren't necessarily opposites. What if studying, talking, writing, and explaining should turn out to be the only worth-while action there is? What then?

There are only two types of action: physical and intellectual. Do those who would save liberty advocate physical action? If so, how? To use physical force against others, except defensively, is to destroy the liberty of others which, by definition, is not liberty. To adopt this tactic—to employ physical force against others in any form or degree, except in self-defense—would be merely to substitute a new form of compulsion for the existing forms of compulsion, trading violence for violence—revolution! At best, it is the court of last resort and is not, really, what most persons have in mind when they insist they want action. Most of them mean only that they want "something done," and quickly! They want to fight peacefully. The thought of using fists or guns never as much as enters their heads; they reject physical action, in their calculations, by not even contemplating it. Thus, according to their own thesis, nothing logically remains but intellectual action.

The Mania for Organizing

How, then, does one fight for liberty intellectually? The best thing to do even in an intellectual fight for liberty, many think, is to organize—which is a form of action. Usually they think in terms of organizing someone else to do something instead of organizing their own time and energies. This damaging tactic is employed as though organizing had the power, somehow, to absolve individuals from doing any more than joining some organization. This mania for organizing is usually little more than an effort, doubtless unwitting, to transfer responsibility from oneself to some other person or persons whose competence is often unknown.

Responsibility and authority always go hand in hand. Thus, if this process of organizing succeeds, authority over one's own actions is lost precisely in the degree that responsibility is shifted to someone else. The citizen who "wants action," and resorts to this type of tactic, ends up further from his goal than ever. In fact, organizing, more often than not, is merely an attempt to "pass the buck." Yet, oddly enough, the mere act seems to have the strange power of conferring a sense of accomplishment on the ones who organize.

Organization, though much used, seems to be little understood. In the field of extending individual liberty, organization has strictly limited, technical possibilities. Unless these limitations are scrupulously observed, organization will inflict on liberty more harm than good; thwart, not abet, the spread of understanding. Sobering is the thought that if there were no organization, there could be no socialism!

In committee-type organizations, it is customary for persons to speak and act as a collective—as resolutioners in unison—instead of as persons. The best that these synthetic arrangements of individuals can produce is the lowest common denominator view of the majority. Such a view is almost certain to be different from, and inferior to, the best thought of the individuals who go to compose the arrangement. Yet the best is none too good when it comes to a working knowledge of liberty.

For Voluntary Cooperation

Organizations can, however, serve a highly useful purpose in developing and spreading an understanding of liberty if organization is confined to its proper sphere. For the purpose of advancing liberty, which depends solely on the advancement of individual understanding, the only usefulness of organization would seem to be to accommodate and to make easier the joint contribution to, participation in, and ownership of the physical assets that will aid in the process. These physical assets may include typewriters, buildings, specialized libraries, printing presses, telephones, and the many other tools helpful to individuals who are attempting to extend their understanding of liberty. These physical accommodations can enable searchers for truth to exchange and disseminate ideas and knowledge more effectively. They can be used to secure the advantages which derive from specialization or division of labor. Organization, limited to this form of voluntary cooperation, is a useful and efficient means for achieving these desirable ends.

Organization, however, like government, if extended beyond its proper sphere, becomes positively harmful to the original purpose. This fact constitutes the need for much careful thought on organizational limitation. Just as government becomes dangerous when its coercive, restrictive, and destructive powers are extended into the creative areas, so do voluntary organizations pervert and destroy the benefits of intellect when the capacity to merge is carried to the point of subjecting individual judgments to the will of the majority or group. Truth, as each person sees it, is the best that the mind of man has to offer. Its distortion, inevitable when achieving a collective chorus, does injury to understanding.

Try Self-Improvement

If organization is not the best way to secure liberty, then what is? My answer—self-improvement—is the essence of simplicity. The reasons which lie behind the answer, however, are not so simple.

The inclination to escape personal responsibility—plus the belief that somehow intellectual miracles can be wrought by us on someone else—is too pervasive for easy rejection. Unless we fully understand that these inclinations and beliefs are wholly without merit, we will continue to indulge in them. I wish to make the argument that self-improvement is the only practical course to liberty.

Is there one book or one article written by anyone at any time that can be designated as the final word on liberty? Perhaps the best that can be said is that the finest minds of all time have been in pursuit of its understanding and that now and then a tiny ray of new light has been thrown on what theretofore was darkness and lack of understanding. These few most advanced searchers have been among the first to say, "The more exploration I do, the more I find there is to learn."

An Endless Quest

The reason for this difficulty in understanding liberty is that liberty, like truth, is an object of infinite pursuit, a quest without end, ever! The understanding of liberty requires intellectual ventures into the areas of the unknown or, more likely, into the areas that have become unknown or that majorities have declared taboo. Have you not noticed the vigor we employ when a present liberty is threatened and then, when it is lost, how soon we refer to it as a "social gain"? How can one who has been thus trapped, or who himself has lapsed into thinking of a new restraint as a "social gain," possibly identify the liberties he has lost?

Every individual ought to realize that he has not mastered the subject of liberty until he thoroughly understands, and can competently explain, this idea: With government properly limited to its legitimate functions of defense, our problems of interdependence can be resolved through voluntary effort, and only through voluntary effort. If that is a correct appraisal, then most persons are inexpert in their understanding of this subject.

In brief, not a single person among us is justified in regarding himself other than as a student of liberty. No know-it-all exists or ever will.

In searching for a student of liberty, the search must be within one's self. In the world of persons, it is only within each of us that the fertile, explorable areas exist. The best explorer of oneself is oneself. It is not possible to impart to others that which we do not possess. And even after we have made some progress in understanding, the most we can do for others is to make known to them a willingness to share what we have discovered by our own thinking, or what we find edifying from recorded thinking. Whether or not what we offer is, in fact, shared, is beyond our power; and we should realize this.

It is conceded that the student attitude, this search within ourselves, may at times appear unrewarding. But if the understanding of liberty is to be advanced, the attempt must be persisted in, regardless of its seeming extravagance in time and effort.

Along this line, a fictional statement ascribed to Christ is heartening if one will think of him in the symbolic terms of truth and infinite goodness, and of our own weakness and inabilities as weeds and brambles; and of our own rare virtues and abilities as fertile ground:

> Presently the Master appeared on the steps of the Synagogue and began to speak. It was immediately obvious that he had been aware of the rudeness of the crowd—and deplored it. He had been appointed, he said, to offer a way of salvation to the world; and that meant everybody. In a task so great as this, no prudent thought could be taken about the cost of it or the waste of it. His mission, he said, was to sow the seed of good will among men in the hope of an eventual harvest of peace. Much of this seed would be squandered. Some of it would fall among weeds and brambles where it would have no chance at all to grow, but the sower could not pause or look back to lament this extravagance. Some of the seed would fall upon stony ground where there was very little soil to nourish it and the tender plants would soon wither and die; but the sower must not be dismayed. Some of the life-giving grain would grow! Some of it would find friendly lodging in fertile ground! (Lloyd C. Douglas, *The Big Fisherman,* Houghton Mifflin, 1948, p. 377.)

The Only Practical Action

Action? The casual thinker might imagine that the best course is to try to tell others what to do and how to think. But reason supplies a contrary answer. It suggests that pursuit of one's own personal understanding is the only practical action for one to take. If a person advances his own understanding of the true and the false, the understanding thus acquired will be sought by others. Reason recommends that a person get the horse before the cart;

that first one must learn; that influencing others will take care of itself. Reason says that influence in the creative areas can have no effectiveness prior to learning; that learning has no end.

Some persons will assert that the conclusions herein set forth are self-evident, but will argue that this suggested student approach—this process of self-improvement—is too slow to meet the challenge of these times.

I am in no position to deny this. But, in my opinion, there is no short cut. The only way to truth—that is, to understanding—is through one's own person. When we gain an appreciation of this simple fact, we will be on our way to as little violence against persons, and thus to as much liberty among persons, as is within our power to bring about.

Action? For authoritarians it is physical force. For libertarians it is first understanding and then explanation—the latter being "talk," either verbal or written.

EVERYBODY WINS IN FREE ENTERPRISE

by H. G. Thuesen

THE NATURE of free enterprise is such that everybody concerned with it wins. To understand how this can be one must understand the economy of exchange. If Mr. A has a piece of apple pie but prefers banana pie and if Mr. B has a piece of banana pie and prefers apple pie, each can exchange a piece of pie which he values less for a piece of pie he values more. Both participants in the exchange have gained.

Before the exchange took place, there was an evaluation at the point of exchange by each of the participants. If either person had concluded he would not have profited, an exchange would not have taken place. The reason that everybody wins in free enterprise is because of the evaluation at the point of exchange.

Suppose that, in a system of free enterprise, there are a number of competing private concerns making potato chips. In this system, let us consider an individual concern in light of the economy of exchange explained above.

A farmer who has more potatoes than he needs may seek to exchange his potatoes with the potato chip concern for cash. Before the exchange will take place, there is an evaluation at the point of exchange to determine the prospective advantage for each person. If an exchange takes place, it is prima facie evidence that each gets out more than he puts in.

The workman who seeks employment with our potato chip firm will not accept employment unless he determines through evaluation at the point of exchange that the burdens of working are more than offset by the advantage of the wages and other benefits he receives.

Consider now a man who has an item of equipment that can be used in potato chip manufacture. He will exchange it only if the dollars he receives for the item have greater value for him than the equipment he surrenders.

Suppose our potato chip maker needs money to finance expansion. A banker who has idle dollars will surrender a number of them after his evaluation at the point of exchange assures him that he will receive a return of a suitably larger number of dollars later.

Now consider the customer. He comes with money in hand and perhaps an appetite for potato chips. But before he surrenders his money he, too, makes an evaluation at the point of exchange. If, and only if, he values potato chips more than the money he must surrender for them is an exchange consummated.

Note that a private concern in a system of free enterprise is an entity of such characteristics that all people who deal with it, material suppliers, equipment dealers, money lenders, workmen, and customers, contribute what they value less and receive what they value more. There is a net gain for each person. Also, where there are several competing enterprises, each person is free to deal with the organization that returns the *most* for what he contributes. Thus there is a natural selection of those firms who are capable of operating so that each person, whether he be a material supplier, equipment dealer, a workman, a banker, professional man, or customer, receives the *most* for his contributions. Any firm that cannot compete under these conditions fails.

Fundamental Flaws

Socialistic enterprises have two fundamental characteristics that lead to inefficiencies. First, since there is only one entrepreneur, the inefficient social operation cannot be weeded out by the forces of competition. Inefficiency is not distinguishable from efficiency if there is no competition to serve as a basis of comparison. Second, in social enterprise there is rarely an evaluation at the point of exchange. The person who pays his income tax has no practical way of evaluating what he receives in return for his tax dollars. He receives nothing at the point of exchange, the tax window, in return for his contribution.

Similarly there is no evaluation at the point of exchange at the time the products of a social enterprise are distributed. Since no direct payment is required in exchange for such products, people will naturally demand them so long as they are of any benefit. Thus the products of a social enterprise are accepted by people, even though the benefit they receive from the product may be much less than its cost to others.

No system of enterprise has given so many people so much for so little as has free enterprise. Increasing efficiency is inherent in it. The productivity of the most capable operators automatically becomes the goal toward which all may strive—a goal which allows everybody to win.

INHUMANITY OF THE MINIMUM WAGE

by Paul L. Poirot

THE REPUBLICAN President of the United States believes that no person should be allowed or required to work for less than 90 cents an hour. The Democratic Governor of New York urges raising the minimum wage to $1.25 from its present level of 75 cents. Except for such differences in detail, fixing a minimum wage by law has come to be a bipartisan project. That may indicate good politics—but it is no assurance that a minimum wage law will accomplish what is claimed for it.

Beginning with the truism that "the laborer is worthy of his hire," proponents of the minimum wage interpret it to mean that anyone who works thereby establishes a valid claim against his employer, or against society, for a wage sufficient to assure an adequate standard of living. Though it may be difficult to say precisely what constitutes an adequate standard of living, the opinion is widely held that such a standard lies somewhere between the prevailing extremes of wealth and of poverty; underlying this opinion is the assumption the poor are poor because the rich are rich; that is, that employers exploit their employees. It is supposed that employers withhold as much as they can of what the workers have produced—that the so-called "wages fund" is not fully disbursed as wages—and that this is a crime against workers in particular and society in general. And if crime is being committed, it is the duty of government to intervene; hence, a minimum wage law.

If this theory is correct, how is the injustice of inequality, or exploitation, done away with by a minimum wage as low as 90 cents or $1.25 an hour? If the compulsory equalization of wealth is a proper means to a better society, why shouldn't the minimum wage be at least $5 an hour?

The answer, of course, is that the minimum wage theory does not square with experience. The reason is that work, as such, is not something scarce and useful to human beings. Sheer effort is not one of the things men will buy in the market place. The goods and services produced by workmen are the things valued, regardless of how much or how little labor went into their creation. If a horse can pull ten times as many cabbages to market as a man can, who in his right mind would hire a man instead of a horse for that job? But if the horse is hired, should the cabbage-mover then be required to pay ten men to sit by and watch the operation? That would be a logical development, according to the minimum wage theory that human labor is the only thing of value to society.

That theory is wrong because horsepower also has value, as tools are valuable, and scientific knowledge, and a great many other things besides direct physical labor.

How valuable? Why, just as valuable as producers and consumers jointly determine in the market place. There is no such thing as a "wages fund" in the minds of individual buyers and sellers who bargain with one another. The money a man owns, or the property it symbolizes, may be offered in exchange for labor—a service—or it may be offered in exchange for other property. The fund, if one chooses to call the earnings and savings of individuals a fund, cannot be paid solely and exclusively to labor. Some of it must go as a return for the use of tools and capital, or else there will soon be none of those savings which create job opportunities and which help to improve the productivity of the laborer.

Unemployment of the Least Capable

A dictator, it is true, can arbitrarily declare human labor to be the only thing of value in the world; and he can set a minimum or a maximum wage, or just fix prices. But he cannot enforce his dictates because they run contrary to the rules of human behavior. As long as men harbor their own distinctive sense of values, there is no way of predetermining the price they will pay for what they want. That is set in the market place, whether it is legal or "black."

A $5 minimum wage is indeed ridiculous, not because $5 is the wrong amount, but because it is ridiculous to try to set a minimum wage at any level. It doesn't work. And it is an injustice to the people it is supposed to help —the less productive and less fortunate members of society. If a minimum wage is set high enough to have any effect, that effect must be a closing of the market to those persons least capable of earning a living. For the minimum wage denies such persons the right to offer their services for what they are worth. The law says in effect, "If you are not worth the legal minimum wage, you are not worth anything." This, of course, is arbitrariness of the very worst kind. It is difficult to visualize a greater injustice than this among supposedly civilized human beings—the strong ganging up to deprive the weak of their limited means of helping themselves.

Setting a minimum wage, below which no man may sell his services, is like setting a floor price for potatoes. The higher the floor price, the less demand there will be for potatoes. Those growers of potatoes who are least skilled in the arts of production will have been forced out of the market arbitrarily. And so will those buyers who can least afford to pay the price for potatoes.

If government intervenes to support the market at the floor price, then these two groups—the poorest producers and the poorest consumers—become the wards of the government, each dependent on a subsidy for survival. The government assumes the obligation, by means of unemployment compensation, to support those who were either directly or indirectly forced out of productive employment. The higher the minimum wage level, the more unemployment there must be.

Denying a man the right to offer his services, by fixing the minimum wage at more than his services are worth, is to deprive him of a market for the only thing in the world he could have justified as his own. But that is not the end of the evil of the minimum wage. Those unused productive powers are lost, and society is poorer because of it. And if there is this kind of restraint upon the available supply of goods and services in the world, who suffers first and most? Why, the victims are those least able to pay the price for even the barest essentials of life!

Lessons of the Depression

The inhuman consequences of the minimum wage idea were shown up during the great Depression of the thirties. Labor unions, which had been gaining membership steadily during the twenties, were so bound to a philosophy of ever-rising wage rates that they could not adjust to a changed market situation, even though such rigidity forced many of their own members to join the ranks of the jobless. Equally well-meaning businessmen, lured by the promises of the National Industrial Recovery Act, pledged themselves to codes which would not let prices or wage rates find their proper level. Though most of the minimum wage legislation did not come until later in the thirties, the early years of the Depression were nonetheless marked by government compulsions along the lines of the minimum wage idea. And the direct consequence of this organized coercive interference with the free market was a prolonged and unnecessary period of hardship for people who sought to earn a living.

The "experts" on social problems speak glibly of the free market and open competition as forms of barbarism. They describe the individual bargaining process of price and wage determination as an outmoded application of "the law of the jungle." But the basic law of the jungle is that might makes right; differences of opinion are subject to settlement by violence or compulsion. Perhaps the most significant departure human beings have ever made from jungle law is in the direction of a reasoned and deliberate tolerance for individuality—a mutual respect for both inherited and cultivated characteristics which make each of us different from every other person.

In the economic or material sense, this tolerance and respect for the rights of one another is reflected in the concept of private ownership and control of property. It allows and encourages exchange of goods and services among those who have something to offer and are willing to trade.

It is true that such voluntary exchange serves the self-interest of everyone involved. But that is no reason for referring to the competitive market process as though it were an evil example of the law of the jungle. Voluntary exchange rejects rather than follows the rule that might makes right. The rule of the market is that personal choice is right, up to the point that such choice begins to injure an innocent person. This is quite the opposite of jungle warfare which considers weak and relatively defenseless individuals to be fair game for the strong and cunning.

There is one big humanitarian reason for adherence to the market method of voluntary exchange, and that reason is the desire to act charitably toward those less fortunate than oneself. They are the ones who would not survive the rigors of the jungle and who would end up most permanently enslaved in any politically regulated society. The one great blessing of the market economy is that it encourages every individual to develop his talents, however limited they might be. And it assures each a full measure of value for the much or the little that he has to contribute to the satisfaction of human needs. Thus does a free society inevitably outproduce any other kind, creating more useful things the very abundance of which is the poor man's assurance of a chance for survival.

There are sound reasons why some men should earn more for their efforts than do others—why skilled labor should be worth more than unskilled—why the successful manager of a business should receive more than any of his employees. Human beings are not all alike, in either capacities or desires. Prices and wages as determined in a free market, unrigged by political intervention, are the best means of insuring the production and equitable distribution of the goods and services all men seek. Those who have most clearly proved their productive capacity are rewarded accordingly through the voluntary acts of their fellow men in the market place. This is the signal to produce even more, and it is the incentive which attracts other men to lead more useful and productive lives.

A compulsory minimum wage, at any level, can only add to the hazards of the jungle.

SOMETHING FOR NOTHING?

by Mark C. Schinnerer

THIS is about economics. This is about the teaching of economics, not directed just to teachers of economics, but to all teachers. It is directed to all teachers because the job that needs to be done cannot be done by just the teachers of economics.

There is a colossal oversupply of people in my country who either never discovered some of the basic principles of economics or think that the economic laws have been repealed. We hear much wailing that the schools have failed in this regard and the cry is for required courses in economics. We have failed—in school and out—but the answer is not in required courses. The answer, in my opinion, lies in a continuous effort to inculcate in children, from kindergarten through high school, some basic and very simple facts.

There are three things which almost anyone can be brought to understand and if these three are ingrained, we can leave the more complicated principles to the experts.

1. *You can't get something for nothing.* Too many think they can. That is the basis of gambling and most speculation. Giving a higher mark in school than is

earned is proving that the student can get something for nothing. That is bad business. When parents urge no homework, they somehow expect something for nothing. One gets out of school work about what he puts into it. Only parasites get something for nothing.

2. *You can't spend more than you have and remain solvent.* The longer such a system is followed, the more impossible it becomes to keep afloat. Know anyone who trades in a mortgaged car on a new one and has both a newer car and a bigger mortgage? The woods are full of such people. It is bad economics. It's somewhat like drug addiction. This applies equally to a person, a business, or a government.

3. *You cannot equalize ability by a handicap system.* It is wrong to expect as much from a youngster with a low I. Q. as is expected from a youngster with a high I. Q. It is also wrong to set up handicaps so that they come out even. Leave that for the exclusive use of the racing stewards. Competition still has a place in America, thank goodness, and I don't want it any other way.

In every school day, there are numerous incidents in each student's school experience when these three fundamentals are present. Just repeatedly bringing them to the pupil's consciousness will work wonders. If all our people accepted these three economic axioms and lived by them, we would live in an economic paradise.

INEQUALITY OF WEALTH AND INCOMES

by Ludwig von Mises

THE MARKET economy—capitalism—is based on private ownership of the material means of production and private entrepreneurship. The consumers by their buying or abstention from buying ultimately determine what should be produced and in what quantity and quality. They render profitable the affairs of those businessmen who best comply with their wishes and unprofitable the affairs of those who do not produce what they are asking for most urgently. Profits convey control of the factors of production into the hands of those who are employing them for the best possible satisfaction of the most urgent needs of the consumers, and losses withdraw them from the control of the inefficient businessmen. In a market economy not sabotaged by the government the owners of property are mandatories of the consumers as it were. On the market a daily repeated plebiscite determines who should own and how much. It is the consumers who make some people rich and other people penniless.

Inequality of wealth and income is an essential feature of the market economy. It is the implement that makes the consumers supreme in giving them the power to force all those engaged in production to comply with their orders. It forces all those engaged in production to the utmost exertion in the service of the consumers. It makes competition work. He who best serves the consumers profits most and accumulates riches.

Society by Seizure

In a society of the type that Ferguson, Saint Simon and Herbert Spencer called militaristic and present-day Americans call feudal, private property of land was the fruit of violent usurpation or of donations on the part of the conquering warlord. Some people owned more, some less and some nothing because the chieftain had determined it that way. In such a society it was correct to assert that the abundance of the great landowners was the corollary of the indigence of the landless. But it is different in a market economy. Bigness in business does not impair, but improves the conditions of the rest of the people. The millionaires are acquiring their fortunes in supplying the many with articles that were previously beyond their reach. If laws had prevented them from getting rich, the average American household would have to forego many of the gadgets and facilities that are today its normal equipment. This country enjoys the highest standard of living ever known in history because for several generations no attempts were made toward "equalization" and "redistribution." Inequality of wealth and incomes is the cause of the masses' well-being, not the cause of anybody's distress. Where there is a "lower degree of inequality," there is necessarily a lower standard of living of the masses.

In the opinion of the demagogues inequality in what they call the "distribution" of wealth and incomes is in itself the worst of all evils. Justice would require an equal distribution. It is therefore both fair and expedient to confiscate the surplus of the rich or at least a considerable part of it and to give it to those who own less. This philosophy tacitly presupposes that such a policy will not impair the total quantity produced. But even if this were true, the amount added to the average man's buying power would be much smaller than extravagant popular illusions assume. In fact the luxury of the rich absorbs only a slight fraction of the nation's total consumption. The much greater part of the rich men's incomes is not spent for consumption, but saved and invested. It is precisely this that accounts for the accumulation of their great fortunes. If the funds which the successful businesmen would have ploughed back into productive employments are used by the state for current expenditure or given to people who consume them, the further accumulation of capital is slowed down or entirely stopped. Then there is no longer any question of economic improvement, technological progress and a trend toward higher average standards of living.

Toward Socialism

When Marx and Engels in the *Communist Manifesto* recommended "a heavy progressive or graduated income tax" and "abolition of all rights of inheritance" as measures "to wrest, by degrees, all capital from the bourgeoisie," they were consistent from the point of view of the ultimate end they were aiming at, viz., the substitution of socialism for the market economy. They were fully aware of the inevitable consequences of these policies. They openly declared that these measures are "economically untenable" and that they advocated them only because "they necessitate further inroads" upon the capitalist social order and are "unavoidable as a means of entirely revolutionizing the mode of production," i.e., as a means of bringing about socialism.

But it is quite a different thing when these measures which Marx and Engels characterized as "economically untenable" are recommended by people who pretend that they want to preserve the market economy and economic freedom. These self-styled middle-of-the-road politicians are either hypocrites who want to bring about socialism by deceiving the people about their real intentions, or they are ignoramuses who do not know what they are talking about. For progressive taxes upon incomes and upon estates are incompatible with the preservation of the market economy.

The middle-of-the-road man argues this way: There is no reason why a businessman should slacken in the best conduct of his affairs only because he knows that his profits will not enrich him but will benefit all people. Even if he is not an altruist who does not care for lucre and unselfishly toils for the common weal, he will have no motive to prefer a less efficient performance of his activities to a more efficient. It is not true that the only incentive that impels the great captains of industry is acquisitiveness. They are no less driven by the ambition to bring their products to perfection.

Supremacy of Consumers

This argumentation entirely misses the point. What matters is not the behavior of the entrepreneurs but the supremacy of the consumers. We may take it for granted that the businessmen will be eager to serve the consumers to the best of their abilities even if they themselves do not derive any advantage from their zeal and application. They will accomplish what according to their opinion best serves the consumers. But then it will no longer be the consumers that determine what they have to get. They will have to take what the businessmen believe is best for them. Not the consumers, but the entrepreneurs will be supreme. The consumers will no longer have the power to entrust control of production to those businessmen whose products they like most and to relegate those whose products they appreciate less to a more modest position in the system. If the present American laws concerning the taxation of the profits of corporations, the incomes of individuals and inheritances had been introduced about sixty years ago, all those new products whose consumption has raised the standard of living of the "common man" would either not be produced at all or only in small quantities for the benefit of a minority. The Ford enterprises would not exist if Henry Ford's profits had been taxed away as soon as they came into being. The business structure of 1895 would have been preserved. The accumulation of new capital would have ceased or at least slowed down considerably. The expansion of production would lag behind the increase of population. There is no need to expatiate about the effects of such a state of affairs.

Profit and Loss

Profit and loss tell the entrepreneur what the consumers are asking for most urgently. And only the profits the entrepreneur pockets enable him to adjust his activities to the demand of the consumers. If the profits are expropriated, he is prevented from complying with the directives given by the consumers. Then the market economy is deprived of its steering wheel. It becomes a senseless jumble.

People can consume only what has been produced. The great problem of our age is precisely this: Who should determine what is to be produced and consumed, the people or the State, the consumers themselves or a paternal government? If one decides in favor of the consumers, one chooses the market economy. If one decides in favor of the government, one chooses socialism. There is no third solution. The determination of the purpose for which each unit of the various factors of production is to be employed cannot be divided.

The supremacy of the consumers consists in their power to hand over control of the material factors of production and thereby the conduct of production activities to those who serve them in the most efficient way. This implies inequality of wealth and incomes. If one wants to do away with inequality of wealth and incomes, one must abandon capitalism and adopt socialism. (The question whether any socialist system would really give income equality must be left to an analysis of socialism.)

But, say the middle-of-the-road enthusiasts, we do not want to abolish inequality altogether. We want merely to substitute a lower degree of inequality for a higher degree.

A Tolerable Evil

These people look upon inequality as upon an evil. They do not assert that a definite degree of inequality which can be exactly determined by a judgment free of any arbitrariness and personal evaluation is good and has to be preserved unconditionally. They, on the contrary, declare inequality in itself as bad and merely contend that a lower degree of it is a lesser evil than a higher degree in the same sense in which a smaller quantity of poison in a man's body is a lesser evil than a larger dose. But if this is so, then there is logically in their doctrine no point at which the endeavors toward equalization would have to stop. It is just a matter of personal judgments of value, quite arbitrary, different with different people and changing in the passing of time, whether one has already reached a degree of inequality which is to be considered as low enough and beyond which it is not necessary to embark upon further measures toward equalization. As these champions of equalization appraise confiscation and "redistribution" as a policy harming only a minority, viz., those whom they consider to be "too" rich, and benefiting the rest—the majority—of the people, they cannot oppose any tenable argument to those who are asking for more of this allegedly beneficial policy. As long as any degree of inequality is left, there will always be people whom envy impels to press for a continuation of the equalization policy. Nothing can be advanced against their inference: If inequality of wealth and incomes is an evil, there is no reason to acquiesce in any degree of it, however low; equalization must not stop before it has completely leveled all individuals' wealth and incomes.

No Stopping Place

The history of the taxation of profits, incomes, and estates in all countries clearly shows that once the principle of equalization is adopted, there is no point at which the further progress of the policy of equalization can be checked. If, at the time the Sixteenth Amendment was adopted, somebody had predicted that some years later the income tax progression would reach the height it has really attained in our day, the advocates of the Amendment would have called him a lunatic. It is certain that only a small minority in Congress will seriously oppose further sharpening of the progressive element in the tax rate scales if such a sharpening should be suggested by the Administration or by a congressman anxious to enhance his chances for re-election. For under the sway of the doctrines taught by contemporary pseudo-economists, but for a few reasonable men all people believe that they are injured by the mere fact that their own income is smaller than that of other people and that it is not a bad policy to confiscate this difference.

There is no use in fooling ourselves. Our present taxation policy is headed toward a complete equalization of wealth and incomes and thereby toward socialism. This trend can be reversed only by the cognition of the role that profit and loss and the resulting inequality of wealth and incomes play in the operation of the market economy. People must learn that the accumulation of wealth by the successful conduct of business is the corollary of the improvement of their own standard of living and vice versa. They must realize that bigness in business is not an evil, but both the cause and effect of the fact that they themselves enjoy all those amenities whose enjoyment is called the "American way of life."

EQUAL RIGHTS

by Carl Schurz

THE PRINCIPLE of the Declaration of Independence—"all men are created free and equal, and are endowed with certain inalienable rights"—is the principle from which the Revolutionary Fathers derived their claim to independence. Upon this they founded the institutions of this country, and the whole structure was to be the living incarnation of this idea. This principle contains the programme of our political existence. It is the most progressive, and at the same time the most conservative one; the most progressive, for it takes even the lowliest members of the human family out of their degradation, and inspires them with the elevating consciousness of equal human dignity; the most conservative, for it makes a common cause of individual rights. From the equality of rights springs identity of our highest interests; you cannot subvert your neighbor's rights without striking a dangerous blow at your own. And when the rights of one cannot be infringed without finding a ready defense in all others who defend their own rights in defending his, then, and only then, are the rights of all safe against the usurpations of governmental authority.

This general identity of interests is the only thing that can guarantee the stability of democratic institutions. Equality of rights, embodied in general self-government, is the great moral element of true democracy; it is the only reliable safety valve in the machinery of modern society. There is the solid foundation of our system of government; there is our mission; there is our greatness; there is our safety; there, and nowhere else! This is true Americanism, and to this I pay the tribute of my devotion.

Expediency

It is a matter of historical experience, that nothing that is wrong in principle can be right in practice. People are apt to delude themselves on that point; but the ultimate result will always prove the truth of the maxim. Perhaps the most formidable danger for the safety of our institutions arises from the general propensity of political parties and public men to act on a policy of mere expediency, and to sacrifice principle to local and temporary success. And here, sir, let me address a solemn appeal to the consciences of those with whom I am proud to struggle side by side against human thraldom.

You hate kingcraft, and you would sacrifice your fortunes and your lives in order to prevent its establishment on the soil of this Republic. But let me tell you that the rule of political parties which sacrifice principle to expediency, is no less dangerous, no less disastrous, no less aggressive, of no less despotic a nature, than the rule of monarchs. Do not indulge in the delusion, that in order to make a government fair and liberal, the only thing necessary is to make it elective. When a political party in power, however liberal their principles may be, have once adopted the policy of knocking down their opponents instead of voting them down, there is an end of justice and equal rights. The history of the world shows no example of a more arbitrary despotism, than that exercised by the party which ruled the National Assembly of France in the bloodiest days of the great French Revolution. I will not discuss here what might have been done, and what not, in those times of a fearful crisis; but I will say that they tried to establish liberty by means of despotism, and that in her gigantic struggle against the united monarchs of Europe, revolutionary France won the victory, but lost her liberty.

The Logic of Things

There is a thing which stands above the command of the most ingenious of politicians: *It is the logic of things and events.* It cannot be turned and twisted by artificial arrangements and delusive settlements; it will go its own way with the steady step of fate. It will force you, with uncompromising severity, to choose between two social organizations, one of which is founded upon privilege, and the other upon the doctrine of equal rights.

Force instead of right, privilege instead of equality, expediency instead of principle, being once the leading motives of your policy, you will have no power to stem the current. There will be new abuses to be corrected, new inconveniences to be remedied, new supposed dangers to be obviated, new equally exacting ends to be subserved, and your encroachments upon the natural rights of your opponents now, will be used as welcome precedents for the mutual oppression of parties then. Having once knowingly disregarded the doctrine of equal rights, the ruling parties will soon accustom themselves to consult only their interests where fundamental principles are at stake. Those who lead us into this channel will be like the sorcerer who knew the art of making a giant snake. And when he had made it, he forgot the charm-word that would destroy it again. And the giant snake threw its horrid coils around him, and the unfortunate man was choked to death by the monster of his own creation.

SOURCE OF RIGHTS

by Frank Chodorov

THE AXIOM of what is often called "individualism" is that every person has certain inalienable rights. For example, "individualism" holds that property *as such* obviously has no rights; there is only the inherent right of a person to his honestly acquired property....

The axiom of socialism is that the individual has no inherent rights. The privileges and prerogatives that the individual enjoys are grants from society, acting through its management committee, the government. That is the condition the individual must accept for the benefit of being a member of society. Hence, the socialists (including many who do not so name themselves) reject the statement of rights in the Declaration of Independence, calling it a fiction of the eighteenth century.

In support of his denial of natural rights, the socialist points out that there is no positive proof in favor of that doctrine. Where is the documentary evidence? Did God hand man a signed statement endowing him with the rights he claims for himself, but denies to the birds and beasts who also inhabit the earth? If in answer to these questions you bring in the soul idea, you are right back to where you were in the beginning: How can you prove that man has a soul?

Those who accept the axiom of natural rights are backed against the wall by that kind of reasoning, until they examine the opposite axiom, that all rights are grants or loans from government. *Where did government get the rights which it dispenses?* If it is said that its fund of rights is collected from individuals, as the condition for their membership in society, the question arises, where did the individual get the rights which he gave up? He cannot give up what he never had in the first place, which is what the socialist maintains.

What Is Government?

What is this thing called government, which can grant and take away rights? There are all sorts of answers to that question, but all the answers will agree on one point, that government is a social instrument enjoying a monopoly of coercion. The socialist says that the monopoly of coercion is vested in the government in order that it may bring about an ideal social and economic order; others say that the government must have a monopoly of coercion in order to prevent individuals from using coercion on one another. In short, the essential characteristic of government is power. If, then, we say that our rights stem from government, on a loan basis, we admit that whoever gets control of the power vested in government is the author of rights. And simply because he has the power to enforce his will. Thus, *the* *basic axiom of socialism, in all its forms, is that might is right.*

And that means that power is all there is to morality. If I am bigger and stronger than you and you have no way of defending yourself, then it is right if I thrash you; the fact that I did thrash you is proof that I had the right to do so. On the other hand, if you can intimidate me with a gun, then right returns to your side. All of which comes to mere nonsense. And a social order based on the socialistic axiom—which makes the government the final judge of all morality—is a nonsensical society. It is a society in which the highest value is the acquisition of power—as exemplified in a Hitler or a Stalin—and the fate of those who cannot acquire it is subservience as a condition of existence.

The senselessness of the socialistic axiom is shown by the fact that there would be no society, and therefore no government, if there were no individuals. The human being is the unit of all social institutions; without a man there cannot be a crowd. Hence, we are compelled to look to the individual to find an axiom on which to build a nonsocialistic moral code. What does he tell us about himself?

Desire To Live

In the first place, he tells us that above all things he wants to live. He tells us this even when he first comes into the world and lets out a yell. Because of that primordial desire, he maintains, he has a right to live.

Certainly, nobody else can establish a valid claim to his life, and for that reason he traces his own title to an authority that transcends all men, to God. That title makes sense.

When the individual says he has a valid title to life, he means that all that is he, is his own: his body, his mind, his faculties. Maybe there is something else in life, such as a soul, but without going into that realm, he is willing to settle on what he knows about himself—his consciousness. All that is "I" is "mine." That implies, of course, that all that is "you" is "yours"—for, every "you" is an "I." Rights work both ways.

But, while just wanting to live gives the individual a title to life, it is an empty title unless he can acquire the things that make life livable, beginning with food, raiment, and shelter. These things do not come to you because you want them; they come as the result of putting labor to raw materials. You have to give something of yourself—your brawn or your brain—to make the necessary things available. Even wild berries have to be picked before they can be eaten. But the energy you put out to make the necessary things is part of you; it *is* you. *Therefore, when you cause these things to exist, your title to yourself, your labor, is extended to the things. You have a right to them simply because you have a right to life.*

Source of Government

That is the moral basis of the right of property. "I own it because I made it" is a title that proves itself. The recognition of that title is implied in the statement that "I *make* so many dollars a week." That is literally true.

But what do you mean when you say you own the thing you produced? Say it is a bushel of wheat. You produced it to satisfy your desire for bread. You can grind the wheat into flour, bake the loaf of bread, eat it, or share it with your family or a friend. Or you can give part of the wheat to the miller in payment for his labor; the part you give him, in the form of wages, is his because he gave you labor in exchange. Or you sell half the bushel of wheat for money, which you exchange for butter to go with the bread. Or you put the money in the bank so that you can have something else later on, when you want it.

In other words, your ownership entitles you to use your judgment as to what you will do with the product of your labor—consume it, give it away, sell it, save it. Freedom of disposition is the substance of property rights.

Freedom of Disposition

Interference with this freedom of disposition is, in the final analysis, interference with your right to life. At least, that is your reaction to such interference, for you describe such interference with a word that expresses a deep emotion: You call it "robbery." What's more, if you find that this robbery persists, if you are regularly deprived of the fruits of your labor, you lose interest in laboring. The only reason you work is to satisfy your desires; and if experience shows that despite your efforts your desires go unsatisfied, you become stingy about laboring. You become a "poor" producer.

Suppose the freedom of disposition is taken away from you entirely. That is, you become a slave; you have no right of property. Whatever you produce is taken by somebody else; and though a good part of it is returned to you, in the way of sustenance, medical care, housing, you cannot under the law dispose of your output; if you try to, you become the legal "robber." Your concern in production wanes and you develop an attitude toward laboring that is called a "slave" psychology. Your interest in yourself also drops because you sense that without the right of property you are not much different from the other living things in the barn. The clergyman may tell you you are a man, with a soul; but you sense that without the right of property you are somewhat less of a man than the one who can dispose of your production as he wills. If you are a human, how human are you?

It is silly, then, to prate of human rights being superior to property rights, because the right of ownership is traceable to the right to life, which is certainly inherent in the human being. Property rights are in fact human rights.

The Path to Slavery

A society built around the denial of this fact is, or must become, a slave society—although the socialists describe it differently. It is a society in which some produce and others dispose of their output. The laborer is not stimulated by the prospect of satisfying his desires but by fear of punishment. When his ownership is not interfered with, when he works for himself, he is inclined to develop his faculties of production because he has unlimited desires. He works for food, as a matter of necessity; but when he has a sufficiency of food, he begins to think of fancy dishes, a tablecloth, and music with his meals. There is no end of desires the human being can conjure up, and will work for, provided he feels reasonably sure that his labor will not be in vain. Contrariwise, when the law deprives him of the incentive of enjoyment, he will work only as necessity compels him. What use is there in putting out more effort?

Therefore, the general production of a socialistic society must decline to the point of mere subsistence.

Decline of Society

The economic decline of a society without property rights is followed by the loss of other values. It is only when we have a sufficiency of necessaries that we give thought to nonmaterial things, to what is called culture. On the other hand, we find we can do without books, or even moving pictures, when existence is at stake. Even more than that, we who have no right to own certainly have no right to give, and charity becomes an empty word; in a socialistic order, no one need give thought to an unfortunate neighbor because it is the duty of the government, the only property owner, to take care of him; it might even become a crime to give a "bum" a dime. When the denial of the right of the individual is negated through the denial of ownership, the sense of personal pride, which distinguishes man from beast, must decay from disuse....

Whatever else socialism is, or is claimed to be, its first tenet is the denial of private property. All brands of socialism, and there are many, are agreed that property rights must be vested in the political establishment. None of the schemes identified with this ideology, such as the nationalization of industry, or socialized medicine, or the abolition of free choice, or the planned economy, can become operative if the individual's claim to his property is recognized by the government.

THE UNCOMMON MAN

by Herbert Hoover

AMONG the delusions offered us by fuzzy-minded people is that imaginary creature, the common man. It is dinned into us that this is the century of the common man. The whole idea is another cousin of the Soviet proletariat. The uncommon man is to be whittled down to size. It is the negation of individual dignity and a slogan of mediocrity and uniformity.

The common man dogma may be of use as a vote-getting apparatus. It supposedly proves the humility of demagogues.

The greatest strides of human progress have come from uncommon men and women. You have perhaps heard of George Washington, Abraham Lincoln, or Thomas Edison. They were humble in origin, but that was not their greatness.

The humor of it is that when we get sick, we want an uncommon doctor. When we go to war, we yearn for an uncommon general or admiral. When we choose the president of a university, we want an uncommon educator.

The imperative need of this nation at all times is the leadership of the uncommon men or women. We need men and women who cannot be intimidated, who are not concerned with applause meters, nor those who sell tomorrow for cheers today.

Such leaders are not to be made like queen bees. America recognizes no frozen social stratifications which prevent the free rise of every individual. They must rise by their own merits.

EDUCATION FOR PRIVACY

by Marten ten Hoor

IN VIEW of the hundreds of conferences which have been held on liberal education, it would seem to be impossible to say anything new on the subject. Since there seems to be nothing new to say, one must, in order to be original, be contrary, eccentric, or partisan. I have chosen to be partisan. The proposition to be defended is, frankly, a half-truth. If it can be established, there will be some cause for satisfaction; for the establishment of a half-truth is not a bad average in this complex and confused world. There is the justification, moreover, that the other, and possibly the better, half has in our day had practically all of the attention.

The Proposition

Stated concretely, the proposition is this: Never in the history of the world have there been so many people occupied with the improvement of so few. To sharpen the point by a specific example: Never have there been so many people making a good living by showing the other fellow how to make a better one. If you are skeptical, I recommend that you try this exercise—add up, as of the current date, the social workers, planners, and reformers; the college presidents, deans, and professors; the editors of magazines, journals, and newspapers (not forgetting college newspapers); almost everybody in Washington, D. C., during recent years; and the tens of thousands of miscellaneous social-minded folks who attend conferences, workshops, and institutes organized for the improvement of the human race. Subtract that figure from the total population of this country, and compare this figure with a corresponding figure for, say, the year 1900. You will then see what I mean when I say that this is the era of undiscriminating allegiance to good causes. To come nearer home, compute the sum of all college and university presidents, deans, and profesors who have in the last five years attended meetings devoted to the improvement of education. Compare that figure with the number of those who remained on the campus working, and you will find proof even *in academia.*

What Is an Expert?

As further evidence, and as a striking symptom, there is the recent popularity of educational surveys. Most states and many institutions have experienced several. I have lived through eleven, without noticeable improvement in myself or my neighbors. Note the procedure and the technique, for there you will find the moral. The surveyors are always from another state or another institution. This is in accordance with the well-known principle that an expert is an ordinary person who is away from home. These outsiders are brought in because of their objectivity, objectivity being the capacity for discovering faults abroad which you cannot recognize at home. To be a good educational surveyor—or any kind of social analyst, for that matter—you must have a sharp eye for foreign motes but a dull one for domestic beams. You must be a contented extrovert, so that, after diagnosing the faults of others, you can continue to live in perfect comfort with your own.

Too Few Followers

I must confess that I view all this indiscriminate altruism with a jaundiced eye. It does seem to me that these days there are too many leaders and too few followers; too many preachers and too few sinners—self-conscious sinners, that is. If this were an illustrated article, I would insert at this point a wonderful cartoon I saw not long ago. A little boy was asking an obviously astounded and embarrassed father, "But if we're here to help others, what are the others here for?" Nobody has time these days to improve himself, so busy is he with attempts to improve his neighbor. There is something wrong with that equation. It seems to me that it is time to try to balance it. I suggest that this can be done by shifting some weight from one side to the other, by shifting the emphasis from social improvement to self-improvement. I suggest that over the door of every academic cubicle there should hang the sign which Thoreau had over the door of his hut: "*My* destiny mended here, not yours." In short, I propose to make a plea for *education for privacy.*

How To Feel Virtuous

Before undertaking to identify some of the elements of this type of education, I should like to offer some justification of my skepticism concerning the present emphasis on social-mindedness in education. To begin with, it is so easy to assume that your neighbor is much worse off than yourself. The universality of this tendency is undoubtedly accounted for psychologically by its attractive by-products. The assumption produces a feeling of comfort. If there is some slight suspicion that all is not well within, it is compensating to concentrate on the plight of one's neighbor. Since attention to him is distracting, it keeps the individual from worrying about himself. To do something about a neighbor's ignorance also makes one feel virtuous. This absorbing concern for the improvement of one's neighbor is undoubtedly a product of civilization. It is doubtful if primitive man worried much about it. The cannibal, in fact, represents the other extreme: He uses his neighbor solely for his own improvement.

A Complex with Variations

In the second place, I doubt if the reformer always has the wisdom necessary to direct the lives of so many people—but this is certainly assumed. How many people are there who have demonstrated the capacity to prescribe for others? If an individual makes a mistake in trying to improve himself, this is not so serious; but consider the consequences if he has induced all his neighbors to do the same thing. History is filled with examples of self-confident leaders who led their followers straight to a common catastrophe. The fact is that we still know so little about human personality in the concrete. To be sure, there are excellent textbook pictures, with revealing analytical tables and graphs. But this is personality in the abstract. Any physician will tell you that he rarely finds a textbook picture in a patient. Not only is every human being a complex with variations, but there is the environment in which that complex functions and the accidental circumstances which confuse the vision and disrupt life.

Nor has the reformer too much reason for assuming that he has discerned the good life for his neighbors. Let us take as a familiar example the characteristic projection by parents into the lives of their children. This is something we can readily understand and, because it is suffused with parental affection, forgive. But how many parents are there who realize that each child is to some extent a new complex of elements and who can bring themselves to substitute that confounding reality for the fond subjective creation? Too often the recommendation of a way of life is nothing more than the advocacy of a personal preference.

From subjectivism in this sense of the term there is no complete escape. Even leadership is personalized in an individual. Hitler was an individual: He spun his fantastic and criminal notions out of his own warped private personality. It is, therefore, terribly important that everything shall be right in the reformer before he undertakes to reform others. "Nobody," says a character in Norman Douglas' *South Wind*, "has the right to call himself well disposed towards society until he has grasped the elementary fact that the only way to improve society is to improve oneself." And may I suggest in this connection that a major in the social sciences does not automatically qualify a student for social leadership?

Selfish Unselfishness

Further reason for doubt is to be found in the characteristic reactions of the hypersocial-minded. They become so indignant when people resist their ministrations. They are so determinedly selfish in their unselfishness. Ideas, particularly ideas designed for the improvement of others, so quickly become inflated. In extreme cases they devour themselves. How antagonistic even educators become over professional differences as to how the ignorant should be rendered less so! Note the bitterness between rival reform groups. Let us not forget that human beings have killed one another in the mass even on the authority of their religions. Note how political leaders fall out, quarrel, conspire, injure one another in their unselfish efforts to save the country. In the absence of sophistication and modesty, reform notions grow into delusions; their advocates become more and more autocratic; leadership becomes pathological; the desire to help one's fellow men is transformed into fanaticism and tyranny—and societies become authoritarian.

Everybody Is an Individual

Here lies the explanation of the tendency of hypersocial-mindedness to suppress individualism and to produce too much uniformity. There are good reasons for doubting the wisdom of this lack of interest in the individual as a unique personality. There is, to begin with, the obvious and inescapable fact that everybody is an individual. The higher the scale of life, the more individuals differ and the greater their potentialities for differing. Society must make provision for individual differences.

Authoritarianisms of the type of national socialism and communism are primitivistic; for they propose to turn back the course of social change and to establish societies in which individuals shall have a status more closely resembling that of ants, bees, or even of atoms or electrons than of human personalities. They have forgotten, or propose to ignore, the incontrovertible fact that the great works of art, literature, music, philosophy, religion, and science—that is, the world's great manifestations of excellence and leadership—were the products of intensely individual persons. Indeed, some of the world's great geniuses have been self-centered, unsocial, and iconoclastic, with little or no interest in the improvement of their fellow men.

But society can well afford that. A regimented society will not only suppress and possibly ultimately breed out these "exaggerated" individuals, but will generally discourage the manifestations of the adventurous and original spirit. Government and education designed to do this will bring about a tragic cultural impoverishment in human life; for individual differences enrich life, they stimulate the intelligence and the imagination, and they invite comparison and criticism. They keep the individual alive *as an individual,* and not merely as a bearer of the racial genius or a servant of the State.

Some Laws Necessary

It is true that modern life requires a certain amount of regimentation. Individuals obviously cannot be permitted to run amuck. At least the great majority of persons must adapt themselves to other persons. Mechanical contrivances, such as traffic lights, must replace individual judgment; laws are to some extent substitutes for individual choice. But let us not forget that it is not the basic purpose of these substitutes to repress individuality, but rather to make possible a more general and richer realization of individuality. It is not the purpose of social organization to reduce man to the subhuman, but to create more favorable opportunities for the realization of what is uniquely human.

The need of complex societies for a high degree of organization is one reason why so much attention is focused on the improvement of the other fellow. Especially in a democracy, where everyone is more or less free to advocate schemes for the improvement of society, lively and self-confident minds are inclined to expend their intellectual and emotional potential on reform movements. The attention of the reformer is consequently drawn away from contemplation of the state of his own soul. Since he is so happily exercised in improving others, the habit of self-examination gradually atrophies. How then can he be sure that he is the right person to prescribe for his neighbors? Should he not stop now and then to take an inventory of his resources? Does he in fact have these resources? It is because I have serious doubts of this sort, and because of the increasing neglect in education of attention to the accumulation of these resources, that I feel it time to make a plea for education for privacy.

A Plea for Privacy

What now are the essential elements of this education for privacy? In speaking of elements it is, of course, implied that the ideal construct of these elements constitutes an organized whole, a personality. It is this ideal at which we aim, though we know full well that in any concrete individual, no matter how well educated after the formula which we shall propose, one or the other desirable characteristic is certain to be under- or overemphasized.

The first requirement, clearly, is to learn how to think—not out loud or in print, but privately. The thinker himself, not his neighbor, is to be the beneficiary. To think does not mean to spend hours in idle daydreaming or in vagrant imaginings, or to make occasional impulsive sallies at ideas which happen to appear before the attention. The reference is certainly not to the semi-somnolent and comfortable ruminations which go on in the wandering mind of an inattentive student in the classroom. What is meant is systematic reflection, the constant purpose of which is to bring order out of the multiplicity and variety of things in which the human being is immersed.

Experience without Understanding

To be sure, many people go through life with their senses alert, observing and savoring in generous measure the richness of the world about them. But what they experience they retain only in the form of materials for recollection. The mind gradually accumulates a rich inventory of goods, which can be brought out on display when there is social opportunity for it. But the relationship of these resources in the mind is one of mere contiguity, like that of goods in a department store. Experience has not resulted in an over-all understanding because it has not been systematically thought about. Such individuals

> . . . see all sights from pole to pole,
> And glance, and nod, and bustle by,
> And never once possess (their) soul
> Before (they) die.

To possess one's soul in an intellectual sense means to have found some answer, or partial answer, to the questions: What is the nature of this world in which I find myself, what is my place in it, and what must be my attitude toward it? The problem is one of intellectual and spiritual orientation.

A Disorganized Mind

The benefits of such intellectual and spiritual adaption have been extolled by the wise men of all ages and all countries. A "view of life" prepares us for what life brings us, for what happens to us in our physical environment, and most important of all, for what people turn out to be and for what they do. To be spiritually and intellectually lost in the world, on the contrary, is to be unarmed and helpless.

A disorganized mind is unprepared for reality and easily frustrated. The fate that awaits the individual so afflicted is to be always a stranger and a wanderer in the world. The "lost soul" of literature, the ultimate in tragic creation, suffers from this great spiritual illness.

It may be unfortunate, but it is a fact that the sharper and livelier the intelligence and the more sensitive the spirit, the more serious the danger of disorientation. The simple-minded find life simple. Plants find themselves easy to live with, no doubt; for it cannot be difficult to vegetate successfully. It is not likely that the cow's ruminations are philosophical.

Man, for better or worse, is a rational animal. The more he thinks, the greater the need of organization among his ideas. The more subjects a student studies in college, the more extensive the potential disorder of his mind. It is not surprising that the scholarly mind, lost in a Babel of learning, seeks escape into a clearly defined speciality, and the practical mind, as soon as its owner has permission, into the comforts of a business, a profession, or domesticity. To be sure, we must integrate the curriculum. But what good is this if the professor's mind remains perched on its gaunt pinnacle or secluded in the laboratory?

Religious Experience

The systematic way to the attainment of the organization of ideas is through philosophy and religion. It is true that the great intellectual constructions of the metaphysicians are not available to all men, and that even to the initiated they sometimes offer but poor comfort. Moreover, all of us have known individuals of great simplicity and humbleness of mind, quite untutored in dialectic, who somehow and in the simplest terms have securely located themselves in the cosmos.

Especially in the realm of religious experience do we find examples of this. The spirit seems to have found peace in terms of some all-embracing conviction or great renunciation. But this is not often possible for the inquisitive and analytical mind.

To cast all burdens upon the Lord in one grand resolve sometimes implies ignorance of the nature of those burdens. There is only consciousness of their oppressive weight, but no understanding of their nature or causes. To be sure, the critical intelligence may also come ultimately to make this renunciation; but it will not feel justified in doing so until it has reflected upon causes and relationships and seen the problem of human trouble and sorrow *whole*. The solution must be a conquest, not an escape.

Need for Philosophy

For this, the mind certainly needs philosophy, sacred or secular. No learned profession, however, can offer the inquiring mind an official formula which every man need only apply in order to be permanently on understanding terms with the world. To be sure, there are systems of metaphysics, sacred and secular, from which the troubled spirit can choose a ready-made synthesis. But this does not make the chosen system of ideas an integral part of the inner personality. Intellectual orientation to the world must be something more than an acquisition; it must be an organic growth. The student should by all means seek out the great religious and philosophical thinkers, study their systems, and add their insights to his own. But in the last analysis he must work out his own solution, for such a solution must be the end product of his *own* reflection in the context of his *own* experience. Only through the alchemy of private reflection do philosophical ideas become private resources. Only then will they be available in time of crisis. When the normal course of existence is interrupted by conflict and frustration, it is a bit late to begin developing fundamental guiding ideas; that is the time to apply them.

Admiral Byrd Alone

A dramatic example of the saving grace of such resources is related by Admiral Byrd in his book on his expedition to the South Pole, entitled *Alone.* He had been left behind by the expedition in a dugout located several feet below the surface of the icecap. From this he periodically emerged through a vertical tunnel to make scientific observations. It happened that the heater in his subterranean shelter developed a leak of which he was not aware. Before he realized it, he had been dangerously poisoned, and he became seriously ill. During his convalescence he found himself struggling to overcome not only the physical damage done to his body, but also a deep spiritual depression, an obstinate conviction of the meaninglessness of life, which threatened to overwhelm him. There was no physician or psychoanalyst or cleric available. His fellow-explorers would not return for months. He was absolutely *alone.* He had to guide himself out of this slough of despair. This he did, after many agonizing days, by steady thinking, by "digging down into" his intellectual resources. And it was then, to use his own homely but vivid phrase, that he "uncovered the pay-dirt of philosophy." He did not then collect the materials of his readjustment; he used them to recover his sanity. In this crisis, what would he have done without these resources?

Not Completely Free

But periods of crisis are not the only time when man needs an orderly mind. If a ship is to hold its course, it needs a steady helm in good weather as well as in bad. I hasten to remark that this figure of speech has serious limitations, for a navigator has his chart prepared when he begins his voyage. Man, on the contrary, is faced with the problem of making a chart as he goes along. As a matter of fact, the plan of life is, for every man to some extent, an unconscious precipitate of his experience. We are not completely free agents; compulsion and fate, in the form of the physical world, our fellow men and social institutions, push the individual this way and that. What happens to him and what he becomes are clearly the result of a complex of inner and outer compulsions, over many of which he has no control.

The Greek Chorus

We are not here primarily concerned with action, however, but with interpretation. In philosophical reflection, the individual to some extent plays the part of the Greek chorus. He observes himself as actor in a cosmic setting. If he does so systematically, he will gradually discern not only his own role, but the direction of the whole drama. Only when he understands the meaning of the play can he orient himself in it. Such an understanding, vague and incomplete though it may be, will enable him to achieve his own view of life. If he is so fortunate as to see (what seems to him) the truth and to see it whole, he will thenceforth have a vision of the future as well as an understanding of the present and the past. If a rational man does not do that, why should he consider himself the crown of creation? If he does accomplish this, he can exult with the poet Dyer:

> My mind to me a kingdom is;
> Such present joys therein I find
> As far exceeds all earthly bliss
>
> * * *
>
> Look, what I lack my mind supplies.
> Lo, thus I triumph like a king,
> Content with that my mind doth bring.

The Uneasy Conscience

In education for privacy, however, more is involved than philosophical orientation to the cosmos. There is equally urgent need for education in the establishment and maintenance of moral harmony. From the days of primitive religion, through Greek tragedy, the Christian epic of sin and salvation, and modern psychology, Freudian and non-Freudian, to contemporary existentialism, there runs the theme of the uneasy conscience. The dramatic specter of moral guilt is the principal character in many of the greatest creations of literary genius. No matter what the learned explanation, the psychological state is one of inner moral disharmony. Though it may have outer causes, it is a private affliction and must be cured privately. In moments of despair or periods of cynicism we may doubt the existence or discernibility of moral meaning in the universe; but such a conclusion does not relieve the individual of the necessity for solving his personal moral problem. Even complete moral negativism, if not itself a moral philosophy, leaves the individual no recourse but to establish a private moral order in his life of action and reflection.

Moral Resources

Here again, the more sensitive the individual, the greater the potentiality for disorganization. It is the sensitive who are the most deeply wounded by moral indifference, disorder, and brutality. The predisposing causes of moral disorganization may be in the people and the things we love, in the institutions which demand that we conform to their customs and taboos, in the great world which so often mocks our need for moral significance and order. But a vision of the good life, the spirit must have; for devoid of it, the imagination is without moral perspective, conduct without guiding principles, and action without trustworthy habits.

For an individual so unprepared for life, confusion will efface meaning and create frustration, with the onset in the case of the unusually sensitive spirit of pathological disturbances which may for a period or for a lifetime destroy happiness. Education for privacy must therefore include the education of the moral personality, the gradual acquisition by the self of moral resources. Here, too, there are available to the student in generous measure the works of the great philosophical and religious thinkers; for probably no one of the persistent problems of life has had more of their systematic and concentrated attention. It is relevant here to note that the previously discussed philosophical orientation to the world is sometimes the foundation for moral orientation.

Emotional Stability

A third requirement in the education of the personality is the development of emotional stability. Of all the immediate causes of unhappiness, emotional disorder is unquestionably the most serious and the most common. Currently there is a feeling that under the pressures of modern life its incidence is steadily increasing. Unfortunately, emotions are the component of the personality about which we know the least, as modern science has come to realize. Our ignorance is largely a consequence of the fact that traditionally the emotions have been considered to be effects rather than causes.

Preoccupation with the flattering conviction that man is a rational animal has been attended with the assumption that therefore our emotions are under the domination of the reason. This assumption has been one of the basic tenets of formal education, though puzzled parents and self-conscious adults no doubt have all along had their suspicions. In our day, educators are being enlightened by psychology and the medical sciences on the subject of the devastating power of the emotions.

Moreover, the modern conception of the integrated personality has redirected our approach to this subject, so that now we hypothesize and investigate in terms of interrelations and interactions. The simple classical vision of the reason enthroned in the psyche, making judgments, issuing commands, and directing the conscious life of the individual, is difficult to maintain in the face of the past and current spectacle of human behavior.

Education in Self-Control

Let us grant that the contemporary individual lives in an age in which, as Goethe put it, "humanity twists and turns like a person on a sickbed trying to find a comfortable position." To offset this, however, he has the advantage of a better understanding of the compulsive and disruptive power of the emotions. He is aware of their insidious tendency to direct his thinking and affect his judgment. He knows that they feed on themselves and that, if they are of the destructive kind, they can bring him to the verge of despair. He knows that they can completely disorient him, isolating him from the friendship and sympathy of his fellow men, and estranging him from the beauty and utility of the world. He must learn that there is little he can do to remove the external causes, the irritants in his social and physical environment. In order to maintain or restore emotional stability *within* himself, he must learn to control the effects of these irritants *on* himself. Education of the emotions is education in self-control, in equanimity and serenity.

To these three objectives of education for privacy—the attainment of a philosophical point of view, a steady vision of the good life, and serenity of spirit—I should like to add one more: The individual should be able to live entertainingly with himself. He should accumulate resources on which he can draw when he is at leisure. The universal symptom of the absence of such resources is the homely but hapless state of boredom. It is an anomalous condition of the spirit, a state of indifference lying between pain and pleasure. Neither the mind nor the hands can find anything interesting to do. In contrast with the other troubles of the spirit which have been mentioned, there is little excuse for this great emptiness. For there is a marvelous cure for boredom, universally available, readily tapped, and virtually inexhaustible: the fine arts.

On Reading

This claim hardly needs defense. Nor is it necessary to enumerate the arts and to identify their respective potentialities for beguiling the mind and the heart. For illustrative purposes, however, let us consider one form of art enjoyment which is available to virtually every normal human being, young or old, learned or simple, saint or sinner—reading. Its great virtue for education for privacy is that it is a strictly private experience. No other human being is necessary to the reader at the moment of reading. He can take his book with him to the jungle or the desert, on the ocean or the mountaintop. He can select his company at will, and rid himself of it by a turn of the hand. It is potentially an inexhaustible resource. All ages of history; all countries; all varieties of human beings, and even of animals and plants and physical things; the entire range of human thoughts and feelings, hopes and fears, conquests and failures, victories and defeats; the real and the ideal—all are available at the turn of a page for the reader's contemplation and understanding.

The Arts

When we measure the impoverishment of him to whom this world is literally and figuratively a closed book, whose ear is deaf to music and whose eye blind to the glories of painting and sculpture, we come to realize the responsibility of liberal education for instruction in the arts. I say instruction purposely, because I believe that the presentation of opportunities for enjoyment and training in appreciation are not enough. There should also be instruction and encouragement in the production of art. As even the bungling amateur knows, there is no greater source of pleasure than creative activity.

The training of the most modest talent is an enrichment of a personality and develops another private resource for leisure hours. Even the unsuccessful attempt to create art, moreover, clarifies the understanding of art. To be sure, just as it is not necesary to trouble our friends with our thoughts, so it is not necessary to bore our friends with our productions. It is, after all, not the improvement of the neighbor but the improvement of oneself that is the immediate object of education for privacy.

An understanding of the world, a vision of the good life, serenity of spirit, appreciation and practice of the fine arts—these, then, are the elements of the integrated personality, the development of which is the immediate object of liberal education. These are the resources which are accumulated in the course of education for privacy. Why, now, is it so important for every individual to possess these resources? In the first place, simply because he is going to need them. We never know when we are going to lose our external resources, our public possessions. Without private resources the individual has nothing to turn to when disappointment, frustration, or misfortune become his lot. In the great depression which is still vivid in our memories, there were many individuals who possessed only external resources. When they lost these, life was over for them. They could not go on living with themselves because of their intellectual, moral, emotional, and artistic poverty. He who possessed these resources, however, could exclaim with Thoreau: "Oh, how I laugh when I think of my vague, indefinite riches! No run on the bank can drain it, for my wealth is not possession but enjoyment."

Resources of the spirit are like savings: They must be accumulated before they are needed. When they are needed, there is no substitute for them. Sooner or later, the individual faces the world alone, and that moment may overwhelm him if he has no inner resources.

Distraction helps but little and betrays us when we least expect it. We can escape our physical environment and our neighbors, but we cannot escape ourselves. Everyone with any maturity of experience and self-knowledge knows that the loneliest moments are sometimes experienced in the midst of the greatest crowds and the most elaborate entertainments. "The man at war with himself is at war, though he sits in a garden surrounded by flowers and singing birds," says the novelist Cloete in *Congo Song*.

The Psychopathic Leader

And now, in conclusion, I wish again to pay my respects to the other half-truth, the improvement of others, which was so cavalierly dismissed in the beginning of this essay. That objective, together with the other objective, self-improvement, compose the whole truth, which is the grand objective of liberal education. Education for privacy and education for public service constitute education of the whole personality. He who is not educated for privacy is hardly fit to educate others. The blind cannot lead the blind. The man who is not at peace with himself cannot be trusted to lead his fellow men in the ways of peace.

The unbalanced leader is certain to unbalance the society in which he functions. Even the leader who is intent on the side of the good but who is a fanatic will stimulate fanaticism in his followers, arouse dogmatism and bigotry, and induce oppression and cruelty. When he is on the side of evil, he will lead his followers into such excesses and wickedness as will shame all humanity, and which even the innocent will wish to forget as soon as possible. Social pathology must in the last analysis be focused on the sickness of the individuals who compose the society. It is pure imagination, if not nonsense, to ascribe the ignorance, unbalance, and wickedness of a collection of human beings to a mysterious social entity such as the group mind or the social organism. We might as well divorce the concept of an epidemic from the notion of the individuals who are ill, or ascribe hunger to a societal stomach. People mislead one another exactly as they infect one another. The psychopathic leader is potentially as dangerous as the carrier of an infectious disease.

The Safe Leader

The safe leader, in terms of the elements of education for privacy, is one who understands his place in the world and can thus envisage the place of his fellow men; who can morally respect himself and can thus be respected by others; who has learned to control his emotions and can thus be trusted to exert control over others; who has learned to live in peace and contentment with himself and can thus with propriety urge others to do likewise.

We are living in a world and in a time when powerful leaders with millions of fanatical followers are committed to the forcible regimentation of their fellow men, according to formulas which have no initial authority but that of their own private dogmatism. They not only refuse to recognize the right of private thought and personal conscience to be considered in the management of public affairs, but they have abolished the concept of the individual as a private personality and have reduced him to the level of the bee in the hive. To restore the individual to his former dignity as a human being is the urgent need of the day. This, in my opinion, should be the special objective of contemporary education.

First Lead Yourself

But liberal education must so educate the individual that he is manifestly worthy of having his dignity recognized. If he wishes to lead his fellows, he must first learn to lead himself. Without education for privacy he will neither merit leadership nor learn to recognize it in others. He will strive in vain for happiness and success in private or public life until he has achieved understanding, goodness, serenity, and contentment within himself. That, according to my exegesis, is in this connection the meaning of the Biblical text: "For what is a man profited, if he shall gain the whole world, and lose his own soul?" It is surely what Thomas Hardy meant when he wrote:

> He who is with himself dissatisfied,
> Though all the world find satisfaction in him,
> Is like a rainbow-coloured bird gone blind,
> That gives delight it shares not.

TALKING TO OURSELVES

by Henry Grady Weaver

"BUT WHAT'S the use of talking to ourselves? What's the point of sending literature on free enterprise to people who are already sold on free enterprise? Is it not true that the real problem is one of reaching the masses—those who *really need* some sound ideas?"

So runs the argument whenever some useful enlightened statement is distributed among persons who favor individual freedom within a voluntary society and a free market economy. But when you stop and think about it, isn't the idea of educating the so-called masses a case of putting the cart before the horse?

We are too much inclined to attempt the impossible. Little if any thought is given to the one thing that we can effectively accomplish, namely, how to improve ourselves and our own thinking as *individuals*. The idea that we are not all-wise seldom seems to occur to us.

It is true, of course, that many of us are wise in our own narrow and highly specialized fields. But it does not necessarily follow that we are wise in the broad aspects of the economic system in which we practice our professions and operate our enterprises.

When you come right down to it, the very idea of "educating the masses" is inconsistent with the ideals of individual freedom to which we give lip service. Just who are "the masses"? Can the term be more appropriately applied to others than to ourselves?

We are all individuals differing in qualities and abilities, but we all share a basic human nature capable of self-development. If this is not true, then the ideal of personal freedom is a fanciful myth.

But the ideal of freedom is not a fanciful myth. It is thoroughly attainable in a practical way. And it will be more readily attainable if we quit regarding those we wish to convert as either masses or classes, and recognize the individual person as the fountainhead of good, of energy, of all that is creative.

Free competitive enterprise is something we have loudly acclaimed. We have praised it, however, not so much because we have understood it, or even because we have wanted to practice it, but more because it has seemed to be the opposite of dreaded socialism. But many of us who are not socialists unwittingly play into the hands of the socialists.

Only now and then, among all of us in America, do we find a skilled advocate of free competitive enterprise. Most of us are left speechless in a debate with a socialist, a radical labor leader, or any other ardent collectivist. *We sputter, but we do not explain.* We lose our arguments, and in the process we provide the opposition with a sounding board.

We cannot speak our subject well. Nor do we practice it any too well. And to be honest about it, we ourselves have inspired about as many anti-enterprise institutions as have our political opponents.

Not only is confession justified and good for our souls, but the meekness that it inspires will make us more willing to learn. For we can learn free competitive enterprise just as we have learned our individual trades and professions. We can master the principles of freedom better than our opponents have learned the jargon of their systems, for the very simple reason that *the principles of freedom are superior to anything that the collectivists are able to offer.*

One understanding man summed it up this way: "I'm not smart enough to run the personal affairs of the great masses of people. I've got enough to do just trying to improve myself as an individual citizen.

"If I work hard enough and long enough at that one job, then the time may come when two or three, or four or five, or maybe *even eight or ten persons* may voluntarily *seek* my counsel. Then and *only* then can it be truly said that I have earned a worth-while influence."

ROOTS OF ECONOMIC UNDERSTANDING

by F. A. Harper

THE GAME of economics in the United States is something like a ball game where the home team fails to score. The record shows a lack of economic understanding. Despite the abundance of material splendor parading before us in the show of ostentatious consumption, we seem to be losing most of our games in terms of economic principles.

The human weakness for watching false economic scoreboards reminds me of an astute observation by a man who was reviewing the state of affairs in the nation he governed. He said to a subordinate:

> It gives us also a special, secret pleasure to see how the people about us are unaware of what is really happening to them. They gaze fascinated at one or two familiar superficialities, such as possessions and income and rank and other outworn conceptions. As long as these are kept intact, they are quite satisfied. But in the meantime they have entered a new relation; a powerful social force has caught them up. They themselves are changed. What are ownership and income to that? Why need we trouble to socialize banks and factories? We socialize human beings.[1]

[1] For this and subsequent footnotes see page 189.

Was he right? Are people fooled that easily?

The man who made that statement apparently knew well the game of attaining personal power by playing on the weaknesses of human ignorance. He was Adolf Hitler, and he was speaking to Hermann Rauschning in 1934. The tragedy that befell the German people and later engulfed much of the rest of the world attests to the consequences of economic ignorance. It illustrates how the fruits of welfare will surely be lost when Mammon is worshipped to the exclusion of economic and moral principles. For Mammon—grasping for material welfare by any means—is a tricky idol. If given a dominant role, it will rule conduct to the exclusion of morals.

Early Economic Experiences

Economics has been defined as the dismal science, and most people avoid its study if possible. Yet it is something which touches the life of each of us, closely and continuously. In fact, we become so involved in economic affairs at so early an age that we come to take it for granted like the air we breathe and the ground we walk on.

One is reminded in this respect of the history of the development in other spheres of human interest. From the time human life began, air and ground were here more or less as they are now. Our distant ancestors took them for granted just as most people do economics. Not until the discovery of elements in chemistry and of laws of the physical universe did matter come to be thought of consciously and meaningfully. Only then did principles evolve that were worth studying. Only then did our physical environment come to have a useful meaning unknown to our earlier ancestors. Before that, chemicals were just something to stand on, swim in, or for filling one's lungs.

So it is with economics. We could go on, after a fashion, swimming around in economic ignorance as the cave man did with the chemicals. Or economics could be raised to the level of a science and comprehended in terms of cause and consequence. This would put meaning into our daily affairs and afford us the protection of understanding in our hazardous economic existence. From the dismal science for the few, economics could become the common knowledge of the many.

Though I am not now trying to outline the content of economics in detail it seems necessary to pinpoint to some extent what we mean by economic understanding. What is this thing we need to offer educationally? What is economics?

Economics Defined

The study of economics is the study of all matters pertaining to things that are desired but scarce, which exist for trade or can be produced. Those are the things we sometimes speak of as "economic goods and services." Those are the things which comprise economic activity in its entirety, which are being produced and owned and traded.

A thing must first be desired before it comes within the orbit of economics. You can't sell the measles, for instance. If it is to be economic, somebody must want it. Without want for it, nobody would work to produce it or sacrifice to buy it. And even if it already existed in nature—obtainable merely for the asking—without requiring any work to produce it, nobody would care enough to own it. Since nobody would care to own it, there would be no buying and selling of it—no exchange. No economics.

To be within the economic domain a thing must also be scarce. Otherwise, if one can have all he wants without turning his hand to get it, it is not worth even a scrap of paper to represent one's title to it even though people want it strongly. So without scarcity there will be neither ownership nor exchange of it at any price. The air we breathe as an essential to life, for instance, is not usually scarce enough to command a price.

So unless a thing is both desired and scarce, no bargain basement is low enough to attract any customers. But there is a third feature, too, that is required of things before they are economic. A thing may be both scarce and desired, yet not enter into these economic processes. Faith, dreams, and imagination often focus on things which are difficult to put in a form that can be traded. Heaven, for instance, is not listed for sale—as such—in the mail order catalogs.

So measles and fresh air and heaven are not generally for sale over the counters, yet the reasons for their absence differ. Each of them has certain qualities requisite to economic things—each is desired, or scarce, or producible and available for trade—but not every requisite is present. Lack of any one of the three keeps an item out of the economic arena of human affairs.

Even in infancy the child is a budding economist. We do not know precisely when he first ponders problems of value and distribution and the law of diminishing returns. Probably the age when this first appears varies widely from child to child. But I suspect there is economic consciousness in most of them at a very young age, and long before we as parents realize that it is there. Some child psychologists assert, for instance, that when the infant clings to his bottle of milk, he is asserting a rudimentary sense of economic perception—a consciousness of something which is desired by him and also scarce.

Self-Consciousness

I wonder, in fact, if an economic sense doesn't really arise before the infant treats his bottle of milk as something desired and scarce. I wonder if the beginnings of economic consciousness may not be at the time when the child first attains his vague sense of the self-conscious. For if we apply the economic test, self-consciousness itself seems to qualify as a matter of economic consciousness. Let me explain why I think so in terms of the three tests of economic affairs already listed.

Are you desired? You certainly are. You are desired by yourself to whatever extent you have any pride and conscience. And, in addition, you are desired by others—by your family and your friends—for both economic and other reasons.

Are you scarce? Exceedingly so. There is only one of you, and there can never be any more. In the sense of being reproducible by exact duplicate, you are as scarce as the Hope diamond.[2]

Are you exchangeable or capable of being traded? Yes. In our society, of course, we do not allow one person to own or to buy or sell another. But the person who owns himself as a free man may offer to serve another; he may offer his time and effort in exchange for a wage. Or, instead of offering his services for hire, a person may work for himself and offer for sale whatever he has produced.

So in making yourself available for trade in the form of little pieces of your time, your effort and your life, the third and final requirement that marks you as an item of economic concern has been fulfilled. You are not only desired and scarce, but you are capable of being traded as well. The difference between you and a bushel of wheat in this respect is that you own yourself and control your own sale whereas the wheat does not. And this difference has to do only with *how* you are involved in economic matters, not whether you are involved in them.

That is why it seems to me that the most elemental form of economic consciousness originates in the remote recesses of early life when one first becomes self-conscious. This must be at a very tender age. Psychologists tell us that the first vocal effusions of the baby, which keep his parents awake at night and disturb the peaceful quietude of the community, is in part an expression of self-consciousness as he loudly proclaims in his own way: "Here I am." From some such beginning, he will go on to increase in economic consciousness until finally it takes on quite tangible forms in his mind and life.

When a baby clings to his bottle of milk, he is evidencing a sense of possession more advanced than that of mere self-consciousness. He has then taken another important step in economic comprehension. Something specific other than himself has become desired and scarce. And only by realizing this is he ready to begin to act wisely from an economic standpoint.

The Possesssion of a Toy

This sense of worth as applied to overt economic objects appears in strange ways at first. The infant may scramble to retain possession of a toy. It may be only some old can or perhaps some crude block of wood that fell from father's carpentry. But he wants it. And in laboring to retain possession of something he deems to be his, he is acting like the farmer who will labor to protect a bushel of potatoes he has grown. Oldsters may ridicule his selection and scorn his judgment of value, but they should not scorn the child's growing sense of valuation because it is a necessary early step in this budding economist.

This new sense of possession should be nurtured while the infant is advancing in economic understanding beyond his earlier elemental sense of self-consciousness. If you quell it by economic diseducation, such as by grasping away from him things that are his to appease his squealing brother, you will in my opinion be preparing the little hopeful for blind devotion to communist-socialist doctrine—or perhaps to some other brand of Jekyll-Hydeism which will cause him to live in hopeless economic frustration.

A Sense of Exchange

Then, a little later in the child's life he comes to acquire a sense of exchange. This sense of exchange can come to him only after he has first acquired the sense of possession. Things to be exchanged must obviously first be had. They must first be possessed before they can be traded. So the sense of exchange follows the sense of possession—the private property concept.

As a child develops his desires, he expands from his bottle of milk or an old can or a block of wood toward caviar and fancy cars and yachts. His sense of possession expands, in other words, as his taste and desires expand. He also grows in strength and dexterity with which to get things in one way or another.

If this expanding urge to possess things, together with increasing strength and cunning to acquire them, is devoted exclusively to a sense of possession with no consideration for the rights of others, the young hopeful will become the lowest form of thief. Such a person will have acquired a sense of grasping but not a sense of exchange, because he lacks restraint. He will be bent on scheming to grasp everything he can, by any means whatsoever. He will devote himself to the theft of whatever strikes his fancy, which totally disqualifies him for participation in an exchange society. He is then a representative of the ultimate in economic illiteracy as well as the worst in moral turpitude. Such a person will have become a master at breaking the commandments, as one can see by thinking of them in the light of an unrestrained sense of possession.[3]

The Jesse Jameses? The Al Capones? The Dillingers? Did they have a sense of possession? Most assuredly they did. But they evidenced little sense of restraint. Theirs was an arrested sense of possession which turned them into moral corpses plying their trade of plunder. We would have to grade them low in economic understanding, because they had only the rudimentary disposition to possess things, without the sense of restraint which must underlie the idea of exchange.

Self-Restraint

The sense of restraint which the chronic thief lacks is founded in the right to own things—the right of ownership, of private property. There is far more to the sense of ownership than the mere disposition to possess things. This economic sense of rights to private property, which leads to restraint from theft, is clearly a moral concept in harmony with the eighth commandment, among others. You would not steal except as you covet what belongs to another—unless you refuse to recognize it as his private property.

Back of the belief in private property, in turn, lies the concept of personal freedom. You can have private property only as you are free—free to work, free to produce, free to keep whatever you have produced. Without freedom there could be no private property at all.

And so we have completed the economic circle of logic, beginning with a sense of self and ending in private property. The infant's sense of self-consciousness can be traced onward to private property rights and exchange—to freedom itself—as concepts which underlie and pervade both economics and morals.

Tests for Freedom

At the outset it was said that in the United States the scoreboard showed a serious lack of economic understanding. Why? These are tests that may be used:

1. To what extent is a person free to use his own life and time in whatever pursuits he may choose, so long as in doing so he does not trespass upon the same right of each and every other person?

2. To what extent is a person free to keep whatever he has produced with his own time and effort, and to use it or dispose of it in whatever way and whenever he wishes, so long as in its disposition he does not infringe upon the same rights of others?

It should be clear from these tests why I reject figures on national income per person, or the number of chickens in dinner pots, or the number of fancy cars on the road as valid evidence for the economic scoreboard. These are merely illusions of economic victory. They are pleasant fruits that grow best on a sound economic tree, to be sure; but the yield of those things may be high for a time after the tree has become infected with a mortal disease.

A Losing Game

By these tests the home team has been losing since the turn of the century. Less and less of a person's time is truly his own. Ever smaller is the portion he may use as he chooses, in ways that do not infringe upon the same rights of others. If you are an average person in the United States, for instance, you have to work from New Year's Day until late in April before you have satisfied the prior tax claims upon your productive effort—taxes that are taken from you by force and applied to uses of which you may or may not approve. Furthermore, your period of servitude probably is extended in that you pay tribute in one way or another to some nongovernmental persons or organizations in ways which a thoroughly free society would not countenance. Only thereafter, for the remainder of the year, are you free to work for yourself.

We are losing the economic game because a third of your income each year, if you are an average person, is taken from you in this manner. Some is taken direct from your employer, who takes it out of your pay before it ever gets into your hands. Some is taken in the form of a tax on manufacturers or distributors, and is part of the purchase price you pay for things you buy. Some is taken in the form of direct taxes, which are billed to you personally as an attachment on your income or your property. Some is taken from you posthumously as the hearse moves down the street, in the form of a bill sent to your widow and children. The third of your income taken from you in these ways is a greater proportion of the national income, mind you, than the amounts that were being taken in 1929-30 in countries which subsequently were overcome by the tragedy of authoritarian governments, in one degree or another:[4]

	Taxes as percentage of national income
USSR	29
Germany	22
France	21
United Kingdom	21

We are losing the economic game because we have increasingly adopted as the law of the land specific measures advocated by Karl Marx and his ideological successors as the means by which world communism could be established.[5]

We seem blind to these danger signals as we move about amidst so much material splendor, which is only possible because of past thrift and productive accumulations of individuals. We are blinded by economic and political ignorance in the manner Hitler explained so well to Hermann Rauschning in 1934. We are blinded by the confused intellectual leadership of "economists" who are trying to be politicians, while politicians are trying to be economists.

Lest we ignore or forget, here are a few passages from the record of history given us by Lactantius, the famous Roman professor of literature and philosophy, appointed to his chair by none other than Diocletian himself. Lactantius felt compelled to give us these facts, "lest the memory of events so important should perish, and lest any future historian of the [Roman] persecutors should corrupt the truth."

> Diocletian, an inventive criminal and a creator of evil, brought ruin to all and dared tamper even with the Divinity. In part because he was greedy, in part out of fear, he turned the whole world topsy-turvy. He brought three associates into his government, and divided up the Empire into four parts, with the result that armies were multiplied, for each of the four men tried to muster a far greater force than earlier emperors had had when they governed individually. More than that, tax collectors began to outnumber taxpayers, and, after exorbitant taxation sapped their initiative, farmers abandoned their farms and plowed fields grew up into woods. In a policy of terrorization the provinces were cut up into scraps, a multitude of governors and hordes of directors oppressed every region—almost every city; and to these were added countless collectors and secretaries and assistants to the directors. Judges seldom had civil cases before them: they tried (not frequently, but incessantly) condemnations, confiscations, and requisitions of every kind of property, and unbearable inequities in the imposition of taxes.
>
> Even the measures designed to provide salaries for the soldiers were beyond endurance. Diocletian's boundless greed would never allow his own treasury to be tapped, so he constantly piled on new taxes and contributions in order to keep

his personal hoard intact. When by his general mismanagement he caused stupendous inflation, he attempted to fix prices by law. Blood was shed over common, cheap articles, panic caused shortages in the market, and the net result was that the scarcity was worsened. . . .

He became a raving lunatic in his efforts to make Nicomedia the rival of imperial Rome. I shall not state here how many perished for the sake of their estates or their wealth (for this practice had become common and indeed practically legal), but he made a special point of it in that no matter where he saw a farm more carefully kept or a house more elegantly furnished than usual, he immediately brought charges against the owner and inflicted the death sentence—it seemed as if he could not steal his neighbor's property without also taking his life.[6]

Where To Begin

When can we begin to teach economics to the young? And how? Without attempting to go into that here, I might cite two incidents to suggest the solution as I see it:

In the eastern university where I taught years ago, our graduate seminar invited outside speakers. One day I invited a renowned economist, the editor of a learned journal. We had agreed that he would try to instill an enthusiasm for economic theory into those graduate students of an applied area of economics by giving us evidence as to its practical usefulness. My notes of his talk attest to the fact that few of these students grasped hardly a thing of what he said, except his self-demonstrated assertion that economic theory is a luxury which only the most advanced students can afford.

Then, one evening years later, while members of my family were sitting at dinner discussing something, a five-year-old boy asked, out of the clear and without any apparent connection with the discussion that had been going on: "Why do we have to pay for things?"

Well, there you have it. We are losing the game to economic ignorance year after year, while being lulled into complacency by watching false scoreboards and basking in false economic glories. Yet youngsters are itching to go out for economic spring practice, so to speak. What are we going to tell them? Are we going to say: "Wait fifteen or twenty years, Bud, and if you become an outstanding student, you may be ready to find out why we have to pay for things"? Or shall we train them in sound economic practices from the day they are born?

The Hour Is Late

It is later than we think, I fear, in this economic game. Fifteen or twenty years could bring economic and moral disaster beyond our worst fears. The records of history attest to this threat. My final admonition is that every aspiring leader review the records of history, especially as interpreted by such authorities as Liddell Hart on learning from history,[7] Lord Acton on the history of freedom,[8] Draper on the background for European culture,[9] Weaver on some high spots of history,[10] Mees on the helix of history,[11] Burckhardt on the ancient Grecian civilization and later comparisons,[12] and Hayek on more contemporary debacles from economic ignorance.[13] From these and other excellent sources one can come to see clearly what lies at the end of the road of economic ignorance on which we have been traveling here in the United States.

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2 Williams, Roger J. *Free and Unequal.* Austin, Texas: University of Texas Press, 1953.

3 Exodus 20.

4 Harper, F. A. *Liberty: A Path to Its Recovery.* Irvington-on-Hudson, N. Y.: Foundation for Economic Education, 1949. p. 110.

5 *Essays on Liberty,* Volumes I and II. Irvington-on-Hudson, N. Y.: Foundation for Economic Education, Inc., 1952 & 1954. "The Communist Idea," Vol. I, pp. 96-99; "To Communism via Majority Vote" by Ben Moreell, Vol. II, pp. 218-248.

6 Translated by Professor Casper J. Kraemer, Jr. from Lactantius' "On the Death of the Persecutors."

7 Liddell Hart, B. H. *Why Don't We Learn from History?* London: G. Allen & Unwin, Ltd., 1944.

8 Acton, J. E. E. D. *The History of Freedom and Other Essays.* London: Macmillan and Company, Ltd., 1907.

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11 Mees, C. E. K. *The Path of Science.* New York: John Wiley & Sons, Inc.; London: Chapman & Hall, Ltd., 1946.

12 Burckhardt, Jakob Christoph. *Force and Freedom.* New York: Pantheon Books, Inc., 1943.

13 Hayek, Friedrich August. *Road to Serfdom.* Chicago: University of Chicago Press, 1944.

FREEDOM IN TRANSACTIONS

by Frederic Bastiat
(1801-1850)

ON ENTERING Paris, which I had come to visit, I said to myself—Here are a million of human beings who would all die in a short time if provisions of every kind ceased to flow towards this great metropolis. Imagination is baffled when it tries to appreciate the vast multiplicity of commodities which must enter tomorrow through the barriers in order to preserve the inhabitants from falling a prey to the convulsions of famine, rebellion, and pillage. And yet all sleep at this moment, and their peaceful slumbers are not disturbed for a single instant by the prospect of such a frightful catastrophe. On the other hand, eighty departments have been laboring today, without concert, without any mutual understanding, for the provisioning of Paris. How does each succeeding day bring what is wanted, nothing more, nothing less, to so gigantic a market? What, then, is the ingenious and secret power which governs the astonishing regularity of movements so complicated, a regularity in which everybody has implicit faith, although happiness and life itself are at stake? That power is an absolute principle, the principle of freedom in transactions. We have faith in that inward light which Providence has placed in the heart of all men, and to which he has confided the preservation and indefinite amelioration of our species, namely, a regard to personal interest—since we must give it its right name—a principle so active, so vigilant, so foreseeing, when it is free in its action. In what situation, I would ask, would the inhabitants of Paris be if a minister should take it into his head to substitute for this power the combinations of his own genius, however superior we might suppose them to be—if he thought to subject to his supreme direction this prodigious mechanism, to hold the springs of it in his hands, to decide by whom, or in what manner, or on what conditions, everything needed should be produced, transported, exchanged, and consumed? Truly, there may be much suffering within the walls of Paris—poverty, despair, perhaps starvation, causing more tears to flow than ardent charity is able to dry up; but I affirm that it is probable, nay, that it is certain, that the arbitrary intervention of government would multiply infinitely those sufferings, and spread over all our fellow citizens those evils which at present affect only a small number of them.

ECONOMIC MYTHS OF EARLY CAPITALISM

by F. A. Hayek

THERE is one supreme myth which more than any other has served to discredit the economic system to which we owe our present-day civilization. It is the legend of the deterioration of the position of the working classes in consequence of the rise of "capitalism" (or of the "manufacturing" or the "industrial system").

Who has not heard of the "horrors of early capitalism" and gained the impression that the advent of this system brought untold new suffering to large classes who before were tolerably content and comfortable? We might justly hold in disrepute a system to which the blame attached that even for a time it worsened the position of the poorest and most numerous class of the population. The widespread emotional aversion to "capitalism" is closely connected with this belief that the undeniable growth of wealth which the competitive order has produced was purchased at the price of depressing the standard of life of the weakest elements of society.

That this was the case was at one time indeed widely taught by economic historians. A more careful examination of the facts has, however, led to a thorough refutation of this belief. Yet, a generation after the controversy has been decided, popular opinion still continues as though the older belief had been true.

False Interpretation

Discussions of the effects of the rise of modern industry on the working classes refer almost always to the conditions in England in the first half of the nineteenth century; yet the great change to which they refer had commenced much earlier, and by then had quite a long history and had spread far beyond England. The freedom of economic activity which in England had proved so favorable to the rapid growth of wealth was probably in the first instance an almost accidental by-product of the limitations which the revolution of the seventeenth century had placed on the powers of government; and only after its beneficial effects had come to be widely noticed did the economists later undertake to explain the connection and to argue for the removal of the remaining barriers to commercial freedom. In many ways it is misleading to speak of "capitalism" as though this had been a new and altogether different system which suddenly came into being toward the end of the eighteenth century; we use this term here because it is the most familiar name, but only with great reluctance, since with its modern connotations it is itself largely a creation of that socialist interpretation of economic history with which we are concerned. The term is especially misleading when, as is often the case, it is connected with the idea of the rise of the propertyless proletariat, which by some devious process have been deprived of their rightful ownership of the tools for their work.

Survival

The actual history of the connection between capitalism and the rise of the proletariat is almost the opposite of that which these theories of the expropriation of the masses suggest. The truth is that, for the greater part of history, for most men the possession of the tools for their work was an essential condition for survival or at least for being able to rear a family.

The number of those who could maintain themselves by working for others, although they did not themselves possess the necessary equipment, was limited to a small proportion of the population. The amount of arable land and of tools handed down from one generation to the next limited the total number who could survive. To be left without them meant in most instances death by starvation or at least the impossibility of procreation. There was little incentive and little possibility for one generation to accumulate the additional tools which would have made possible the survival of a larger number of the next, so long as the advantage of employing additional hands was limited mainly to the instances where the division of the tasks increased the efficiency of the work of the owner of the tools.

It was only when the larger gains from the employment of machinery provided both the means and the opportunity for their investment that what in the past had been a recurring surplus of population doomed to early death was in an increasing measure given the possibility of survival. Numbers which had been practically stationary for many centuries began to increase rapidly. The proletariat which capitalism can be said to have "created" was thus not a proportion of the population which would have existed without it and which it had degraded to a lower level; it was an additional population which was enabled to grow up by the new opportunities for employment which capitalism provided.

Rise of Modern Industry

Insofar as it is true that the growth of capital made the appearance of the proletariat possible, it was in the sense that it raised the productivity of labor, so that much larger numbers of those who had not been equipped by their parents with the necessary tools were enabled to maintain themselves by their labor alone; but the capital had to be supplied first before those were enabled to survive who afterward claimed as a right a share in its ownership.

Although it was certainly not from charitable motives, it still was the first time in history that one group of people found it in their interest to use their earnings on a large scale to provide new instruments of production to be operated by those who without them could not have produced their own sustenance.

Of the effect of the rise of modern industry on the growth of population, statistics tell a vivid tale. That this in itself largely contradicts the common belief about the harmful effect of the rise of the factory system on the large masses is not the point with which we are at present concerned. Nor need we more than mention the fact that, so long as this increase of the numbers of those whose output reached a certain level brought forward a fully corresponding increase in population, the level of the poorest fringe could not be substantially improved, however much the average might rise. The point of immediate relevance is that this increase of population and particularly of the manufacturing population had proceeded in England at least for two or three generations before the period of which it is alleged that the position of the workers seriously deteriorated.

The period to which this refers is also the period when the problem of the position of the working class became for the first time one of general concern. And the opinions of some of the contemporaries are indeed the main source of the present beliefs. Our first question must therefore be how it came about that such an impression contrary to the facts should have become widely held among the people then living.

Social Conscience

One of the chief reasons was evidently an increasing awareness of facts which before had passed unnoticed. The very increase of wealth and well-being which had been achieved raised standards and aspirations. What for ages seemed a natural and inevitable situation, or even as an improvement upon the past, came to be regarded as incongruous with the opportunities which the new age appeared to offer. Economic suffering both became conspicuous and seemed less justified because general wealth was increasing faster than ever before. But this, of course, does not prove that the people whose fate was beginning to cause indignation and alarm were worse off than their parents or grandparents had been. While there is every evidence that great misery existed, there is none that it was greater than or even as great as it had been before.

The aggregations of large numbers of cheap houses of industrial workers were probably more ugly than the picturesque cottages in which some of the agricultural laborers or domestic workers had lived; and they were certainly more alarming to the landowner or to the city patrician than the poor dispersed over the country had been. But for those who had moved from country to town it meant an improvement; and even though the rapid growth of the industrial centers created sanitary problems with which people had yet slowly and painfully to learn to cope, statistics leave little doubt that even general health was on the whole benefited rather than harmed.

More important, however, for the explanation of the change from an optimistic to a pessimistic view of the effects of industrialization than this awakening of social conscience was probably the fact that this change of opinion appears to have commenced, not in the manufacturing districts which had firsthand knowledge of what was happening, but in the political discussion of the English metropolis which was somewhat remote from, and had little part in, the new development.

It is evident that the belief about the "horrible" conditions prevailing among the manufacturing populations of the Midlands and the north of England was in the 1830's and 1840's widely held among the upper classes of London and the south. It was one of the main arguments with which the landowning class hit back at the manufacturers to counter the agitation of the latter against the Corn Laws and for free trade. And it was from these arguments of the conservative press that the radical intelligentsia of the time, with little firsthand knowledge of the industrial districts, derived their views which were to become the standard weapons of political propaganda.

Labor Displacement Fallacy

It may seem obvious that the introduction of machinery will produce a general reduction of the demand for labor. But persistent effort to think the problem through shows that this belief is the result of a logical fallacy, of stressing one effect of the assumed change and leaving out others. Nor do the facts give any support to the belief. Yet anyone who thinks it to be true is very likely to find what seems to him confirming evidence. It is easy enough to find the early nineteenth century instances of extreme poverty and to draw the conclusion that this must have been the effect of the introduction of machinery, without asking whether conditions had been any better or perhaps even worse before. Or one may believe that an increase of production must lead to the impossibility of selling all the product; and when one then finds a stagnation of sales, regard this as a confirmation of the expectations, although there are several more plausible explanations than general "overproduction" or "underconsumption."

There can be no doubt that many of these misrepresentations were put forward in good faith; and there is no reason why we should not respect the motives of some of those who, to arouse public conscience, painted the misery of the poor in the blackest colors. We owe to agitation of this kind, which forced unwilling eyes to face unpleasant facts, some of the finest and most generous acts of public policy—from the abolition of slavery to the removal of taxes on imported food and the destruction of many intrenched monopolies and abuses. And there is every reason to remember how miserable the majority of the people still were as recently as a hundred or a hundred and fifty years ago.

But we must not, long after the event, allow a distortion of the facts, even if committed out of humanitarian zeal, to affect our view of what we owe to a system which for the first time in history made people feel that this misery might be avoidable. The very claims and ambitions of the working classes were and are the result of the enormous improvement of their position which capitalism brought about.

SELF-INTEREST: VICE OR VIRTUE?

by Leonard E. Read

SELFISHNESS, as far as I can discern, exists in one of us about as much as in another. The difference in persons is not so much a difference in selfishness as it is a difference in their interpretation of what really constitutes self-interest.

The pickpocket may have little to distinguish him from an honest worker when it comes to promoting his own interests. But the pickpocket is so lacking in intelligence that he foolishly thinks his self-interest is best served by methods which bring him small returns at great risk and eventual destruction.

The honest worker is intelligent enough to see that his self-interest is best served when he does not do to others what he would not have them do to him. No one can condemn this.

The thing to condemn, it seems to me, is ignorance, not self-interest. The end to seek is enlightenment of ourselves, not the promotion of altruism or selflessness in others. Imagine a world populated with selfless persons!

Self-interest is too often considered a vice. Actually it is a virtue. It is the great motivating and economizing force in human activity. It directs our energies toward promoting and conserving those interests which we can know best and serve best. It prevents waste of resources which would otherwise result from trying to deal with problems and interests beyond our scope. Given a limited government, confined to suppressing fraud, violence, and predatory practices, self-interest serves useful social and economic purposes.

THE TALE OF A SHIRT

by W. M. Curtiss

THIS is the story of a shirt. Joe Evans, the proprietor of a clothing store in Middletown, U.S.A., has it; John Jones, a townsman, wants it.

"Good morning, Mr. Jones."

"Hello, Joe. What have you got in shirts?"

"What kind did you have in mind?"

"Oh, something to wear around—nothing expensive."

"Here's something that might be just what you're looking for."

"That looks O.K. How much is it, Joe?"

"This one's $3.00, Mr. Jones."

"That's pretty steep, isn't it?"

"Well, shirts have gone up like everything else. We sold this same shirt before the war for $1.25."

"It looks to me like someone must be making a terrific profit in the shirt business. After all, Joe, you know there isn't much cotton goes into a shirt. And as I get the story, the farmer doesn't get anywhere near $3.00 for the cotton in that shirt."

"You're right, Mr. Jones. I think you might be interested in a story I picked up the other day from a little booklet one of our shirt manufacturers sent us. It gave a breakdown of all the costs that make up the price of a $3.00 shirt."

"Can you believe the figures? Maybe the manufacturer was just trying to justify the high prices he was charging."

"They are all government figures. Now the farmer, Andy Johnson, has a little cotton farm in Texas. He owns his farm, which includes a house for his family, a barn and a shed for his machinery. He also has a couple of tenant houses for the folks who help him take care of his cotton.

"In the spring he has to get his land ready; then he plants the cotton, and during the summer he has to cultivate it to keep down the weeds. When harvest time comes, he and his family and all the hired help turn out to pick the cotton by hand."

"O.K., Joe, but it didn't take much of that cotton for this $3.00 shirt. How much of the $3.00 did Andy Johnson get?"

"Actually, Mr. Jones, Johnson got 22.5 cents for the cotton that went into the shirt. Now you can see that most of the 22.5 cents was for labor—his own, labor of his family, and his hired help. The figures showed that 16.8 cents of the 22.5 cents he got was for labor; the rest, 5.7 cents, was for the use of his land and buildings and his equipment. You might say that the 5.7 cents was pay for the capital he had invested in his business. Of course, cotton farming, like most other kinds of farming, is a risky business. There's always the chance of poor weather and a crop failure. Then there's the risk that when Johnson gets his crop ready to market, the price of cotton may have dropped and he will have to sell at a loss. I suppose you might figure that part of that 5.7 cents is pay for the risk he takes. In good years he may make a little extra to offset the bad ones."

"Well, Joe, that 22.5 cents looks reasonable enough and it's easy to see that most of it is for labor. But you're still a long way from the $3.00 that I am asked to pay for the shirt."

"Let's follow this cotton along."

Through the Cotton Gin

"The next fellow to handle the cotton was Walter Brown. Walter operates a cotton gin. He takes the cotton as it comes from the farmer and cleans it. Then he puts it through the gin which separates the cotton seed from the cotton fibers and then packs the fibers into bales of about 500 pounds each."

"How much of the $3.00 does Brown get for his job of ginning?"

"He gets 2.1 cents, but of course he's set up to handle a lot of cotton, and it doesn't cost much to handle the small amount required for a shirt. Again most of the 2.1 cents goes to the labor which Walter Brown supplies, and a little is pay for the use of his machinery, equipment, and buildings."

"What happens to it after the ginner gets through with it, Joe?"

"The next step takes the cotton from the ginner to the mills, and some important things happen in between. For want of a better name, let's call the next handler the merchandiser, Albert Hunt. He's a fairly large operator and assembles cotton from many gins in sufficient quantity to have something to offer to the mill operators. Mr. Hunt has a powerful cotton press that compresses the bales as he receives them into smaller bales—still weighing about 500 pounds, though. He does a lot of other things to the cotton. He takes samples of his cotton and grades them, so that he can sell it to the mills on specifications. Then, too, he stores the cotton in his warehouse until the mills are ready for it. Naturally, he has to pay insurance on it and finance it while it's in storage."

"Well, Joe, what does Hunt get out of the $3.00 for all these services?"

"Out of the $3.00 the merchandiser gets just 6.3 cents. Most of this is for the labor of handling and sampling the cotton and moving it in and out of warehouses. Some of it, though, has to pay for Hunt's machinery, for his warehouses, and for the money he has tied up in the storage of the cotton until the mills want it."

"I suppose the mills get it next. We haven't used up much of the $3.00 yet."

"Right. The Apex Company gets the cotton from Mr. Hunt. The first thing they do is to card and comb out the cotton fibers. Then they put these fibers through a machine that spins them into cotton yarn. The yarn is then knitted or woven into cloth."

"What part of the $3.00 do they get?"

"They get 31.5 cents for their job of spinning and weaving. It is estimated that 26.7 cents of the 31.5 cents is for labor in their plant and 4.8 cents is pay for the use of their extensive plant and machinery."

"Now, I suppose, we're ready to put the shirt together."

"No, not yet. There's one more process we haven't covered. The cloth must be bleached or dyed or printed. That is the job of the Unicorn Corporation. Then they put up the cloth in finished bolts ready for manufacture. The Unicorn Corporation gets 25.5 cents of the $3.00 for their work on the cloth, and a small part of the 25.5 cents is for the use of their machinery and equipment; again, most of it is for labor in the plant."

"So far, Joe, we've taken the shirt through five different processes and if I've added correctly, we've accounted for less than 90 cents of the $3.00 and we're all ready to manufacture the shirt. Is that right?"

"Yes, Mr. Jones. The Quality Shirt Company takes the bleached, dyed, or printed cloth and makes it into shirts. The process includes cutting, assembling, and finishing, as well as the addition of buttons and thread which is also cotton. For its job, the Quality Company gets about 90 cents of the final $3.00. Approximately 76 cents of this is for labor in the plant and 14 cents is pay for the plant capital."

Distribution Services

"Now that the shirt is made, I'd think that it's about ready for the customer; but I see we've used only about $1.80 of the $3.00 he pays for it. How come, Joe?"

"Well, Mr. Jones, the rest of it is in the field of distribution and that's getting close to the job I know something about. I believe many people overlook the importance of that part of it. It includes services we can't very well do without in our complex economy. Let's see what it costs.

"First, there's the wholesaler who takes the shirts from the manufacturer to the retail store. The wholesaler must assemble and warehouse shirts from many different manufacturers. He also stores them until the retail trade is ready for them. Of course, there's transportation every step of the way for this shirt. For all these services, the wholesaler gets 24.6 cents of the final $3.00 paid by the buyer.

"Now comes the last job in getting the shirt from the farmer to you, Mr. Jones. That's retailing—the job we do right here in the store. That may seem like a simple job to you, but actually it's a bit complex. We must try to anticipate our customers' demands and plan our business in advance. We must stock a few of many different sizes and kinds of shirts. We must display them in an attractive way. We have an advertising bill, too. We must hire salesmen to sell them. We often sell on credit terms. Every retailer makes mistakes and finds he has to sacrifice some of his merchandise at reduced prices, sometimes at a loss.

"For all these services, we get 98 cents out of the $3.00 you pay for the shirt. You may think this is too much. Apparently other people have thought so, too, and have tried to do it for less. You probably recall several up and down the street who have tried it and have gone broke. There's tremendous competition in the retail business and I believe you would find that if 98 cents is too much, competition would soon force it down."

"Well, Joe, the way you put it seems reasonable enough to me. It looks to me like competition all along the line would tend to keep the prices reasonable. Now that we see what the $3.00 was used for, why can't we add all the costs together?"

High Labor Costs

"We can, and when we do, we find that Andy Johnson the farmer, Walter Brown the ginner, Albert Hunt the merchandiser, the Apex Company, the Unicorn Corporation, the Quality Shirt Company, the wholesaler, and our own retail store here—all of us got a part of the $3.00. The amount spent for labor was about $2.52 of the $3.00 and the balance, 48 cents, was pay for tools, machinery, land, buildings, financing, and even a little for risk all along the line."

"It's really amazing to me that workers along the line get that much of the $3.00. If my arithmetic is correct, they get 84 per cent of the amount the customer pays and the 16 per cent left over goes for the tools which the workers use. Isn't that what is commonly referred to as capital?"

"That's right, Mr. Jones."

"What you say is probably true for shirts, but how about automobiles, refrigerators, food, houses, and all the other things we consumers have to buy? Is the final dollar which the buyer pays divided between the worker and his tools in the same way?"

"No, Mr. Jones, not exactly the same way. But the booklet I told you about gave a similar breakdown for all manufacturing combined. For the five years before the war, out of each dollar of income contributed by all manufacturing in the United States, 85 cents went to workers for their labor, and 15 cents was pay for the tools which workers used."

"Then the shirt business looks just about like all manufacturing, Joe?"

"That's right, Mr. Jones, and similar figures for all corporations in the United States tell about the same story. Even if you consider the entire nation's business, 82 per cent of the income was for labor and 18 per cent for the tools which workers use."

"Well, Joe, I must confess I've picked up some new ideas from your story. I always figured that labor got less than half of the value of a product sold and that the rest was profit to middlemen and manufacturers. When you put it on the basis of providing tools of the workers, it throws a new light on it. Actually, these tools must be pretty important, aren't they?"

"You're right, Mr. Jones, they are important. It is no accident that American workers can earn a pair of shoes with seven hours of work compared with 104 hours required by an average Russian worker. I've seen estimates that the value of tools which workers have at their disposal in this country averages around $10,000 per worker. No wonder he's so productive."

"But where do these tools come from, Joe?"

"They are made possible by savings. A great many people in this country save a little of the income they get for their work and invest it in tools which make the workers more productive. People will not save their money for future use instead of spending it when they get it, unless they are paid something for it. This payment is like interest or dividends, and much of the 15 cents for tools we were talking about is in the form of pay for savings, or interest and dividends."

"All right, Joe, wrap it up."

[*Joe made no mention of the taxes that help boost the price of the shirt to three dollars. But that's another story.* EDITOR]

MORE THAN THE TRAFFIC WILL BEAR

by Paul L. Poirot

THE Communist Manifesto of more than a hundred years ago accused capitalists of "charging all the traffic will bear," and called for government ownership and control of industry as a corrective for the alleged evil. But the more that socialistic cure has been applied through the years—the more the government has interfered in the market place—the more embarrassing is the result. Instead of a free market price, which is all the traffic will bear, the regulated price invariably proves to be *more than the traffic will bear.*

Consider these recent examples:

• Back in 1950, an arbitration award set up a pension plan between the American Federation of Hosiery Workers and the Full Fashioned Hosiery Manufacturers. In addition to paying the market rate of wages, the manufacturers were to put an extra four per cent of payrolls into a pension fund for union members. This proved to be more than the manufacturers could bear, and union officials have agreed to let them drop the pension plan.

• Early in 1954, United Mine Worker beneficiaries of the Anthracite Health and Welfare Fund were advised of the necessity of a 50 per cent cut in future pension and death benefits. This attempt to charge more than the traffic would bear also backfired. The royalties for the pension fund, on top of regular wages, weakened the capacity of the anthracite industry to meet competition from other fuels.

• United Auto Workers employees of the Studebaker Corporation were obliged to vote themselves a 14 per cent pay cut because the high wages won in earlier "bargaining" proved to be more than the traffic would bear.

• When the traffic decided not to bear the high prices of coffee, the late Brazilian government revised the exchange control barriers it had thrown between the coffee producer and the coffee consumer.

• The traffic would not bear the government's price for butter, the result being an unmanageable stockpile of "the original spread," and a growing consumer demand for a very fine substitute.

In each of the foregoing attempts at monopoly pricing, the power of the government had been enlisted to compel compliance. But even the strongest government cannot permanently thwart the working of the law of supply and demand; the traffic will not bear it.

The Part Government Played

Many persons do not recognize that the government is involved in every attempted monopoly. They might contend that the government played no part in the three "labor" cases cited—that the Hosiery Workers, the Mine Workers, and the Auto Workers respectively made their own deals. But each deal, in the final analysis, hinged upon the power to control a particular segment of the so-called labor market. In each instance, the union relied upon political force to keep other workers from competing for certain employment opportunities. Each counted upon the power of government to sustain its monopoly position, but the traffic would not bear it.

In the recent coffee situation, it was a foreign government which tried to charge more than the traffic would bear. The government of the United States collaborated through the extension of credit to the Brazilian government, but together they failed.

The nature of the governmental intervention in behalf of farmers is fairly well understood by the American people, as the full weight of the resultant tax burden begins to crush. That effort to charge more than the traffic will bear must fail as surely as any other political attempt to force customers into a corner and keep them there.

To trade is to exchange one item for another, as butter for coal. Each party to any trade is both a buyer and a seller, and a person must be satisfied in that dual capacity before he will trade voluntarily. If the seller of butter is satisfied as a buyer of coal, and the seller of coal is satisfied as a buyer of butter, there is a basis for free trade to their mutual advantage. When one considers all potential buyers and sellers of butter and coal and all other items of commerce, the maximum of trade in any society occurs at the unrestricted free market price, *which always reflects all that the traffic will bear.*

When the government intervenes to force a change from the free market price, the theory is that one of the parties to the trade will gain at the new price. The idea usually is to help the underdog, whether it be the poor consumer and his family, or the poor farmer, or the poor infant industry, or the poor employee, or the poor Defense Department of the government, or whatever. But the theory is false. It still takes two to make a trade. To arbitrarily change a price for the benefit of one party to the bargain necessarily means a change to the other party's disadvantage. And it is always that forgotten *other party* who will not bear the attempted charge. If the government raises the price of butter above its free market level, the owner of coal will not voluntarily trade as much as before. He doesn't want less butter for more coal. So, instead of helping the presumed underdog, the government intervention only drives from the market some of the chances for the underdog to get what he wants through trade.

If it can be proven that trade is harmful, there may be a valid case for socialism. For there can be no doubt that government intervention discourages trade. It is true that in a free market, every seller tries to charge all the traffic will bear. But any compulsory change from the free market price, whether upward or downward for a particular product, is bound to be a change in the opposite direction for something else. Without exception, when change is attempted by socialistic means, the result is more than the traffic will bear!

IN DEFENSE OF THE INDIVIDUAL

by Edmund A. Opitz

THE author, for nine years a parish minister, formerly directed the conference program for Spiritual Mobilization, and in that capacity held a number of two-day seminars for clergymen and laymen designed to promote a better understanding of the libertarian philosophy. Similar questions recurred at many of these conferences, and experience suggested ways of clearing up certain persistent misunderstandings. The following dialogue is a reconstruction of many conversations.

A: From what I have heard of your philosophy, it represents a position of extreme individualism. I disagree with that position; I doubt that the individual has any right to ignore society or other people. I take my stand with the injunction of the Apostle Paul in his letter to the Ephesians, "We are members one of another."

B: I will try to tell you something of our position, and then you can decide whether it represents what you would label "extreme individualism." A word like individualism is not easy to define. It is, in fact, another of those turncoat words whose meaning has become completely inverted. You seem to speak of individualism as a doctrine which presses a man to ignore society. Is that your understanding?

A: That is approximately correct. An individualist is one who insists upon living his own life in his own way; he feels no obligation to help another person, and he tells the rest of the world to go hang.

B: You have laid several ideas on the table as descriptive of the individualist or individualism. I am not sure that they are consistent with one another. Taking them in order, you mentioned first the right to ignore society or other people.

A: Isn't that part of the creed of individualism?

B: It is part of the creed of all free men! It is conceivable, but certainly most uncommon, for a man to want to withdraw from human-kind and live by himself. In the history of Christianity there are several familiar examples, from the eremites of the Egyptian desert to what might be called communities of solitaries like the modern Carthusians. And there are occasional secular hermits who take themselves off to the woods for private reasons difficult for the rest of us to fathom. If you declare that a man does not have a right to do this—that he has no right to ignore society—then you must believe that those of us who constitute society have a right to use coercion on this reluctant individual to force him to stay. Do you believe that a person who wants to choose other company than ours, as in the case of Thoreau at Walden, should be treated like a soldier A.W.O.L., pursued, brought back in irons, locked up, tried for his defection?

A: No, I didn't mean quite that.

B: But if a man doesn't have a right to ignore society, the ineluctable corollary is that society must enforce its right to frustrate any effort on his part to ignore society.

A: My words were not well chosen. I certainly don't want to be in the position of comparing society to an army in which men are to be held by force if they have a desire to withdraw. I would aim to encourage men to recognize their obligations to other men.

At the Other Fellow's Expense

B: Well, that is quite a different matter. Using coercion to force a man to associate with people raises problems of one kind; using persuasion to help a person perceive his obligations to other people raises issues of another kind. Even when using persuasion one ought not invade another's privacy, but rather ought to respect every man's right to choose his friends, his church, his club, the persons he will admit into his home, the people he will permit to use his machines and premises if he owns a factory, the teachers he selects to educate his children, the doctor he selects when he is ill, and so on. A man is entitled to live the life of his own choosing in accord with his own will and conscience. But he has no right to live at the expense of any other person.

A: That is about what I had in mind; individualism is the doctrine that some men have a right, if it suits their purposes, to live at the expense of others.

B: If that is the common understanding of individualism today, then the word, like liberalism, has undergone a complete change. Individualism once meant the philosophy that each person, regardless of race, creed, or education, has the right to follow the promptings of his own conscience provided only that he allows every other person this same right. This is close to the second definition you offered, "An individualist is one who insists upon living his own life in his own way." But that definition leaves off the important proviso that all other persons be granted the same right.

A: That qualifying clause throws a different light on the matter.

B: Indeed it does. We honor men who have chosen to obey the dictates of their conscience rather than the customary ways of their contemporaries, when they were forced to choose one or the other. To quote St. Peter's words, "We ought to obey God rather than men." Martin Luther said, "No man can command my conscience." When a man is led to conclude that the promptings of his conscience are a closer approximation to the voice of God than the moral maxims of his fellows, then most of us would agree that he ought to follow his own conscience; and this means living his own life in his own way.

But this is completely dissociated from the rest of your definition. A man may both live his own life and feel a strong obligation to help other people. Not only do some men feel these as compatible obligations, but also they feel them as the same obligation having two phases.

A: Perhaps individualism is the wrong label for what I have in mind. As you define it, the philosophy of individualism doesn't sound bad. I like the idea of every man following his own conscience provided he allows every other man the same right. But even this does not seem to stress sufficiently the social aspect of the person. I think that people fulfill themselves in society, and that you, with your stress on limited government and your analysis of political action, fail to stress the importance of social life.

Importance of Social Life

B: If we do fail to *stress* the importance of social life, it is not because we fail to *recognize* the importance of social life. The limitation of government is not an end in itself; it is the means to an end, and the end is the enrichment of the personal and social life of people. Limiting the scope of government extends the scope of society and enlarges the sphere of creative activity. You remarked that persons find fulfillment in society, and I think your observation a true one. Even those who choose in maturity to be hermits take with them into their solitude the social heritage that has rubbed off on them from their family and community. Society is the seedbed of persons; the person emerges from society as its fulfillment and perfection. Society, then, is a means; the person is the end.

A: You seem to imply that if human beings would only limit government, then the automatic result would be a civilized society with supermen emerging from it. I exaggerate a bit, but would you clarify for me?

B: Limit government among the Andaman Islanders and you won't produce a Dante, a Bach or a saint, not in the present generation, at any rate. What the future holds, no man can say. The quality of personal and social skills which people are able to bring to an association determines the level which individual and social living can reach. The mere limiting of government does not produce skills out of a vacuum immediately. But whatever the potential in people, they will do better with what they have if artificial impediments are not put in their way.

Even among people like ourselves of the West, with a rich social heritage and a comparatively high level of civilization, there is no escalator carrying us to heights of personal fulfillment. In religious literature, what is called redemption, salvation, or being born again is not an automatic accomplishment; it is something that requires unremitting effort on the part of the individual.

These are matters of primary concern for churchmen and religionists, and some of them are handling these matters very competently. Also, in our time, psychologists are concerning themselves with personal and social problems that pertain to this area. But in spite of the expert ministrations of these people we observe antisocial behavior on the increase, together with widespread social dislocations. Surely one way to reverse this trend is through improved understanding of a philosophy which would keep government, that is, legal violence or threat of violence, limited to its proper function. It is the intrusion of legal violence into areas of society where government has no place which has already blighted some of our social skills and placed arbitrary restraints on others.

A: Before we go further, I should like to have you say something about the earmarks of a properly limited government. What are the minimum functions of government in your view?

B: I can give you an answer in a few words: Government is society's agent of coercion, and its proper function is to defend each person's life, his liberty, and his property. I believe this brief answer is accurate; but the understanding of it, like the understanding of a chemical formula, requires a bit of doing. This answer and your question have innumerable implications, and the exploration of these implications is what true political theory is all about.

Government for Defense

A: I can see that there would be a number of implications, but I don't want to wander too far afield from the interest that prompted this particular conversation. You will recall that I was bothered by what I regard as your extreme individualism. I may have to amend that somewhat because you seem to share a concern for the enrichment of life in society, or social life as I like to call it. But in what you have just said about government, it seems to me that you have a completely nonsocial conception of government. You would limit government to the defense of the individual; I don't see why government cannot be used in a positive way to accomplish social goals. I was much impressed by what a certain theologian said on this score. He said that the Christian should rejoice "that by the mechanism of government he can feed the hungry, clothe the naked, and love his brethren in practical ways." That seems to me like the practical application of Christianity to the social order.

B: I am not sure how Christian that idea is, nor how practical either, for that matter. No one can exercise another's personal responsibility for him; and it is difficult to twist Jesus' words, "Inasmuch as ye did it unto the least of these, my brethren, ye did it unto me," into the idea that men should erect an elaborate political mechanism to absolve themselves from the obligation that rests on each man to love his neighbor. As to the practicality of the idea that government can guarantee security by promising a minimum of food, clothing, and shelter—consider the fact that government on its own has no food, clothing, or shelter to dispense. Government cannot give anything to anyone without first depriving someone else of what is rightfully his.

A: The particular passage you cite from the Gospels seems to stress personal responsibility, and you could undoubtedly find many other texts which reinforce that idea. But, after all, Paul was closer to the picture than we are, and he said, "We are members one of another."

B: Do you regard this observation of Paul as a general truth about mankind, or did it apply specifically to the early churches? It is certainly true that these early Christian communities were bound together by a common loyalty to Christ.

A: I think the observation, "We are members one of another," applied to the early church; but it also contains a larger truth. It has an application to the general condition of all mankind.

Our Individuality

B: I too think that this observation applies to the human situation. Men do have a genuinely social aspect. But men also have two other aspects: the personal and the antisocial. There are certain aspects about each one of us that are undeniably individual. No one can assimilate our food for us, or circulate our blood. No one can think, or will, or believe for us. In each of us is a private self, an individual soul. One of the great practitioners of the inner life has told us, "To mount to God is to enter into oneself. For he who so mounts and enters and goes beyond himself, he truly mounts up to God." There are certain things that no one can do for us but ourselves. But we are not encapsulated monads which develop in a shell insulated from social contacts. We are born into a family and a community. An immense social heritage is put at our disposal—a storehouse into which has been distilled the contributions of an enormous number of individual men and women, some famous and some nameless. Knowledge, wisdom, skills, and some of the very thought-forms by which we may avail ourselves of this treasure are handed down to us. The problem here is not analogous to rationing a given quantity of goods to a certain number of people; it is analogous to keeping a conduit open so that the spiritual accumulations of previous generations can flow unimpeded, to be enriched through understanding and application by this generation and passed on to those to come. Diminution of political liberty is comparable to the silting up of the conduit; freedom is the removal of obstructions to the flow of energy.

And we are social creatures in another respect. Other people are the most marvelous things in creation; we associate with them for our delight, for our instruction, for our entertainment, for our pleasure. Our minds are kindled by the minds of our friends, and we in turn kindle their minds and the minds of men we do not know. We take heart when others encourage us, and we are depressed by their censure. Even though we are sufficiently individual to go it alone if our conscience demands it, nevertheless it is our nature to want to link arms in fellowship and friendship. There is nothing in mathematics to express the difference between one lonely individual—and two persons yoked together by a common loyalty. G. K. Chesterton has expressed this point well. Writing of one of his characters he said, "Through all his ordeal his root horror had been isolation, and there are no words to express the abyss between isolation and having one ally. It may be conceded to the mathematicians that four is twice two. But two is not twice one; two is two thousand times one."

The picture is not complete, however, if we mention only the private and the social aspects of personality. Each of us has an antisocial streak which most of us can curb most of the time. The devilish thing is that some expressions of our antisocial nature have always enjoyed social approval and still do! One facet of our antisocial nature is our urge to gain a politically privileged position for ourselves at the expense of others, and then to cloak this in impressive legal forms and bolster it with religion, custom, and tradition. There is a tendency in each of us to economize our energy, to satisfy our needs and desires with a minimum of effort. This means, all too often, that we satisfy our needs and desires as parasites on the rest of society. So strong is this tendency that it corrupts and perverts even our noblest ideals.

We embrace the idea of freedom, and twist it to mean the freedom of some to exploit others. We give lip service to the idea of equality, and act as if some men were more equal than others. We speak favorably of justice, and then write injustice into law. We embrace a religion which says that no man is beyond the reach of God's love and power, and then institutionalize it to prove that we are close enough to God so that we can play God for those who are further away.

This may seem like a sermon far removed from a consideration of the nature of the mechanism of government. But as Irving Babbitt has pointed out, "The political problem (will run) into the philosophical problem, and the philosophical problem itself (will) be almost indissolubly bound up at last with the religious problem." We have to come to some understanding of what man is before we can grapple with the question of the place the political agency, government, should occupy in his affairs.

We are social; we *are* members one of another. If this be so, it follows that we don't have to be coerced into being social.

A: I can follow you there; we don't have to be forced to be what we are anyway.

A Collectivistic Premise

B: But a short while back you were advocating that government be used in a positive way to accomplish social goals. This rests upon a premise that man is not social, that he would not accomplish social goals without the coercive interventions of government to force him through his paces. In fact, the premise of every variety of collectivism, whether it be socialism, communism, welfare statism, or the Social Gospel, is that man's nature deters him from social performance unless violence or the threat of violence, cloaked in legality, be used on him.

The premise is that man is asocial or even antisocial, and that he must be nagged and dragooned into acting socially.

I would concede that freedom won't usher in utopia, because man's social achievements are limited by his nature. He is a sinner, and he is always tempted to deny his finiteness in the effort to rule over the lives of other people. But, I might ask, if we are members one of another, how can some members arrogate to themselves the prerogative of riding herd on other members?

A: For the moment, at least, until I have time to think up some arguments I can see some defects in the idea that government is the proper agency to use for the accomplishment of social ends. But what, then, is the proper role of government?

B: If men are naturally social as well as individual, their ingenuity and creative energies will lead them into forms of association where they hope to find joy and fulfillment —as well as into those associations which enable them to satisfy their creaturely needs, peaceably, by the smallest expenditure of energy. Government is the social apparatus of coercion. It is basically the agency to which we provisionally grant the right to use coercion on members of society under specified conditions.

A Place for Coercion

A: If by coercion you mean actual physical violence or the threat of violence, do you admit the need of a social agency with the right to use coercion?

B: The answer is yes to both questions. Because all or nearly all persons have an antisocial streak which in some people issues in overt antisocial behavior, such as murder, theft, fraud, and defamation, we need an agency to cope with this aspect of human nature. We have seen that we cannot make men social by force; they are social by nature. But where the antisocial side of man breaks out in actual violence directed by one member of society against another, then we need a social agency possessed of enough force to neutralize or cancel out the private violence. This agency, performing its proper functions, acts as a curb to frustrate antisocial, aggressive, invasive, criminal acts. It restrains the aggressor by force, if other means do not avail; and it gives redress to the victims of aggression.

A: As I get the picture, individuals will take care of their personal and social needs by themselves or together and the government will keep hands off entirely. The need for the agency of government rests upon the fact that there is an antisocial side to human nature. Government functions within its proper sphere by curbing antisocial behavior. Do I follow your thought?

B: Correct! That is what is meant by limited government. I might add that curbing antisocial behavior is likely to be a full-time job for a good many generations to come, and that it is an exceedingly complex job. It is not always easy to tell who is the aggressor and who the innocent victim, but experience has deposited a great body of law to render assistance at this point.

A: Then limited government is designed to defend the individual, and otherwise let him alone.

B: Correct again! I would have you note that the concept of limited government rests upon the premise that the individual, every individual, is worth defending. It is a secondary concept, derived from the primary religious concept of the dignity of the person. The concept of the worth of persons is, at least for us in the West, a heritage of Christianity, stemming from the teaching of Jesus. To reinforce the general understanding about Jesus and true individualism, let me quote from the latest book of one of the greatest contemporary Christian scholars, Kenneth Scott LaTourette, "Although Jesus had much to say of the kingdom of God, and in that must have meant, if not a visible social structure, at least the relations of men to one another, he was deeply and primarily interested in individuals and saw society, customs, and institutions only as they affected individuals. . . . He declared that he had 'come to seek and to save that which was lost,' and by that he meant individuals."

WHAT CAN I DO?

by Dean Russell

"WHAT can I as an individual do to stop this mad rush toward compulsory collectivism in America today?" Few questions are as challenging as yours, and here's my attempt at an answer.

Fortunately for the cause of freedom, it is only as an individual that you or I can do anything at all. This is true because every good idea—as well as every bad idea—begins with one person. He in turn convinces another person. Soon there are several persons who have accepted this idea as advanced by one individual person. This is the voluntary way of accomplishing a desired objective. This is the only method that is in accord with freedom. Unfortunately, it quite frequently happens that individual persons who have voluntarily accepted an idea then band themselves together to force—by vote or otherwise—their idea upon other persons. This, of course, is directly opposed to freedom. It is force and compulsion. This is the method used by those who desire to make other persons do as they think "best for them" or "for their own good." This concept is contained in the much used phrases, "There ought to be a law to make people do this" and "Every American should be forced to read this."

Force cannot be used in the interests of freedom—except for self-defense and rebellion against slavery. This holds true whether the force is applied by a majority or a minority. It holds true whether the force is applied by a robber with a pistol or by a representative of the majority of the people who have voted to force other persons to do what the majority considers "best for them." The theory now held in this country that the votes of the majority automatically insure freedom is incorrect. It is now leading us to our own destruction. *Might has never made right.* It never will.

This is not to deny that a republic or representative democracy is the most desirable form of government we have yet discovered. It is not to deny that freedom is safer in the hands of the many than in the hands of the few. But it is to deny that freedom is automatically safe just because the franchise has become widespread in America; just because we call ourselves "a democracy." It requires more than a vote to preserve liberty; it requires *understanding* on the part of the voters; it requires the knowledge that all governmental decrees and actions must be grounded on moral and natural law if they are to benefit the people.

Voting Against Freedom

And that is where *you as an individual* enter the picture. Without in any respect repudiating democracy and the right of universal franchise, all voters must understand that *what becomes law* is far more vital to freedom than the method used to secure its passage. Blinded by the erroneous belief that freedom is automatically guaranteed by the right to vote, we are now rapidly voting ourselves into abject dependence upon government control of our affairs. We are repudiating the responsibility that *is* freedom. We are adopting a "something for nothing" philosophy.

If you would best serve the cause of freedom, you must explain this concept to all who will listen. If you as an individual neglect to do this, how else can it be done? I cannot do it because I do not know your family, your business associates, your fellow churchmen, your lodge brothers, your friends. They will listen to you—not to me.

Now you may say: "But all my associates and friends already agree with me. They are already on our side!"

It is true that most of your associates and friends may pay lip service to the principle of private ownership of the means of production. They may say that they are opposed to "special privileges" for anyone—but are they? How many of them are opposed to government's entry into the business of producing and selling electricity? How many of them understand the danger to personal freedom found in compulsory, government-guaranteed "security"? Who is the logical person to explain it to them—you or I?

Are all of your friends and associates opposed to government-decreed, compulsory unionism? How about our government's support of socialism in Europe? Do your associates understand that tariffs cause higher prices by protecting less efficient producers? What about the other violations of freedom such as rent control, progressive taxation, the decreasing of the value of our money by government decree and by deficit financing, price supports, and a host of others? These are vital issues. Can you explain them convincingly to your friends and associates?

What can you as a lone individual do? First you can train yourself to *explain* instead of, like most of us, only to *sputter* on behalf of liberty. We here at the Foundation for Economic Education can be of help in that respect. In many cases, we spend a thousand technically skilled hours to prepare a study that you or any other interested person can read and understand in less than an hour. Our sole purpose is to furnish this information to any person who will use it. Our work is ineffective unless individual persons read it, understand it, and explain it to other individual persons.

Now it may be that you—like me—do not know the answers to all these questions. If that is true, I suggest that you and I learn them. Literally, we must *learn* freedom. We as individuals must understand the philosophy of freedom so well that we can explain it convincingly and persuasively.

Above all, as individuals we must begin this job with other individuals. Don't expect to change the course of the nation overnight. Begin with just one person. Convince him or her that personal responsibility for one's own welfare is more desirable than government-guaranteed "security." Convince him that freedom will work if we will only trust in it. If this one person becomes convinced through understanding, he or she will in turn convince another person. And so on. In short, if you yourself understand and are able to explain the fallacies of compulsory, government collectivism—and the alternative advantages of voluntary cooperation—many persons will seek your opinion and advice. Only then will you become truly effective.

Slow? Yes! But it is the *only* way. Any short cut must necessarily involve compulsion. That would defeat your own purpose! Education is indeed a slow process. That is because it must be voluntary. The person must want to know. He cannot learn until first he has a desire to learn. Thus your task as one individual person is indeed a hard one and a vital one. First you yourself must be able to explain your philosophy convincingly. Then you must be most tactful in approaching the other person. While it is not dangerous to be honest, one should not become cantankerous with his honesty. Don't argue; explain. Don't call names; you will only antagonize. Since freedom is the world's finest product, there is no reason why a skilled salesman can't sell it to several of his friends and associates. Suppose that a million "individual persons" did that? The battle for freedom would soon be won. The voters would then automatically reject all socialistic candidates and proposals, by peaceful and voluntary means.

I hope that this purely personal answer may be of some aid or encouragement to you. And, finally, good luck!

THE CURSE OF SOMETHING FOR NOTHING

by J. L. Maus

A BANK president has implicit faith in the integrity of his cashier. The cashier suddenly absconds with fifty thousand dollars of the bank's funds.

A man hurries through a New Year's throng in Times Square. He reaches for his purse. It is gone; picked by someone in the crowd.

The vacationing members of a family return to their home in the city. It has been ransacked. Valuable possessions are missing.

Two armored-car guards are shot down in a bank entrance without warning. Two other men with smoking guns grab the fallen pouches of currency and disappear.

IF YOU are a regular reader of newspapers, the events briefly described above should have a familiar ring. Perhaps, at one time or another, you may have wondered how it happens that an able-bodied adult gets himself to the point where he will commit such crimes.

There are at least two truths about such actions that are obvious, although they are frequently overlooked. The first of these truths is the simple fact that a person who commits a crime similar to those mentioned must do some thinking and planning to get the deed done.

"How then," one might ask, "does the thinking of such people get so grooved as to lead them ultimately down the road of crime?"

The answer to that question deals with the second obvious truth about the criminal behavior previously described. It is this. In each of the four crimes mentioned, the villain in the act took something that did not belong to him; something he had not earned; something for which he was offering nothing in return; *something for nothing.*

An Ageless Dream

There is in almost all of us, old enough to think, that ageless dream of acquiring something for nothing, in large or small amounts. Some of us buy lottery tickets at almost every opportunity. Some of us play the numbers racket. Some of us secretly look forward to the death of a rich relative, expecting him to remember us generously in his will. Some of us sue others for substantial damages when, in fact, little or no damages were really suffered. Some of us eagerly seek tips on the stock market or the horse races. Some of us succumb to the fascination of the slot machine or the roulette wheel. And many of us recall, with feelings akin to nostalgia, the enchantment of our childhood belief in the pot of gold at the end of the rainbow. And so it goes, an almost endless refrain: *Something for nothing. Something for nothing. Something for nothing.*

Constantly thinking about getting something for nothing can lead to constant scheming about how to get something that way. As a result, all desire truly to earn one's way in life may become lost. And, if that happens, getting without giving can become the accepted method of seeking a livelihood. Therein lies the answer to the question as to how the thinking of some people can get so grooved as to lead them ultimately down the road of crime.

Just Short of Crime

However, only a relatively few people permit the appeal of something for nothing to lure them into acts of crime. Others, stopping short of crime, permit themselves to be lured into the squeamish life of a panhandler. Still others develop a facility for cheating within the law. And still others succumb only to the extent of acquiring a general disposition to be irresponsible or lazy, the reason for which they never seem quite able to understand. They know only that they are more or less constantly hoping that, somehow, somewhere, their ships will come in without much effort on their part.

The large majority of people, however, seem to suffer little or no personality damage from indulging in the quite human pastime of hoping to get something for nothing. But, there is another aspect of this something-for-nothing stuff that is far more serious than a simple case of armed robbery.

History is strewn with the wreckage of men and of nations lured to their destruction by the bait of something for nothing—lured by smoothly planned appeals to the criminal tendencies that lie dormant and unrecognized in almost everybody. And the lure succeeded only because its true nature was invariably hidden under a barrage of righteous propaganda.

Caesar's Rainbow

It may well be that history is subtly being compelled to repeat itself; perhaps on a much larger and rascally scale than ever before. Already, enough of the people may have swallowed the bait to cause some impartial historian in the distant future to write a book entitled: "The Collapse of the Twentieth Century Civilization—An Era of Something for Nothing." He may describe in some detail the manner in which unscrupulous and clever public leaders fooled hosts of sincere folks back into misery and slavery with that old fable about the pot of gold at the end of the rainbow—Caesar's rainbow.

Perhaps the future historians will say something like this:

Even in the United States of America, which was the last remaining hope of the world in 1960, colossal give-away schemes, carefully disguised by a scholarly brand of double-talk, had already corrupted millions of mature and able-bodied people into the belief that their personal welfare was the responsibility of someone else—that they should rightly be supported by the product of other people's efforts and not their own!

Those right-thinking leaders in the nation who sought to reveal the gigantic hoax were reviled and ridiculed. They were too late. The clever and unscrupulous ones had too successfully endowed with the halo of righteousness their unholy gospel of something for nothing. And their clever success was in no small measure abetted by those popular and breezy intellectuals who assured all who would listen that the people, simply because they could enter a voting booth, were justly entitled to whatever they chose to vote to themselves.

And so, confused by intellectual half-truths and by subtle but outright falsehoods, the people were persuaded to forget that personal usefulness is the only highway men may travel in a successful pursuit of liberty and happiness. In substitution for the truth they were trapped into forgetting, the people were systematically persuaded to believe that, if they would but worship at the feet of "all-wise" government, a constant flood of something-for-nothing would bring a harvest of "security" to all. Of all the crimes committed in that dazzling but foolish era, this was the greatest.

CONCERNING THE BOSS

by John L. McCaffrey

THE POPULAR idea of a corporation president's life is that he is an untrammeled monarch, a boss above all bosses enjoying power with very slight limitations; able to say to one man, Go, and he goeth and to another man, Come, and he cometh. This is romantic but inaccurate.

The truth is that the president's job violates the first principle of effective organization, that principle being that a man should have one, and only one, boss. The corporation president has a whole series of bosses, some obvious and visible; others not visible but nevertheless powerful.

For example. As an immediate group of bosses the president has the company's board of directors, the men who hired him in the first place and who have the power to fire him at will. Beyond them, the president has among his bosses the whole group of share owners who can not only fire him but can also fire the board of directors if they choose. And sometimes they do choose.

Most powerful, perhaps, among the president's unofficial and invisible bosses are the customers. He has to please the directors and share owners or he won't be president, but the power of the customer is still greater.

The president has to please the customers or there won't be any business to get fired from.

Then there is the management group of the company. Theoretically, they are only agents of the president, to whom he delegates some of his powers and who function at his pleasure. Practically, he can no more act successfully without their consent than he could sweep the dust out of Kansas with a broom. If he is to be effective, they must believe in what he is trying to do—and that is not a matter of giving orders, that is a matter of persuasion, of securing consent.

I will not do more than mention such other groups as dealers and suppliers and government officials, whose powers and interests the president must recognize and heed.

And finally, it is perfectly clear to you—as it is to me—that there remains an extremely powerful group, the rank and file employees of the company, without whose loyalty and interest neither the president nor any of the other management people can function effectively or successfully. And that is not just a piece of polite or sentimental rhetoric. That is a fact of corporation life: The president is not an all-powerful ruler.

EDITOR'S NOTE: No, the corporation president is not an all-powerful ruler. And, in a sense, the concept of a "one and only" boss does not apply at all to the economic relationships of the business world. Whether a man be buyer or seller, self-employed or for hire, salesman or customer, owner or tenant, borrower or lender—whatever his chosen position in the free market—he is as much "bossed" by the others with whom he bargains and competes as they are "bossed" by him. That's why any free man ought to smile when he refers to another as "the Boss." There are no all-powerful human rulers over the voluntary economic relationships between self-respecting, self-responsible men.

It is when men lose their self-respect and their respect for the lives and properties of one another and turn instead to coercive practices and compulsory political organization, that the boss appears as an all-powerful ruler. The boss to be feared by any man who loves freedom is the government official who holds the power to command the life and tax away the livelihood of others. An all-powerful boss is a fact of political life.

Men who resort to political means to acquire something for nothing, attempting to short-circuit the economic facts of life, fully deserve the kind of bossing they will get. Instead of the many "bosses" with whom free men deal, they will have one, and only one, boss—all-powerful!

DOES GOVERNMENT SPENDING BRING PROSPERITY?

by Percy L. Greaves, Jr.

MANY leaders in high places now promise us that our government will never again permit poverty and depression to devastate our land. They propose more government spending as a cure for every economic evil. And millions of people believe that such a program will work.

The underlying philosophy behind political spending is not new. Similar ideas have appeared throughout all history. They came to full flower shortly after the economic collapse of 1929 when unbalanced budgets were generally accepted as necessary economic measures for relieving those in distress. You could not let innocent people starve, could you?

People pointed to idle factories, unemployed workers, and their unsatisfied wants. All we need to do, they said, is to get the government to start priming the pump. A little government spending would provide the would-be workers with the wherewithal to buy the things they desperately need. This would encourage businessmen to put the unemployed to work in the idle factories. This solution sounded so simple, and its political appeal was apparent. So we tried it.

People just plumb forgot all that economists had ever taught. Many desperate persons reached for whatever share they could get of the apparent prosperity that followed. Until war changed the picture, the price they paid was chronic unemployment by the millions. Are we now asking for a repeat performance?

Most people seem to forget that the government can pay out only what it borrows or collects in taxes. They also forget one of the most elementary facts of a free economy—men who will not accept going wage rates must remain unemployed. Likewise, they fail to understand the real causes of depressions. A logical examination of pertinent data would show them that it was Federal Reserve money manipulation that brought on the depression we all deplore. We Americans truly need to know some very simple economic facts.

No free man works, buys, or sells unless he fully believes that such action will bring him greater satisfaction than he could enjoy if he did not take that action. This means that in a free economy no man ever takes a job at any wage unless he believes he is better off working at that wage than he would be if he did not take it. Likewise, no employer ever employs a man at any wage unless the employer feels that he will better his situation by employing that man at that wage. So, in a free economy, employees and employers believe that they have the best available terms. When they feel otherwise, they shift jobs or employees.

In the same vein, no woman ever buys a dress unless she believes that dress will bring her more satisfaction than any other use she could make of the same amount of money. On the other side of the transaction, no storekeeper ever sells a dress unless he places a higher value on the money he receives than he does on the dress he sells. As a result of the sale, both buyer and seller are happier.

Thus, in a free economy, every freely made transaction benefits all participants. Consequently, any interference with freely made transactions must result in a decrease in the satisfaction and happiness of all persons concerned. An economy that is free from restricting regulations thus permits its people to enjoy the greatest happiness they are capable of producing.

The Proper Sphere of Government

However, in order to enjoy the full pleasures of prosperity, it is necessary for peaceful people to be protected from all robbers, thieves, and fraudulent schemers who seek something for nothing at the expense of their fellow men. For this protective purpose, men have instituted governments. Governments, like all valuable assets, have a price. This price is collected in some form of taxes. Reasonable taxes are a legitimate expense for all protected persons, property, and production.

Taxes are like insurance premiums. In fact, a good government might be called a form of life, fraud, and robbery insurance. It is as necessary for modern society as accident insurance is for every car driver of moderate means. Without it, the risk of living, owning property, and driving might well involve financial risks that only a few could afford. Good governments permit people to pursue their pleasures and production while protected from the rascals who would infringe on their rights by force or fraud. Taxes paid for this protection are an investment which permits men to pursue their personal satisfaction and prosperity as each one sees fit.

When governments spend money for other than protective purposes, they must first get that additional money. They can only get such funds by one or more of three different methods. They can amass such funds by collecting more ordinary taxes, borrowing from private savers, or simply printing the extra money they want to spend. Most modern governments use all three methods. Can such government spending increase the transactions and satisfactions of individuals and, thus, the happiness and prosperity of the people as a whole?

A most common economic error is the failure to see or realize the complete price of what one buys. People are too apt to reach for something they want now, without weighing the costs they cannot visualize at the moment. Many fail to realize that more beer and merriment today may well mean no bread or meat tomorrow.

Some Hidden Costs

So it is with government spending. We see the results of government spending all around us. Government services are sold at bargain rates, below cost. The bureaucrats are good steady customers, and the subsidy receivers spend money more freely than those who earn it. But many do not see the complete price. They do not see the schools, homes, hospitals, and factories that could have been erected if the same funds had been left in private hands. They do not see that present bureaucrats could be private citizens producing goods not now available, and that such an increase in marketable goods would tend to reduce all prices and thus increase the satisfactions and living standards of every buyer. They do not see the taxes that creep into the prices of every loaf of bread and pair of shoes, placing the prices of such necessities beyond the reach of the most needy.

When the government raises the money it spends by borrowing savings or taxing its citizens, it merely transfers spending power from private owners and earners of the money to the political spenders in power. This creates no new wealth. It reduces the amount private citizens can spend while increasing the amount government can spend. With less money in their pockets and bank accounts, private individuals and corporations must reduce the amounts they spend or invest. Assuming prices and wages remain the same, they must buy fewer goods and employ fewer workers on private payrolls producing what people want most.

Money spent by governments cannot create any more jobs or produce any more wealth than it can when spent by private persons. In fact, it creates less because both the tax collectors and tax spenders must be paid a commission. Their labors add nothing to the wealth of society. The shift of the money from private citizens to political spenders must result in fewer productive jobs, and thus a smaller amount of goods and higher prices than if the money had been left in private hands.

Pattern of Production Changed

Political spending also changes the whole pattern of the nation's productive forces. If the government spends its money by giving out subsidies to one privileged group, the productive facilities of the country are then partially directed toward satisfying the desires of that group instead of the desires of those who originally earned the money. Many workers and investors must shift from producing goods and services for consumers who earn their money, to producing goods and services for those who first receive the dollars distributed during the government's spending spree.

Then, too, much government spending is not based on the economic principle of getting the most for the least. This permits political spenders to grant privileges to their friends. Such political plums provide more satisfaction and prosperity for nonproducers at the expense of producers. The net result must always be a reduction in the production of wealth. Any such reduction in the quantity of goods and services available in the market tends to raise all prices and thus reduce the satisfactions and living standards of every buyer in that market. So spending to help one group, laudable as it may seem, does not, and cannot, create general prosperity.

If the government spending is for war or defense, then some of the nation's investors and workers must go to work producing munitions and military supplies. All the savings and workers so engaged are withdrawn from industries satisfying the private needs and wants of individual consumers. The end result, of course, is a reduction in the satisfaction of the needs and desires of all those who prefer consumer goods over war goods. The nation may have full employment, but individuals must certainly get along with fewer consumer goods. Such lower personal satisfactions have never been considered greater prosperity.

Tampering with the Market

The only reason men and factories are ever unemployed is that they will not produce what consumers want most at prices consumers can and will pay. Both men and factories can always be employed, if they will accept market wages and prices. When they consider these too low and rely on government to pay higher than market wages and prices with funds obtained from private citizens, the immediate result must always be unemployment or lower wages for those formerly engaged in satisfying the desires of those whose money the government now spends. Unless supported in idleness, these workers will soon gravitate to those industries or pursuits that benefit most from the increased government spending. Their competition will bring wages down to market levels, and then no workers will any longer benefit from the increased government spending.

Any switch of money from private owners to political spenders can only result in a redirection of the nation's productive forces and temporary gains for those who first receive the government orders or subsidies. In the end, a readjustment of the nation's productive forces will become necessary. During the interim, total human satisfactions will be reduced.

The question now asked is whether a substantial reduction in present government spending would create a depression. Under the present restrictive labor and monetary laws, the painful readjustment might well be long and severe. Under a free economy, with free market wages and interest rates, the necessary readjustment could be quickly made and soon everyone would be enjoying a much higher living standard.

If the government reduces both taxes and spending, it will leave more money in private hands. This money then can, and will, employ more people at higher real wages to make more of what people want most. The nation's productive forces would be redirected toward satisfying the wants of productive persons, rather than satisfying those who were the recipients of government expenditures. In a free market economy, every worker and investor tends to seek those outlets which will produce what consumers want most, as indicated by the wages and prices consumers will pay. So workers and investors now engaged in satisfying political spending would soon find more profitable outlets satisfying the increased spending of private producers. Everyone would soon have more. That is not a depression. That is prosperity.

Results of Inflation

In cases where the government prints the money, either directly or indirectly, by first printing bonds and then issuing new money with only its own bonds as security, the result is inflation. Inflation is a tax on everyone who owns or is owed a dollar. Its effects are more hidden than those of other taxes. Another important difference is that inflation transfers economic wealth from one group of people to another group, as well as from private citizens to their government. The inflation tax is a boon to all who owe dollars and a burden on all who are owed dollars. It changes the values of every contract that specifies a future payment in dollars. It reduces the value of the money involved. This is a temporary boon to the payer but, in effect, a tax on the recipient.

Under such inflationary conditions, wise businessmen become hesitant about signing long-term contracts, so necessary for our present-day complicated production system. Government inflationary spending thus places an additional damper on prosperity, over and above all drawbacks and redirection of productive forces brought about by government spending of funds amassed by taxes or bond sales.

Those who first receive the newly printed money are able to buy a part of the nation's production without having made any contribution. They must profit at the expense of all those who have contributed to the total production offered on the market place. Since the rewards of productive contributors are less, some will retire or reduce their future contributions to the market. Production will be further reduced by the fact that some of the printed money recipients are supported in nonproductive pursuits. Total production must, therefore, be lower. This means there will be less for everyone who spends dollars in the market place.

Taxes which raise prices or curtail private spending cannot increase total human satisfaction. Increased taxes reduce the voluntary transactions of a free people and thus reduce their total satisfactions. Contrariwise, any reduction in government spending and taxing will increase the individual transactions of a free people and thus their individual satisfactions and prosperity.

The Way to Prosperity

Government spending is an expense or burden on total production and human satisfaction. Government taxes are personal economic sacrifices and should be paid only for the protection of life and private property. When taxes are so limited, they are an aid and stimulant to total production and human satisfaction. When they are collected to help some at the expense of others, they are a brake on both production and human satisfaction. Any reduction in government taxes and spending increases the goods and satisfactions available for all those who have dollars of their own to spend.

Competition in the service of consumers is the one and only sure way to produce a prosperity permanently spiraling upward. All political spendings for purposes beyond the protection of life and property are a snare and a delusion. They discourage wealth production both by decreasing the rewards of productive workers and by supporting others in idleness or nonproductive pursuits. In order to keep up the appearances of prosperity, government spending must be constantly increased, with an ever-increasing share of total production going to the nonproductive. If these constantly increased expenditures are not stopped in time, the result will be a runaway inflation like that which took place in Germany in 1923. Government budgets balanced by inflationary spending can but bring a national headache, for which the only permanent cure is the intelligent use of our God-given freedom.

WHY THE PRESIDENT SAID NO

by Grover Cleveland

I RETURN without my approval House Bill No. 10203, entitled "An act to enable the Commissioner of Agriculture to make a special distribution of seeds in the drought-stricken counties of Texas, and making an appropriation [of $10,000] therefor."

It is represented that a long-continued and extensive drought has existed in certain portions of the State of Texas, resulting in a failure of crops and consequent distress and destitution.

Though there has been some difference in statements concerning the extent of the people's needs in the localities thus affected, there seems to be no doubt that there has existed a condition calling for relief; and I am willing to believe that, notwithstanding the aid already furnished, a donation of seed grain to the farmers located in this region, to enable them to put in new crops, would serve to avert a continuance or return of an unfortunate blight.

And yet I feel obliged to withhold my approval of the plan, as proposed by this bill, to indulge a benevolent and charitable sentiment through the appropriation of public funds for that purpose.

I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the General Government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadfastly resisted, to the end that the lesson should be constantly enforced that *though the people support the Government the Government should not support the people.* [Emphasis added.]

The friendliness and charity of our countrymen can always be relied upon to relieve their fellow-citizens in misfortune. This has been repeatedly and quite lately demonstrated. Federal aid in such cases encourages the expectation of paternal care on the part of the Government and weakens the sturdiness of our national character, while it prevents the indulgence among our people of that kindly sentiment and conduct which strengthens the bonds of a common brotherhood.

AGRICULTURE'S SACRED SEVENTH

by F. A. Harper

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

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

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

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

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

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

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

Scattering Seed Dollars

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

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

Parity Programs and the Like

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

The rule of seven is not always trotted out in front of every program, but it is evident in the background just the same. Take the parity price idea, for instance. It amounts to the same thing, because its leading proponents assert that maintenance of farmers at a fixed "parity" of prosperity is essential to assure the prosperity of others in the nation. And the same principle applies to essentially all the other farm programs.

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

No Basis in Fact

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

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

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

The Fly on the Chariot Wheel

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

An Eternal Verity?

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

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

Both Sides Cause a Trade

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

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

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

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

Pattern for Disaster

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

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

Rights of Free Men

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

There is no justice in robbing either side of a trade in order to give the other side more purchasing power. Each starts with what is properly and wholly his personal property, and retains equally full rights over the terms of its trade. To justify theft by either side—in any form and by any name—under any mystical manipulation of some presumed message from On High is, I believe, a major violation of justice and a defilement of the ethics of a good society. As the moral code of private property breaks down in favor of legalized theft, farmers—a distinct numerical minority group—are sure to lose out to the power of greater forces elsewhere. Their interest lies in strict dominance of the moral code, as is true for every other minority group and for every person.

Democratic Socialism

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

Now let us set up what seems to me to be a fairly close analogy to this process. Suppose the government were contemplating granting a hundred thieves the right to steal ten bushels of wheat from each of a hundred farmers every night. Having decided to settle the question democratically, it is put to vote among the hundred thieves who are "allowed to work out their own salvation by democratic methods." Would it be surprising if they were to turn in a vote of "yes" by at least 87 per cent?

One might ask, however: Why were the hundred prospective victims—the owners of the wheat—not allowed to vote? Why were they disfranchised when it was their property that was to be taken? Why, in fact, were the prospective victims not given the full and exclusive right of vote? Or why put it to vote at all?

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

A Positive Suggestion

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

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

SUBSIDIES FOR GHOSTS

by Oscar W. Cooley

IN THE Far West are many "ghost" towns. Originally they sprang up around mines and for a time were populous and booming. Some of their residents became millionaires. Then the ore was exhausted, or Congress decreed a lower price for silver, and the people gradually moved away. Now the false fronts are tumbling down and coyotes bark in the streets.

When those towns began to get "ghostly," should the state or federal government have stepped in and provided funds to finance the people to go on living there?

Should Colorado have subsidized Cripple Creek so that it could have retained the 50,000 people who lived there at the beginning of the century, instead of shrinking to its present 2,500? What would have been the fate of such communities under the modern "share the wealth" idea of federal and state aid?

More and more we share the wealth through government taxation and distribution. The federal government distributes some of its tax revenue for roads, for hospitals, for welfare, for airports, for power dams, and for a dozen other purposes. Every state government taxes its citizens and distributes money to local communities for schools.

In Indiana, for example, 40 per cent of the cost of the public schools is funneled through the state treasury.

This is done on the ground that the people of one locality are poorer than those of another and so are not able to maintain as high a standard of public services. Therefore, it is held, the people as a whole should be taxed according to ability to pay and the revenue distributed in proportion to need.

Without going into the ethics of this forced redistribution, what of its economics? Who benefits from these "grants in aid"? Does the total productivity of the people rise, or fall—or remain the same?

A Matter of Resourcefulness

Whether the people of a community appear to be wealthy or poor depends upon their resourcefulness in developing and using those things available to them. A person's wealth is one measure of his capacity to use his resources. And the same holds for a community: Its wealth is the product of ingenuity and effort applied to resources.

It is a person's right, if he chooses, to measure his wealth by the size of his family. But that family may seem poor by usual economic standards. Likewise, a community may grow faster in population than in the development of other resources, thus being a poor community by some standards.

Whether the poor community is overpopulated by reason of a lack of natural resources or a lack of human resourcefulness is not the issue here. If the presumed objective is to overcome the relative overpopulation of a community, there must either be an exodus of people or a further development of their own resources.

If the people of an overpopulated community are subsidized with grants from the outside, regardless of the purpose for which the money might have been intended, they will not be encouraged to move to greener pastures or to develop the resources of their own area; for in either case, they stand to lose the subsidy. Thus they are subsidized in partial idleness in their old economic rut, and the nation is poorer for lack of the wealth which they might otherwise produce. The people of the subsidized community are partially dependent, with a vested interest in idleness and inefficiency.

The nation has areas of declining population. A mining community in Pennsylvania, for example, lost 14.6 per cent of its population in the decade of the 1940's. People are leaving some of these areas in search of better opportunities elsewhere. This is not to be deplored. If the nation were to pay these people to stay put, it would lose doubly, first, the cost of the subsidy, and second, the lack of the greater production which these people could produce elsewhere. Ghost towns are far less burdensome to society than are subsidized communities.

IMPERIAL CHINESE WELFARE STATE

by M. Huc

It is a curious fact that the greater part of those social theories which have lately thrown the public mind of France into a ferment, and which are represented as the sublime results of the progress of human reason, are but exploded Chinese utopias which agitated the Celestial Empire centuries ago.

In the eleventh century of our era, the Chinese nation, under the dynasty of Song, presented a spectacle nearly analogous to that seen in Europe, and France especially, of late years. The great and knotty questions of social and political economy filled all minds and split into parties every class of society. The nation was divided into two furious parties; pamphlets, libels, inflammatory writings of all kinds were daily flung profusely to the multitude, who devoured them with avidity.

The reformer, or chief of the Socialist party, was the famous Wang-ngan-ché, a man of remarkable talent, who kept all classes of the Empire in excitement during the reign of several emperors. Chinese historians say that he had received from nature a mind far above mediocrity, which was brought to perfection by careful culture. In youth he studied with ardour and application, and his efforts were crowned with success; he was distinguished by honourable mention among those who received the rank of doctor at the same time.

The popularity of Wang-ngan-ché fluctuated greatly at various periods during the time that he bent all his efforts to reorganize, or rather to revolutionize the Empire. His power was almost unlimited beneath the Emperor Chentsoung, who, charmed with the brilliant qualities of the reformer, gave him his entire confidence. The executive and the tribunals were soon filled with his creatures, and, seizing the favourable moment to realize his schemes, the ancient order of things was soon overthrown. His innovations and reforms were greeted enthusiastically by his partisans, and attacked with envenomed eagerness by his enemies.

A Familiar Ring

According to Wang-ngan-ché, the carrying out of his scheme was to procure infallible happiness to the people in the development of the greatest possible material enjoyments for everyone. Whilst reading the history of this famous epoch in the dynasty of Song, one is forcibly struck with the resemblance of the writings and harangues of Wang-ngan-ché to those which, in our own time, we have seen propounded in the newspapers and the senate.

"The first and most essential duty of a government," said the Chinese socialist, "is to love the people and to procure them the real advantages of life, which are plenty and pleasure. To accomplish this object it would suffice to inspire everyone with the unvarying principles of rectitude, but as all might not observe them the State should explain the manner of following these precepts and enforce obedience by wise and inflexible laws. In order to prevent the oppression of man by man the State should take possession of all the resources of the Empire and become the sole master and employer. The State should take the entire management of commerce, industry, and agriculture into its own hands, with the view of succouring the working classes and preventing their being ground to the dust by the rich." According to these new regulations, tribunals were to be established throughout the Empire, which were to fix the price of provisions and merchandise. For a certain number of years taxes were to be imposed—to be paid by the rich—from which the poor should be exempt. The tribunals were to decide who was rich and who poor. The sum thus collected was to be reserved in the coffers of the State, to be distributed to aged paupers, to workmen out of employ, and to whoever should be judged to stand most in need of it.

Ownership in Common

According to Wang-ngan-ché the State was to become the only proprietor of the soil; in each district the tribunals were to assign the land annually to the farmers, and distribute amongst them the seed necessary to sow it, on condition that the loan was repaid either in grain or other provisions after the harvest was gathered, and in order that all the land should be profitably cultivated, the officers of the tribunals should fix what kind of crop was to be grown, and supply the seed for it.

"It is evident," said the partisans of the new scheme, "that by these means abundance and happiness will reign throughout the land. The only people who can suffer by this state of things are the usurers and monopolists, who never fail to profit by famine and all public calamities, to enrich themselves and ruin the working classes. But what great harm will it be to put an end at last to the exactions of these enemies of the people? Does not justice require that they should be forced to restitute their ill-gotten gains? The State will be the only creditor, and will never take interest. As she will watch over agriculture and fix the current price of provisions, there will always be a supply proportionate to the harvest. In case of famine in any one spot, the great agricultural tribunal of Pekin, informed by the provincial tribunals of the various harvests of the Empire, will easily restore the equilibrium by causing the superfluity of the fertile provinces to be transported into those which are a prey to want. Thus the necessaries of life will always be sold at a moderate price, there will no longer be any classes in want, and the State, being the only speculator, will realize enormous profits annually, to be applied to works of public utility."

This radical reform entailed, of course, the destruction of large fortunes and the reduction of all classes to a more uniform condition, and this was precisely the aim of Wang-ngan-ché and his followers. This bold scheme did not, as with us, stop short at theory, for the Chinese are much more daring than they are reputed to be. The Emperor Chen-tsoung, persuaded by the arguments of Wang-ngan-ché, placed entire authority in his hands, and the social revolution began. Sse-ma-kouang, who had struggled long and fruitlessly against the reformer, determined to make a last effort, and addressed to the Emperor a remarkable petition, from which we shall quote the passage relative to the advancing of seed-corn to the tiller of the land.

Land Reform

It is proposed to advance to the people the seed with which they are to sow the ground. At the end of winter, or in the beginning of spring, the officers will supply each man with the quantity they judge necessary, gratuitously. Immediately after the gathering of harvest, the same quantity and no more will be demanded back. What can be more advantageous to the people? By this means all lands will be cultivated, and abundance will reign throughout the provinces of the Empire.

In theory nothing can be more attractive and beneficial, in practice nothing more injurious to the country. We will suppose the grain distributed, and eagerly received by the people (though on this point I have much doubt); do they really make the use of it for which it is destined? Whoever believes this must have very little experience, and judges far too favourably of the common order of men. The interest of the moment is what concerns them most; the greater part never look beyond the day, and very few indeed trouble their heads about the future.

The seed, then, is entrusted to them, and they begin by consuming part; they sell or exchange it for something which they imagine they need more than anything else. Corn has been given them; they leave off working, and become idle. But supposing all this does not happen: the grain is sown, all the necessary labours of cultivation are properly performed, the time of gathering the crop arrives, and they are called upon to repay what was lent them. The harvest which they have watched as it grew and ripened, and regarded as their own property, the well-earned fruit of their labours, must now be divided. Part must be yielded up, or sometimes, in bad seasons, the whole crop. How many reasons will be alleged for refusing to do so! How many real and imaginary necessities will stand in the way of the restitution!

The tribunals, we shall be answered, which are established expressly for this department, will despatch their satellites to enforce the payment of what is due. Doubtless; and beneath the pretext of demanding what is due, what extortion, what robbery and violence will be committed! I do not mention the enormous cost which such establishments would entail; but, after all, at whose expense would they be maintained? At the expense of the Government, the nation, or the farmers? Whichever it may be, who will derive advantage from it? It may be alleged that this practice of advancing the seed has long been in use in the province of Chen-si, and that none of these evil results have taken place; it appears, on the contrary, that the people find it desirable, since they have made no request for its repeal. I have but one reply to make to this. I am a native of Chen-si; I passed the first part of my life there; I have been an eyewitness to the miseries of the people; and I can affirm that, of the evils under which they suffer, they attribute two-thirds to this practice, against which they murmur unceasingly. Let candid inquiry be entered into, and the true state of things will be made manifest.[1]

[1] Memories sur la Chine, Vol. X. p. 48.

The chronicles of the time add that on the side of Sse-ma-kouang were seen all the most distinguished men of the Empire, whether renowned for wit, experience, talents, judgment, or rank, and who all added their prayers and entreaties to his; then, changing their tone, they accused Wang-ngan-ché of disturbing the public tranquility.

But amid the violent attacks and clamour that rose against him on all sides, the reformer remained ever calm and imperturbable. Possessed of the confidence of the sovereign, he smiled at the vain efforts of his enemies to ruin him. He read the declamations and satires which they presented to the Emperor under the name of respectful representations, humble supplications, and so forth, and appeared not to be moved by them in the slightest.

Try, Try Again

When the Emperor, persuaded by the arguments of his adversaries, was on the point of yielding and restoring the form of government to the old footing, Wang-ngan-ché would calmly say to him, "Why should you be hasty in this matter? Wait till experience has shown you the result of the measures which we have adopted for the benefit of your realm and the happiness of your subjects. Beginnings are always difficult, and it is only after overcoming many obstacles that a man can hope to reap the fruit of his labour. Be firm, and all will go well. Ministers, nobles, and Mandarins have all risen against me. I am not surprised at it; they cannot quit the common routine, and adopt new customs. Little by little they will grow used to these innovations, their natural aversion will die away of its own accord, and they will end by applauding what they are now so eager to decry."

Wang-ngan-ché maintained his ascendancy throughout the reign of Chen-tsoung; he put all his plans in execution, and overturned the country at his ease. According to Chinese historians, his social revolution was not successful; the nation became more deeply plunged in misery than ever. But that which excited the public opinion most deeply against this bold reformer was his attempt to remodel literature, and subject it to his despotic system. Not only did he change the form of examination for the grades of literary rank, but he caused his own commentaries on the sacred books to be adopted as the correct explanation.

On the death of the Emperor, Wang-ngan-ché was immediately deposed; the reigning Empress sent for Sse-ma-kouang, who had been living in retirement. She named him governor of the young Emperor, and Prime Minister. His first step in this important post was to efface every trace of the government of Wang-ngan-ché, who died not long after; nor did Sse-ma-kouang long survive him. The memory of these two men has been by turns execrated with all the virulence of political passion; and in this, again, the Chinese have shown a strong resemblance to the Europeans.

WHY IS SLAVERY POSSIBLE?

by Leonard E. Read

IT IS easy enough to see how a man who has once known freedom might be forced—against his will and despite his struggles—into captivity. It is no puzzle, for example, to understand how a man could be forced—at gunpoint—into a Siberian salt mine.

But what is the explanation when freedom declines among men who had known its blessings and yet put up no scrap to stay free? Why the lethargy all about us while American citizens submit to one control after another? Where are the scrappers—the defenders of individuality who might forestall this trend toward slavery? Surely, slavery could never succeed in the face of determined and continuing resistance.

For example, there wouldn't be a tiger in any zoo were the tiger to remain as ferocious as when first captured. Man simply would not put up with such a beast. The caged tiger, however, does not retain his ferocity. The wild beast soon becomes docile and as grateful for its food and other attentions as a house cat.

Why? The tiger was at liberty in its native habitat, had experienced freedom, but ferocity attends only the initial stages of captivity. Docility comes quickly and certainly with imprisonment. Could the reason be that the tiger has no understanding of the distinctions between liberty and serfdom? Knows no definitions? If the tiger has no knowledge or awareness of his liberty, he cannot remember a knowledge he has never possessed. His cage becomes the only habitat he knows, and he eats and sleeps, contentedly.

There never would have been any Negro slavery in America had the Negroes remained as intractable as when first taken in hand by the slave traders. They rebelled at first but soon became docile. They, too, had been at liberty in their African habitat. However, they were primitive men. They lacked the power of articulate expression in the field of ideas. They were not in possession of definitions and the distinctions between freedom and slavery. They lacked awareness; nor could they remember that which had never been known to them. They soon accepted as normal the slavery which became their lot. They had nothing but the normalcy of their slavery to serve them as a point of reference.

Slavery by Degrees

Symbolic of the modern trend toward serfdom is the imposition of progressive taxation, especially the income tax. The Sixteenth Amendment would not be on our statute books had any substantial number of Americans foreseen its consequences.

In this instance of a growing serfdom or, conversely, a loss in freedom of choice, there was no abrupt change to arouse resistance. These progressive taxes were imposed ever so gradually. Hardly anyone noticed the "take" at first. Americans adopted the principle of progressive taxation because they did not understand it. They did not realize that this was a denial of the concept of equal treatment under the laws and a displacement of the methods of voluntary exchange with a government-enforced policy "from each according to his ability, to each according to his need."

Further proof that there was but little understanding of the liberty that was forsworn and the intervention that was accepted is the fact that as the "take" has increased over the years, there has been no rebellion, even on the part of those on whom the "bite" has been the greatest. Each succeeding increase is only a new normalcy greeted with the docility and indifference of the imprisoned tiger and the enslaved Negro. And, in my view, the reasons are the same: No understanding of the definitions and the sharp distinctions between liberty and serfdom.

It is self-evident that tigers will never be freed from zoos by any doing of their own.

It is a historical fact that slavery was not abolished in America by any rebellion on the part of the Negroes.

It is equally plain that present-day Americans who have accepted or are indifferent to the growing encroachments of the State cannot be expected to rescue themselves.

Intellectual rebellion is not made of indifference or docility. It is made of sterner stuff. It has its roots in an understanding that liberty is the freedom to do as one pleases creatively; that restraint has no place except against destructive, predatory activity; that serfdom restrains creative action. It displaces self-control with control of self by others. To deprive a person of self-control leaves him little incentive to indulge in constructive or creative thought. Without the desire, one soon loses the capacity for self-control.

A Free Man Restored

A person who understands these distinctions, even though he be in prison or in the salt mines at the point of a gun, cannot be called a serf. All that can be properly said of him is, "There is a free man restrained."

Free men, defined as those who understand these distinctions, are the only ones who can rescue the indifferent and the docile from a growing serfdom. The burden is on them and them alone. The burden cannot be shared by anyone who is unaware.

Awareness of the difference between slavery and liberty is the individual's only defense against enslavement. Therefore, it is tremendously important to preserve the ideals of self-control, reflected in the concepts of personal choice, private property, freedom of exchange, and government limited to the defense of these rights of the individual. To lose awareness of these ideals makes slavery possible, without a struggle. It is passive surrender of the only reason, if not the only chance, for life.

FREEDOM TO SHOP AROUND

by Hart Buck

No DOUBT you have heard so many speeches about the ample destiny of Canada that already you may be tired of hearing about it.

Canada's immense natural resources used to be left to our statesmen to talk about on Dominion Day, and to ambitious teen-agers in high-school contests in oratory. True enough, nearly every month somebody does uncover some new treasure in the chest on whose lid we sit. But even though we find all these treasures, we did not put them here. Our iron ore, our oil and gas, were laid down by billions of anonymous bacteria, in the years before there were any Canadians.

Other countries, with equally valuable resources, still remain poor. Nowadays it is the fashion among large-minded folk to work out admirable schemes for developing these countries with other people's money, as insurance against discontent and envy growing too acute among the natives.

Canada, on the other hand, has needed no Point Four, no Colombo Plan, no United Nations, to get our oil and gas and iron ore developed. Nobody drafts plans for collecting other people's money in taxes for investment here. People beyond our borders have furthered our development with their own money.

These investors have favored us, the Canadian people, with that degree of confidence which has induced them to lend their own equipment for our economic progress. Our prosperity, therefore, must depend not on the resources we inherit from our deceased benefactors, the bacteria, but on ourselves.

For the moment, when talk of business readjustment fills the air, our standard of living must depend on our capacity to market our products. This means understanding what our customers want, and producing it at a price they are not too sorry to pay. This applies to our customers here in Canada, no less than abroad.

Convincing the Investor

For the longer pull, when we have overcome whatever readjustment awaits us, the maintenance and growth of our prosperity must depend on our capacity to market Canada as a going concern. This means convincing people with spare money that here they will find it pays to invest it. This applies to investors both outside and inside Canada.

These two requirements mean exactly the same thing, looked at from two standpoints. For we can hope for no new investment in a concern, without buyers for its product. Nor can we make the most of our market unless we can assure our customers that the product will go on being made, and improved, at a price within reach.

All this amounts to recognizing the consumer as the one whom the economic system is designed to serve. All people alike are interested in the most efficient economic system, as consumers.

The principle which enables consumers to get the most of what they want is the principle of the free market. The heroine of the free market is the typical Queensway housewife who will go out of her way rejoicing to buy a box of detergent two cents cheaper. (Men may smile at such small-scale economies, but even they may find some satisfaction in paying $5.00 less for a suit, or $25 less for a television set.)

Such an opportunity our heroine is glad to discover by shopping around. She would most vocally resent any restriction on her freedom to shop around. Without this vital freedom, all other freedoms—worship, speech, press, assembly, and so on—are shadowy if not impossible.

Principles of Prosperity

Because we are human beings and not animals, we have at our command two principles whose realization secures us an immensely better living than animals can ever get for themselves.

In the first place, two people can work to produce more than twice as many valuable things as one can. In the second place, two people, simply by exchanging things they have, can each end up with more of the things they want.

Through these two principles, we can produce and enjoy immeasurably more as members of an economy than we could as so many Robinson Crusoes or even Swiss Families Robinson. Through a third principle—freedom to shop—we can make the most of the economy we live in, and produce for our enjoyment more than ever.

This embraces not only the housewife's freedom to shop for her detergent where she need pay least for it but also the producer's freedom to shop for his materials where he can get them cheapest; the investor's freedom to shop for the biggest return for his money; the employer's freedom to shop for the kind of help that will give him the biggest production for what he pays; and the worker's freedom to shop for the job that pays him best.

Competition Equals Freedom

Competition is nothing but freedom looked at upside down. In a market where buyers are free to shop around, sellers must outdo each other to get and keep customers. Through competition there is produced the maximum of goods and services that the public wants most. Competition does not mean "dog eat dog." Instead, it is the necessary preface to cooperation. Competition helps us to decide with whom we can best cooperate in production.

The driving force behind the free market is the enterprise of the businessman. He is the man who sees a chance to turn unused resources to account, and produce something out of them which the public will want. He buys materials, secures tools, hires helpers, and sells his product in the hope of recovering all his costs; including the cost of his own time and the cost of any tools that may be his. Perhaps he does not recover his costs, which means that some better use could have been made of all the resources involved, so that everybody loses all round. Or else he may be lucky, and recover all his costs plus something extra. The extra is profit, and nothing else is.

On the free market, his costs will tend up, and his prices will tend down, through the pressure of competition. They will so adjust themselves in time that the businessman will earn no more than he could get by renting his tools to some other businessman and going to work for him. When that happens, he has no profit any more. Profits are the businessman's return for trying something new and desirable. When it is no longer new, profits stop. Profits are temporary only, but the gain to consumers, investors, and workers is permanent.

Everybody a Businessman

Most of us think of the businessman as distinct from the investor or the worker; we think of him instead as the operator of a going business. So typically he is; nevertheless, every investor is a businessman when he invests his money in hopes of a bigger return some day than his investment brings him now; and, most important, every worker takes on the character of a businessman when he fits himself for one line of work rather than another, in hopes of turning his own capacities to the best account possible in the end. You might say, therefore, that all of them are speculators, and so they are. Enterprise is speculation, and speculation is enterprise. Both of them mean anticipating in advance what other people will want, and facing the possibility that they won't want it. Under the free market everyone is free to anticipate and speculate.

As businessmen and speculators—even if we are investors or workers—we may feel handicapped, not by our own freedom to shop around, but by other people's; and so we may try to stop them, or to get the government to do it for us. We may succeed; this involves controlling the supply of some factor of production, and turning out at our own price a smaller product than the customers would take if we didn't control the supply. But if we do, we may find that the pressure of competition makes us pay extra for the factors of production whose supply we don't control. As monopolists, therefore, we may find ourselves no better off than if we had no monopoly. The public, on the other hand, loses the goods that the monopoly keeps them from getting.

Under the free market, therefore, some people may get special benefits temporarily, but everybody benefits permanently. Under a market that is not free, some people may get special benefits for a time, but everybody loses permanently. It is never under the free market that some people benefit at other people's expense. This results, instead, from interference with the free market.

People are not convinced of this nowadays, to the same extent as was the case once. Many people feel that the Dirty Thirties and the Fighting Forties have discredited the free market for good. Since the thirties a great many ideas, contrary to the idea of freedom to shop, have embedded themselves in everybody's subconsciousness. These ideas, if we leave them there, can only handicap the development of our country's economy and the expansion of our standard of living.

For example, we are accustomed to hear, perhaps even to say, that the problem of production has been solved. It hasn't.

It will never be solved until everything people want has been made as cheap as the air we breathe. Until then, businessmen will have opportunities galore for finding cheaper and more efficient ways of making things. And out of two and one-half billion people on this globe, two billions would be glad of the chance to make for themselves all sorts of things that the most fortunate half-billion of us take for granted.

We are used to thinking of various groups of people as necessarily opposed in their economic interests; in particular, that the interest of employees is in natural conflict with that of investors and businessmen. It's not.

The economic system is a means whereby people get together to produce things for themselves. The investor is the man who lends us the tools we work with. The businessman leads us through the productive process.

Under the free market, all of us alike have the same interest in bigger and bigger production. There is no conflict of interests unless the market is not free.

We are disposed to think of employees as unfortunate underdogs, whom only enlightened laws now save from such ill-treatment and overwork and underpayment as they used to suffer at the hands of businessmen a century ago. They didn't.

The reason why people worked long hours for a low standard of living in the early factories and coal mines was that there were not enough tools to enable them to turn out enough of a product to earn them a better living in shorter hours. The reason why children of nine can stay in school, instead of working in cotton mills and coal mines as they did in nineteenth-century England, is that we have enough equipment to produce all the coal and cloth we need without putting children to work; and therefore are well enough off to keep them from starving, without falling back on what they can earn. In fact, neither public enlightenment, nor legislation, but only tools and equipment, have improved the living standards of all of us. Workers in this equipment-rich country are not underdogs. They are Canadians.

We have got the idea that there are natural limits to what a man is entitled to earn, either from his services or from the use of equipment that he owns; beyond which limits, his income can only arise at the expense of the toiling masses. There aren't.

It is only in a market where everybody is not perfectly free to shop around that anybody can gain anything at the expense of anyone else. Under a free market, if one man earns more than another, it can only be because he performs more service to the toiling masses. (By the way, they seldom let the incomes of movie queens, television stars, and hockey heroes bother them, even if these personages produce no more than most businessmen do, and get paid more than most businessmen for doing it.)

We are accustomed to think of an economy more or less government-controlled as preferable to the free market, and to disagree mainly over the extent of control desirable, on the ground that only government action can prevent some people from earning too much and others too little, and on the further ground that only government action can save us from business readjustments, recession, and depression. It can't.

The Free Market Solution

Only the free market can prevent people from earning too much or too little, and only the free market can save us from the business cycle. We get readjustments and worse things because we have enjoyed the intoxicating overprosperity of a boom. We can only have a boom because businessmen have been fooled into overexpansion by cheap credit. We can only have cheap credit because governments have given in to the everlasting temptation to make money easier to get than goods are to make. The readjustment comes when businessmen find that there isn't enough equipment in existence to carry out all their carefully-laid plans. Because of the lack of equipment, they find they cannot afford to sell their output at a low enough price for the public to take it all. They cannot afford this because they owe too much. The expansion of cheap credit has been nothing but an expansion of debt. The business cycle results from too much debt, and from nothing else.

Source of Capital

Yet we are accustomed to the idea that saving is of doubtful value to the economy as compared with spending for consumption. It isn't.

Material progress depends on the growth of capital, and on nothing else. Production results from the utilization of energy by means of equipment directed by manpower. The equipment is capital. We can only build up capital by producing equipment. We can only produce equipment by consuming less than we can consume and making equipment instead of consumer goods. This we can do only by spending for immediate use something less than our total income. On the free market, anything saved and not consumed goes into the purchase of equipment, whereby workers are enabled to produce more and more goods every hour they work.

We are used to being told that debt, especially government debt, promotes lasting prosperity. It doesn't.

As has just been pointed out, it is nothing but the growth of debt that causes the upswings, and failure to meet it that causes the downswings of the business cycle. Sound banking and finance depend on keeping debt down, keeping it on a short-term basis, and keeping it secured by valuable goods. Only under a market free from interference by government have banking and finance a chance to remain sound.

We are used to the thought that governments can overcome the downswings of the business cycle by running deficits and relying on "built-in stabilizers" to maintain purchasing power. They can't.

At best, they can make the recession less severe and less short. "Built-in stabilizers" can only provide some people with purchasing power taken from other people. They can only keep people consuming, while continuing to produce unwanted goods, or else producing nothing. "Built-in stabilizers" may keep people spending, but keep them spending out of the country's capital.

In brief, we are accustomed to thinking of the free market as an antique institution which has outlived its usefulness; and of the government-controlled economy as the up-and-coming thing which holds the promise of the future. It isn't.

The government-controlled economy is a superseded institution that holds the miseries of past ages. It is the free economy, centered on the idea of liberty to shop around, that has been new for the last couple of centuries only. What is new is the idea of using the economy to provide the goods the customers want most, rather than the goods that custom or authority dictates that they should have.

Under the free market the government has one all-important function: to protect the free public in their choice of goods to consume, investments to place their funds in, work to do. The government's job is to secure the people against violence and fraud, whether from outside the country's borders or within, and this is a man-sized job for any government to undertake. The benefits of safety from force and deceit are so general that the cost of providing them cannot accurately be assessed against individual citizens. Accordingly, the costs of government can only be assessed against the citizens in some more or less arbitrary way; the most usual method is to presume that they benefit most who prosper most, and in that way, impose some sort of tax scheme adjusted to income.

What About the Distressed?

There is little, however, in the way of social welfare which governments can do which under the free market cannot be done better otherwise. With everybody free to shop around, everybody will find the best-paid job he is capable of; if therefore there is any distress left in the economy, it will be only among those who cannot work and have no assets. In the nature of the free-market economy as it develops, there should be fewer and fewer people left without assets. This shrinking load of distress can best be cared for by the churches, the Lions Clubs, and similar voluntary groups of interested people. And as the economy expands, they should have more and more funds at their command for their good works.

Opponents of freedom to shop are not slow to find nasty names for the ways of life that are founded on it. Such names may be innocent enough in their origin, but the enemies of free enterprise know how to make them sound nasty. Names such as capitalism or laissez faire are such as few advocates of freedom to shop are anxious to use nowadays to describe their way of thinking. Without a name to call their system by, its advocates hesitate to describe it at all; and so they tend to let the case against it go by default, instead of arguing it in detail and on its merits.

Path to Progress

Capitalism, after all, only emphasizes the central importance of tools and equipment in the provision of people's wants, and the usefulness of allowing individuals to own tools or an interest in them, to use or to rent to other users, so that people's wants may be best served. The important thing is not who owns the tools and equipment, but that they should be there. Under a developing free market, all the people should end up by being capitalists. Meantime, let us believe in capitalism, and believe in it hard. It won't kill us. On the contrary, it is the one economic system that can be counted upon to improve the material conditions of all classes of people, by delivering the maximum of goods to go around. This is the one and only thing that can be claimed for capitalism, and this is in itself enough to claim for any economic order.

The other day a man said in Niagara Falls, "Laissez faire is dead. It should have been given a decent funeral or it should have been stuffed, mounted, and properly labeled and given a respectable place in a museum." Presumably this personage thought that laissez faire means "let things slide." It doesn't.

It means exactly what it says: Let goods be made; let things be done; let there be production. Anything which interferes with people's freedom to shop around can only cause fewer goods to be made and fewer things to be done, and can only interfere with production. If we believe in an expanding economy of Canadians free to shop around, our slogan ought to be: Forward to Laissez Faire.

OYSTERS OR EAGLES?

by Kenneth W. Sollitt

THE OYSTER is endowed with a ready-made house to live in. All he has to do is to open the doors of his house to take in his food and close them again to keep out his enemies. He has perfect social security. Yet he is the easiest fish in the world to catch, crush, and cook. He always ends up in the soup. So what does his vaunted security really amount to?

The eagle, on the other hand, is peculiar among created things in another respect. When a severe storm strikes, all other birds either hide from the storm or try to fight it as long as their strength holds out. The eagle neither fights nor runs away. He simply sets his wings so the fury of the storm itself lifts him above the storm where the sun is shining, and there he remains, "free as a bird," until the storm is over. And only a fool would pity the eagle because he isn't an oyster.

The road to freedom in America must begin with the decision as to what kind of freedom we want. Is it freedom *from* something, or freedom *for* something?

To our forefathers, freedom meant the right to risk capital in the hope of a return on their investments; the right of unlimited expansion of their businesses; the right to let the people, in true democratic fashion, cast their ballots in the cash registers of the nation for the businesses which served them best. Freedom to them was a positive thing, and they wisely chose the eagle as their national emblem.

More recently we have been indoctrinated with the negative idea that by "freedom" we mean freedom *from* taking risks and making our own choices and decisions. This negative attitude toward freedom exhibits itself in the very expressions we use. Instead of freedom *for* life, liberty, and the pursuit of happiness, we speak of freedom *from* want, worry, and war (and work too, if possible). And we have been so busy fleeing from these specters that we have turned a corner and run right into their arms.

We have sought freedom from fear so avidly that all it has gotten us is a fear of freedom. We are fast becoming a nation of oysters. Instead of following the time-honored custom of honest men and enjoying the freedom to work for, save for, and buy the things we want, we have thought that it would be easier to elect men to Congress who would give us what we want at the expense of others.

We Must Choose

And so our new immoral freedom to take by law that which belongs to another has destroyed the old freedom to enjoy unmolested the fruits of our ingenuity and toil. First, we must decide which kind of freedom we want in the years ahead, the freedom of oysters or the freedom of eagles, the freedom of parasites or the freedom of noble men, the freedom of pirates or the freedom of honest persons.

Second, if it is the freedom of honest persons that we hope to enjoy, we must resist all tendencies toward further socialization, for socialism is piracy. Socialism is robbing the man who earns for the benefit of the one who doesn't. It is in every sense a system of "the survival of the sickest" because it robs the ambitious of their initiative and keeps the people who never had any initiative from developing any.

Socialism has demonstrated four facts over and over again:

1. *You can't multiply wealth by dividing it.*
2. *It does no good to get rid of a few little monopolies by creating a big one called "government."*
3. *The government can't give what it does not first take away.*
4. *It can never take away enough to supply the ever increasing demands of those who are led to believe they are getting something for nothing when they get it from Uncle Sam.*

If we want to be a free people, we must begin to do what we ought to do because we ought to do it and not just when we are forced to it. This demanding that we be forced to be good before being willing to behave, is the root of much of our trouble. Burton Parks in *Better Homes and Gardens* put it this way: "We'll never reach maturity in America until we get over the idea that whatever is legal is also moral."

No people can long maintain their freedom unless they are morally worthy of it. The only alternative to the imposition of controls from without is the exercise of controls from within. The only alternative to being forced to do what we ought, which is a form of slavery, is to do what we ought because we want to—and this is the only basis on which freedom can be built.

Let us here dedicate ourselves to showing that covetousness doesn't pay, that liberty is never license to do as we please but only freedom to do as we ought, and that freedom is only for those who will accept the responsibilities that go along with it.

TWO WAYS TO SLAVERY

by James M. Rogers

In the Old Testament there are two thought-provoking stories of how a people brought about their own enslavement. While both examples show that slavery is a moral issue, for the most part the stories use economic and political events and decisions to record the degree of bondage and how it came about. The real lesson lies in the fact that these people became slaves through a sequence of events which, at the time, seemed to be a good course for them to follow. Since we're making these same mistakes in America today to an alarming degree, these two stories hold for us a significant lesson.

The first of the events took place very early in the history of the Hebrew people—our philosophical forefathers. Most of us are aware of the fact that when Moses came upon the scene in Egypt, the Israelites were enjoying the dubious distinction of being among the most downtrodden slaves in that part of the world. But few of us seem to have any idea how they got that way. We remember that these Israelites weren't always the slaves of the Egyptians, but the events leading up to this dark period have not been given enough emphasis in most studies of the Bible.

The leading character in this tragedy was the man of "the coat of many colors" fame, Joseph. He was the eleventh son of old Jacob who, in his youth, had tricked his brother Esau out of his birthright.

Joseph's Dream

The first scene in the drama really takes place on the plains at Shechem—near the vale of Hebron on the land of Jacob—where we find ten of the sons of Jacob tending the flocks. They are fed up with their brother Joseph. He had announced to them some time before that he had a dream telling him that his brothers were all going to be his subjects one of these fine days. This, added to the fact that their father had made no secret of his special affection for the boy, is too much for the brothers. They gang up on Joseph and throw him into a pit until they can decide what to do with him.

Through a series of coincidences—combined with the compassion of one brother, Reuben—Joseph is sold into slavery to a merchant going into Egypt. There he is sold again and ends up, finally, in jail because of a married woman who thinks she can't live without him.

While Joseph is a prisoner, his knack for interpreting dreams is brought to the attention of Pharaoh, King of Egypt. The King has had a dream which has defied interpretation by his magicians. Someone tells him of the prisoner Joseph who, it is said, can give him the meaning of the dream.

Joseph is sent for and tells the King that the dream is a warning. It means that the country will enjoy seven years of bountiful harvests, which will be followed by seven years of great famine. Joseph says further that the dream is a warning to Egypt to store up food during the seven good years, in preparation for the seven bad ones which are to follow.

The King is so overjoyed at Joseph's ability to bring forth this wonderful interpretation that he puts him in charge of the entire operation. That is how Joseph became the first OPA administrator in history.

The Ever Normal Granary

Incidentally, it was this Bible story which was actually used by some politicians in America to sell price stabilization and the "ever normal granary" to the American people. The real punch line of the story—the scene where the people became slaves of the man controlling the granary—was never included in those Bible quoting sessions of the early thirties. This is how it happened.

The seven good years in Egypt rolled by on schedule, and the storing of grain went according to plan. Then came the bad years. There is nothing in the story to indicate how the government of Egypt gained control of the excess crops in the good years, but the way the government distributed the crops in the bad years is made very clear. Joseph forced the Egyptians to pay for every bushel of grain they got from the government. Finally the people had nothing left with which to buy the food they so desperately needed. So he demanded of them that they bring him the deeds to their lands. On the appointed day they did; then he made the awful pronouncement which is never referred to when the story is retold by politicians to the American people today. When the Egyptians laid the deeds to their land at his feet, Joseph said to them: "Behold, I have bought *you* this day. . . ."

In our day, the land is rapidly coming under the ownership of the government which already owns, outright, 25 per cent of the land in the United States. While government ownership of the rest of the land is not presently being established through an open "bring me the deeds to your land" approach, such ownership is being constantly established nonetheless. Men who may not even realize it are becoming modern Josephs. Ordinarily, they do not openly ask for deeds. But surely some of them are smart enough to know that ownership is much more a matter of who has the power of decision over the property than of who happens to be listed as the owner with the County Recorder's office. This indication of ownership in the Recorder's office may only entitle the so-called owner to the dubious pleasure of paying taxes on the land.

The Essence of Ownership

The real owner of a property is the one who calls the shots on how the land is to be used. What can be raised on it? To whom and for what price can the produce be sold? How are the profits to be divided? On that basis, ownership of America's farm lands is quite different from what the Recorders' books may indicate.[1] Actually, the full plight of farmers is not fully stated when we show that they no longer own the land. Joseph really put the picture in focus with his "I have bought *you*," for whoever owns the land also owns the people of the land.

Many years after his brothers had sold Joseph into slavery, they were still back on the plains of Shechem with their flocks. Because they had robbed themselves of the insight of Joseph, they didn't bother to put any surplus aside during those fat years, acting as though the good times would never end. Then when the lean years came along, they suddenly found themselves faced with starvation.

Rumor had it that grain could be found in the land of Pharaoh. The sons of Jacob journeyed there to buy wheat which is referred to in the Bible as corn. When they arrived in this far-off land, they began to bargain over the precious foodstuff with a person they thought was a shrewd Egyptian. Not one of them suspected that he was their brother Joseph whom they had long since thought dead.

A Touching Story

The chapter that tells of the revelation of Joseph's true identity, and the subsequent arrangement to have Jacob and all the rest of the family brought to Egypt for Joseph

[1] For a specific example of how this works in the United States, a reading of *Agrarian Reform* by Paul Poirot would be most illuminating. (Foundation for Economic Education, Irvington-on-Hudson, N. Y.; single copy free.)

to look after, is indeed a touching story. Those parts of the story have been told and told again as examples of how one so wronged can—and should—forgive his tormentors. However, as in the case of "Behold, I have bought *you* this day," the sad end of the Israelites through the paternalism of their brother Joseph always seems to get left out of the story.

You see, before Joseph permitted his father, his brothers, and their families to participate in this wonderful system to save the world from famine, they had to place themselves in the same position as the Egyptians. So in addition to owning the Egyptians, Joseph also became master over his parents and his brothers and their families.

At the time, this was no source of concern to the Israelites, for was not Joseph their beloved brother and son? Was this not the one who had been able to forgive his brothers for their horrible deed of years ago? What possible harm could come from agreeing that their brother Joseph should have this fearful power over them?

How many times throughout history this same mistake has been made: Power given to someone who is trusted; then another, to whom the people would *never* have given power, inherits that which was given to a trusted one.

You can guess what happened. Joseph died. An Egyptian inherited the power that had been Joseph's. He didn't assume any power that had not been in the hands of the kind and compassionate Joseph. The only difference was that he used it differently. He used it to make of the Israelites the abject slaves described in the Bible.

Today we have empowered people in our own government to do things for us without realizing the fearful extent of that power. We don't yet realize it because the people who now hold it have generally not chosen to exercise it in all the awfulness implicit in it. When they do, we will wonder how we could ever have been foolish enough to have given that power to anyone.

The market place is literally jammed with examples of how we have surrendered powers over our jobs, incomes, production facilities, and trade channels. We have also surrendered certain powers in other areas in ways we probably don't even imagine.

In the state of New York, for example, the people have empowered the governor of the state to determine the nature of right and wrong as it is to be taught to the children in our schools. The people don't yet realize the full meaning of this; but you may be sure that sooner or later the realization will come, and they will say: "How could we have done this?"

Government Education

Here is how we surrendered a large part of our responsibility over the minds and morals of our children. We have given the governor the power to appoint a Board of Regents which, in turn, has the power to approve or disapprove every textbook to be used in the schools of the entire state. If they do not always choose to exercise the power, it is still nonetheless true. We have further permitted this same Board of Regents to set the standards of learning which must be met by a child before he may be passed from one class to the next. This is true not only of a knowledge of subjects like arithmetic, reading, and spelling, but also of such matters as the proper functions of government.

If you were to offer only one of the offices of our land to those who could change this Republic to something we hate, they would be completely satisfied to have no other power than control of the one just referred to: the power over education. You may say: "Yes, but the men who are in possession of that power are fine people." This is quite likely true, even though I find myself in disagreement with certain of the ideas and principles they conclude to be morally right, and which they are causing to be taught to our children. But that is not what's worrying me. My fear is that, at some time in the future, a man who has the power of appointing that Board of Regents will, little by little, destroy the younger generation's resistance to tyranny by causing them to be taught ideas and principles which are in direct conflict with our Declaration of Independence and Constitution. Some of those questionable principles are already apparent in a number of textbooks. They have to do with world government, foreign wars, government ownership of the means of production, and other similar issues.

And if you think you will "vote the rascals out" if the government tries to take full control over our children's education, I have news for you. The government *already* has full control. And so far as I can determine, most people want it that way. True, the government still *permits* private schools—under government supervision. And there is still some controversy as to whether the federal government or the state government shall exercise the major control over the education of our children, but that is merely a temporary sop for people who enjoy arguing details rather than principles.

That is just one of the ways we have given power to people—slowly and over a long period of time—because we have confidence in them. The issue behind the Bricker Amendment is another example of this same process. One of the main arguments against the Bricker Amendment is: "Don't you trust the President?" And the answer could be that the children of Israel trusted Joseph too, but that was of small comfort to them after another person inherited the power and then did something with it that Joseph would never have done.

The Lesson

The lesson we should learn from the Israelites is this. In deciding whether or not to give power over you to your most trusted friend, imagine that his authority might eventually be held by your worst enemy. Then act accordingly; for although the friend may never misuse it, there's no way of telling who might inherit it from him.

The bondage in Egypt was the first period of slavery for the Israelites. It was not the last, however, nor in some ways was it the worst. The next period of their slavery did not take place until many years later; not until after Moses had come along and led them out of the land of bondage and across the wilderness for some forty or more years; until they had finally entered the Promised Land under the leadership of Joshua.

Those early years in Canaan were wonderful ones. Here was a people who had never really accomplished anything as a nation. They were the offspring of these twelve brothers, the sons of Jacob. They had been suffering or running away from something almost ever since they came into existence. The peoples they had to fight in order to get their place in the already overcrowded fertile crescent were of such famous names in the family of world tribes as the Hittites—the great fighters, the discoverers of iron swords—the Amorites, and also the Canaanites. These were all accomplished tribes or nations which had tradition and history in their favor. The Israelites were nothing more than a ragged group of desert nomads.

A Unique Government

There was one significant difference, however. This seemingly unorganized group of desert waifs had a most unique type of government. They had no king to command and control them. Long since, these people had learned that there is a great source of wisdom which guides the universe and, although their knowledge of it was quite primitive, and their method of reaching this great source of wisdom and power left much to be desired, they had a motivation which was head and shoulders above all the tribes around them.

It was not a case of each man contacting this power for himself and in his own way; they were still too primitive for that. Instead, they had selected from among their group one upon whom they felt a special mantle of their god, Jehovah, had fallen. And it was his job to interpret to the rest of them the will of Jehovah.

By this seemingly simple and childlike system, these people were able to overcome almost insurmountable odds. While all the other tribes were thinking and working only on the level of the mind of man, or satisfying a multiplicity of unknown spirits which seemed to work mostly against them, the Israelites were actually trying desperately—although sometimes foolishly and mistakenly—to know the will of the force that was directing all of creation.

You don't have to be very good to be best at something if you are the only one who's trying it at all!

The Judges of Israel

The one selected to guide the children of Israel in the way of Jehovah was called the judge. Their form of "government" might be called a theocracy. But it was completely unlike the theocratic societies which came about in later years, when men like Oliver Cromwell and others who thought themselves to be part god, ruled people in a dictatorial fashion. The social organization of the Israelites was the honest attempt of a people to be governed by God. It was more than an honest attempt; it was the most successful venture to date in that part of the world.

During those early years in Canaan, the children of Israel made progress such as has seldom been made in the whole history of the world. The tribes increased; their flocks increased; suitable settlements were made with the Canaanites who recognized something quite unusual and unique in these people; and the responsibility of judgeship passed through several hands until, finally, it rested with one of the greatest judges of all: Samuel.

Samuel had served the children of Israel through many difficult times, accurately interpreting the will of Jehovah. But he had become an old man. The time had come for him to begin thinking in terms of his successor. He had high hopes that one of his two sons would show signs that would make him the choice of Jehovah. But how would he ever know? Samuel divided a small portion of the country in half, putting one son as judge over one part and the other son as judge of the other part.

Everything was against these two boys. They were young; they were the easy prey of tempters who offered them money; they had some extremely bad examples being set before them by the Oriental potentates on every side. To put it simply, they performed very badly.

The elders of the several cities were watching all of this with much interest. They saw in these two irresponsible young men their next judge, and the prospect did not please them. So, at a prearranged time, they met with

Samuel at Ramah. There the elders told him that as they observed the experiment, it was apparent the sons were not wise in the ways of Samuel; and Israel did not look forward to having either of them as a judge. Then the elders told Samuel that what they really wanted was a king to rule over them in the fashion of other nations. They asked him to appoint one.

This was a great shock to Samuel. To him it was an indication that they were not satisfied with his judgments. As was his custom in time of trouble, he stalled for time, then took the matter to a quiet place where he was accustomed to talking with Jehovah.

As you read this in the First Book of Samuel, it almost seems as though Jehovah anticipated Samuel's feelings because Jehovah told him that he was wrong to feel so bad. It was not Samuel they were rejecting, but Jehovah. He also said there was nothing, really, that either he or Samuel could do. If these people really wanted a king, they were going to have one; and it would be wise for Samuel to make the best possible choice.

Jehovah said there were some things, however, that he wanted the people to know before they turned to a king for guidance in matters which theretofore had always been left to their God. He wanted them to know the inevitable results which come to pass whenever men give to other men powers that should be left in the hands of their Creator.

So he told Samuel to tell it to them straight. He said to tell them that this king who would replace him would at first need only about 10 per cent of all their sons and daughters and manservants and maidservants, and 10 per cent of the produce of their work to support his efforts; but that would be only the beginning. The implication was that it would eventually be 25 per cent and then 50 per cent, then more and more, because he concluded by saying that they would all become virtual slaves of this king they would put in the place of Jehovah.

Jehovah's Message

His parting instruction to Samuel was to tell them: "And ye shall cry out in that day because of your king which ye shall have chosen: And the Lord will not hear you in that day."

The accuracy of that prophecy was very quick to make itself known. Saul, the first king, taxed the people about 10 per cent. David took care of at least 25 per cent more. Solomon, his son, required about 50 per cent. Along with this destructive taxation, all of these kings were performing various and sundry other evil acts upon the people—just as Jehovah had predicted. Then, in rapid succession, a rather feeble assortment of kings called upon them to give the rest of their possessions to support a series of foolish and wasteful wars. It was the end of the Israelites as a nation. From that time on, until they became so scattered over the face of the earth that it's really difficult to know what happened to them, they were constantly the slaves of either their own or some foreign king.

The experience of the Israelites early in the history of the world proved the truth of this fact about government. When the people turn to the source of creation for leadership—instead of to the authoritarian arrangement whereby the mind of man rules men—they have a chance to accomplish great things.

This wonderful idea of government was never really tried again for many hundreds of years. It was only after many nations of men had collapsed under the weight of their so-called divine kings, and had become a rubble over which succeeding generations and armies had trampled, that a handful of people finally crossed the wide expanses of the great sea to America. Here this idea was to have a chance to work its wonders again.

In this new climate, there were still many persons who thought it would be sure death to the people if they did not have a king to whom they might look for leadership. So they maintained allegiance for many years to their traditional kings across the sea. But when the king began to increase his take of the percentage of their productive efforts—and continually called upon them to support and fight his useless wars—some of the wiser people in this new land saw the potential of permitting God to do most of the ruling.

This new experiment was to be quite different from the first one in Canaan. The early Americans had learned that it was not necessary to have a judge to intercede with God for them. They had learned that *every* man might approach this great source of power and wisdom if he so desired. Every man was potentially capable of finding his own answers. And so, essentially, that was the way they decided to run the country. The lion's share of government was to be a matter between the individual and whatever he found to be his Jehovah. In fact, about all they decided to leave to organized and formalized government was the power to restrain those persons who injured other persons. Vast areas which had theretofore always been the province of a ruler of the people, were going to be handled in this new and revolutionary manner of individual authority and responsibility.

Just think of it! All aspects of the individual's life and his right to live it; all aspects of the individual's liberty and his right to be a free man; all aspects of the things he would decide to do for the pursuit of happiness; all these things were going to be governed in this revolutionary fashion outside the authority of formalized government whereby some men have always directed and controlled other men!

It was to be chiefly a most unusual kind of theocracy. God would be ruling the nation, not through any one man but through each man as he knew his own God.

The results of this revolutionary concept of government were extraordinary. The people prospered as no people had ever prospered before them. They grew strong—both materially and spiritually. They invited the poor and downtrodden of all nations to leave their man-ruled societies and move to this land of freedom under God where every man was his own master and responsible for his own actions. The freedom-hungry foreigners poured in by the millions. The old and the new lived together, worked together, worshipped together, and prospered together. They were free and unafraid. As long as they held to the original concept of a partnership between God and man, all went well.

But somewhere along the way the people faltered. They began to lose their faith. They began to fear the consequences of their own free choices. Without even realizing it, they began to reject God and personal responsibility, and to clamor for a man-ruler to look out for their welfare and bear their burdens for them.

Little by Little

Had this covenant between God and man been dissolved by man in one fell swoop, maybe Jehovah would have ordained some "Samuel" through whom he would have passed the same judgment on these Americans that he did on the Israelites when they dissolved the arrangement. However, the Americans began doing it a little at a time. They did not start right off and say they were going to have a king to rule in all the areas which were originally reserved to the individual and his Jehovah. They made this decision piecemeal.

When the people first began turning their responsibilities over to government on a small scale, they didn't realize that they were actually dissolving their relationship with God; but they were. And the judgment which was passed on that group of Israelite elders clear back at Ramah, began to settle on them. Little by little, these Americans began to become slaves of the men to whom they were giving God's job.

At first it wasn't much, just a matter of two or three per cent of the total productive effort of the people that was being assigned to those who were going to assume Jehovah's responsibility. This money was to be used by the officials for the general welfare, such as charity, education, public works—"things which all men of good-will ought to be doing anyway." But then it was 10 per cent. Then 25 per cent, and more. At the same time, millions of our young men were drafted against their wills and sent to fight foreign wars which didn't concern them.[2] As we look at it now, it seems strange that more of the people—especially the religious leaders—didn't see the connection between this and the judgment at Ramah. But the transfer of responsibility and authority continued and the percentage of slavery increased.[3]

Economic Slavery

Today, as this is being written, we are presently a little over 36 per cent the economic slaves of those to whom we have transferred the control of our market places, our incomes, and our responsibilities to act like

[2] For a full discussion of this, see *The Conscription Idea* by Dean Russell. (Foundation for Economic Education, Irvington-on-Hudson, N. Y.; single copy free.)
[3] For a method of measuring this, see *Liberty: A Path to Its Recovery* by F. A. Harper. (Foundation for Economic Education, Irvington-on-Hudson, N. Y. 159 pp., $1.00 paper-bound.)

children of God. How far will we go in the changing of the rules which made possible the wonderful progress we enjoyed under conditions of freedom?

All along the way, many persons have realized that something is terribly wrong and have tried to show that we are bound for chaos because of the absence of freedom in the market place. They have insisted that this absence of freedom in the market place makes for less production than we could have, more shortages than we need to have, and a final absence of wealth. Of this there is no doubt. But the time when it becomes obvious to all can often be removed some distance from the act which caused it to happen. To be sure, every Israelite could eventually testify to the poverty and slavery which became his lot because of what the people had done in rejecting Jehovah. But actually, the full effect of earlier decisions did not come to pass for quite some time. While they were existing under a partial system of slavery during the reigns of David and Solomon, it would have been hard for them to believe that the poverty and destruction which was in store for them was just around the corner. Like present-day Americans, the Israelites also "never had it so good."

A Form of Bondage

When the fires of an economy have been well stoked by the energy of freedom, it's often quite surprising how well that fire holds, and how much heat it can give off even after the source of that fuel is gone. But the fact remains that whenever and wherever we transfer authority and power over us to *any* organization or person, we thereby enter into a form of bondage, a degree of slavery. While this is seen most clearly when the organization is government, the principle still works for other organizations as well.

Take the case of the worker who transfers to some union organization authority over his right to pursue the happiness he receives from his work. Just as soon as that transfer is completed, a kind of slavery exists at once in some degree. Where, before, he was free to exercise his own judgment, he's now dependent on the new authority—the union organization. When the time comes that a majority of those in power decide that the individual shall not go to work the next day, then he has no say in the matter and this very important facet of his right to the pursuit of happiness is gone. He has thereby become in some degree the slave of a master; no longer is it a matter which he may talk over with the Creator from whom he has inherited the right. He has empowered another to assume the position of Jehovah. He's fired Jehovah from that job.

Definition of Slavery

Slavery exists whenever we give men the power over our lives which rightly belongs with the Creator. This word "slavery"—or the softer term of "bondage"—might strike many people as harsh and without relationship to anything in our day. Slavery is more often thought of in connection with the situation existing in the South before the Civil War. We only delude ourselves, however, when we fail to see that whenever our productive effort is controlled by other men, without our consent even though they achieve the power legally, it is still slavery. Periods of slavery in which government was the master are many. The people of Germany and Italy will attest to the slavery they experienced under Hitler and Mussolini. Yet both men seem to have arranged things in a legal fashion. Are the people of Russia any the less slaves because their productive effort is owned by their government instead of by a man?

There are two ways to slavery. This is not to say there aren't others. But these two ways as shown in the history of the Israelites have been set before us to examine: Here we see a truly great people who made a fearful mistake, and then upon being given a second chance, made such a final blunder that it actually wiped the nation from the face of the earth.

Today we're combining both of these ways to a frightening degree here in the United States. We're empowering some people to be masters over us when we know it's not the sort of power we would ever give to someone we distrust. That's the mistake that was made at the time of Joseph. The condition in which Moses found the children of Israel is ample testimony to the result of such a mistake. Their next mistake was in demanding that a man be selected to rule over them and to decide for them what they should be forced to do in unison.

We are now in the process of dissolving that part of our New World concept of government which made it different from the conditions of Europe. It was this difference which caused people who were nothing in the old climate to become inventive and resourceful and creative and productive in the new. The essential difference was that the only power men were to have over other men was the power to prevent them from injuring each other, which is a very small part of the decisions that make up the whole of life. In effect, all the rest of living was to be self-government between the individual and his God—a new theocracy.

It is not yet too late for the American people to return to our original concept of individual freedom and personal responsibility under God. But if we aren't worried now, just when will we realize the truth of the judgment of God as it was passed on the Israelites at Ramah? If not when we are 36 per cent slaves, will it be when the slavery is 50 per cent, or 75 per cent? Will we be so blind that the truth of that judgment will not come to us until it is too late, until we, like the Israelites, have been dissolved as a nation and scattered over the face of the earth, perhaps never to be called together again? For the final judgment was: "And ye shall cry out in that day because of your king which ye shall have chosen: And the Lord will not hear you in that day."

PRINCIPLES ARE INFLEXIBLE

by Herbert Spencer

MAKE a hole through a principle to admit a solitary exception, and, on one pretense or other, exceptions will by and by be thrust through after it, as to render the principle utterly good for nothing. In fact, if its consequences are closely traced, this same plea for license in special cases turns out to be the source of nearly all the evils that afflict us....

When Philip of Valois swore the officers of his mint to conceal the debasement of the coinage, and to endeavour to make the merchants believe that the gold and silver pieces were of full value, he thought that although perhaps unprincipled, such a measure would be vastly profitable. And so no doubt believed the other kings, who, in the "good old times," almost universally did the like. They overreached themselves, however, as all such schemers do. It is true that their debts were diminished "in proportion to the reduction in the value of the currency; but their revenues were at the same time reduced in the like ratio. Moreover, the loss of their reputation for honesty made them afterwards unable to borrow money, except at proportionately high rates of interest, to cover the risk ran by the lender." So that they not only lost on the creditor side of their accounts what they gained on the debtor side, but put themselves at a great disadvantage for the future....

Protectionism

Protected trades, too, have afforded many proofs of the impolicy of injustice. . . . Under the now happily exploded plea of protection to native industry, the silk manufacturers were freed from all foreign competition. Their prices were thus artificially raised, and all the nation was compelled to buy of them. And so, having a large market and profits, they thought their prosperity ensured. They were doomed to disappointment, however. Instead of a brisk and extensive trade, they obtained a languishing and confined one; and that branch of manufacture, which was to have been a pattern of commercial greatness, became a byword for whining poverty. How utterly absurd, under such a lamentable state of things, must have appeared the proposal to return toward equitable dealing by lowering the duties! What "impracticables" must those men have been thought, who, because monopoly was unjust, wished to expose the almost ruined manufacturers to the additional difficulty of foreign competition! Could any thing be more contrary to common sense? Here surely was a case in which "abstract principles" must give way to "policy." No: even here, too, obedience to the moral law proved to be the best. Rebellion against it had been punished by accumulated distresses: a partial submission was rewarded by an increase of prosperity. Within fourteen years from the date at which duties were lowered, the trade had more than doubled itself—had increased more within that period than during the preceding century. And those who, but a short time before, were unable to meet their French compeers in the home-markets, not only began to compete with them in the marts of other nations, but to send large quantities of goods to France itself.

PUBLIC HOUSING

by Paul L. Poirot

> "We must have better housing for those Americans who are now forced to live in slums and substandard dwellings."

So SAID a presidential candidate. And so believe a great number of the rank and file citizens of the United States. There really seems to be no question as to the desirability of adequate housing. But there are questions as to what kind of housing is adequate. There are questions as to who is being *forced* to live in slums and substandard dwellings; who is applying the force. And perhaps the most important questions of all have to do with the methods of achieving better housing. Who is to determine what is better or best? Who is to provide and who is to occupy such better housing?

The presidential candidate probably was not referring to his own personal need when he called for better housing. It is probable, however, that at least one purpose of his statement was to establish his eligibility for occupancy of a house which has been recently repaired at a cost to American taxpayers of $5,832,000. Of course, the White House is not a housing project in the usual sense of the term; but the methods of providing the dwelling and of selecting the occupant are strikingly similar to those used for public housing projects. In either case, the political method is used for determining the need and assessing the burden of the costs involved.

A Housing Shortage

Although the foregoing campaign statement did not say so, many persons believe that a housing shortage exists in the United States at the present time. They say that there are not enough dwellings to satisfy the demand. They say it isn't right that some American families should be deprived of better housing, especially when they appear willing to pay for it. They say that private builders aren't doing the job, that the competitive system isn't functioning properly. Many persons believe that the government ought to do something about such a situation.

A seeming corrective for any shortage is to produce more of the things which are scarce—in this instance, produce more houses. And that's precisely what a great many citizens believe the government of the United States ought to do: carry on and enlarge its public housing program. Other persons will argue that the job should be done by the state governments. And still others believe that the cities and communities ought to do the job through their own local governments. If the hours of earnest and vigorous debate as to which of these branches of government ought to do the job had been spent in home construction, this housing shortage would be much less acute than it is. And the sad part of all such debate is that it blinds the participants to the true nature of the problem.

The problem is that there are not enough dwellings to satisfy the demand *at prevailing prices.* And the fact is that someone has been interfering with prices—the means by which the market equates the demand for housing against the available supply of houses.

Price Fixing

Someone has been trying to set too low a price for housing, thus causing too much demand. Theoretically, such interference could originate with individual owners of houses, apartments, and other dwellings. Suppose an apartment house builder were to open a new project, for some reason offering all of his well-built and highly desirable apartments at a monthly rental of $10.00, including utilities. In most communities such a ridiculously low rental rate would bring forth far more applications from tenants than could be satisfied. The apartment house owner would have created a housing "shortage" simply by building housing and offering it for rental at less than the prevailing market price. Or suppose that some owner decides to sell his home for a figure well below what the prevailing market price might be. This, too, might lead to a so-called housing shortage, for there would be a tremendous demand for such a bargain.

Actually, these are pretty radical suppositions. Private builders and home owners usually do not cut their own throats in any such fashion. The owner of a home or an apartment usually asks as much rent or as high a selling price as he believes the market might allow. However, as a producer of housing, he is competing with many other producers. The greater the supply of houses relative to the demand for them, the keener is the competition between producers. Such competition tends to lower the market level of rents and the market value of dwellings, which enables consumers to buy more and perhaps better housing for their money than before.

Government Interference

Sometimes the government—federal, state, or local—interferes with the price signals in the housing market. Not the private builder, but the government, steps in and says that rents shall not exceed $10.00 a month, or whatever other figure they deem to be fair. The consequence of such indirect housing subsidy, of course, is that those tenants who are most fortunate will expand into living quarters more spacious than they would consider necessary at the competitive market price. Most tenants who can find two rooms for the price of one will occupy the two rooms instead of one.

The tendency of rent control to aggravate the housing shortage seems to have been recognized even by the government. With one hand, the government holds the price of housing below its competitive level; with another hand, it forces the diversion of productive efforts from other uses into home construction. For instance, the government offers mortgage money at lower than the market rate of interest, thus applying a little pressure on lenders to the advantage of borrowers. The government also offers mortgage insurance or guarantees the payment of mortgages which otherwise would be too shaky to seem attractive to private investors. As a final resort, the government may offer the mortgage in the form of tax-privileged or even tax-exempt government bonds to attract investors toward the "opportunity." So the government has various ways of applying its powers of taxation so as to interfere with the housing market. By emphasizing rent control, it is possible to create as serious a housing shortage as anyone could desire!

Of course, the government doesn't deliberately set out to create a housing shortage when it indulges in rent control and various easy home-purchase subsidies. The object is to help the needy, the returning veterans, the families of defense workers, the "underpaid public servants," all those who are thought to be worthy and deserving. And it is not a popular thing to question such humanitarian motives. However, it is necessary to raise some questions because the means employed are defeating the objective. The housing shortage persists because of what is being done by the government in its effort to correct it. And the victims who suffer most are the very ones who were supposed to be the beneficiaries of this intervention—the persons who were presumed to be unable to meet their own need for housing. Even an artificially created shortage hits first and hardest against those least able to afford the scarce item.

The government is trying to prohibit competitive bargaining as the determinant of the price for housing. In other words, the government has been trying to force people to do what they would not do voluntarily. In one sense, it may be said that the housing shortage is merely a measure of popular resistance to the idea of substituting the force of government for the voluntary market method of bringing supply and demand toward a balance. Shortages and surpluses do not develop or, at least, do not continue for long when prices are free to fluctuate according to the choices of buyers and sellers.

Measuring the Shortage

The current housing "shortage" is not a thing that can be measured merely by comparing the number of families or the number of people with the number of dwellings or the number of rooms. The 1950 census reports an average of 3.5 persons per occupied dwelling unit in the United States, compared with 3.7 persons at the end of World War II, 3.8 persons in 1940, and 4.8 persons in 1900. The total number of dwelling units in 1950 was 23 per cent greater than in 1940, whereas the same period saw a population increase of less than 15 per cent. These figures certainly indicate that most of the so-called housing shortage stems from disruption of the market mechanism rather than from a decline in dwelling facilities.

Such a comparison of persons per dwelling, of course, tells nothing specific about the condition of the dwellings or the happiness or health of the residents. It has been charged that some Americans are now forced to live in slums and substandard dwellings. And it undoubtedly is true that some Americans are living in homes which other Americans would classify as uninhabitable.

But it is equally true that some Americans eat and drink food and beverages which other Americans consider unfit for human consumption. Some farm operators till soil so unproductive that other farm operators would classify it as unfit for farming. Some persons dress in a manner seen by others to be inadequate or positively indecent. Even the manner in which some Americans worship God is frowned upon by others. Who is to determine which ones of us are living in substandard fashion? And then what?

Forced To Be Independent

Aside from the occupants of prisons and other places of detention, how many American citizens actually are being forced to live in any particular place? Just what is the nature of this so-called force over those who dwell in the "slums"? Am I being forced to live in my own modest home just because there are others living not too far away in homes which are castles by comparison? Is it force which limits any man's possession to that which he can produce or obtain in exchange for his own efforts and property? Is it force which constrains nearly every human being to somewhat less than full satisfaction of every conceivable desire? Actually, these are the restraints of self-control exercised voluntarily by individuals who respect the rights of one another to private ownership and control of property.

Among individuals who respect the right of every person to the product of his own efforts, it is expected that some persons may accumulate more property than others, not through resort to force, but simply as the result of superior productivity and personal thrift, both being a part of one's capacity to serve others. In a competitive society, property accrues naturally to those best able to use it in service to others. If men are to be allowed to live according to the fruits of their individual efforts, it follows that they must be allowed to live according to their different scales of values—not forced to work and act and live alike.

A Strange Definition

There may be those who will say that any person who eats an apple is forcing all other persons to do without that apple. And perhaps there are some who then go on to conclude that the eating of a single apple forces all others to do without apples. At least this seems to be the logic of persons who say that people are being forced to occupy slums and substandard dwellings. They imply that such force is exercised by those who occupy more stately mansions. Their idea seems to be that force occurs or has been exercised whenever there develops the least deviation from a condition of absolute equality of material possessions. By such "reasoning," they conclude that it is a proper function of government to provide a standardized dwelling unit for every citizen. Any individual who might attempt to disturb this dream of social equality by improving his own unit would have to be taxed back into line!

Partially Equal

The foregoing illustration will be challenged by the majority of social levelers as going beyond their objectives. They will say that their goal is not absolute equality—that only the lower 5 per cent or 10 per cent or one-third of the population really deserves to be equalized upward. A favorite stunt of politicians who want to be known as defenders of private enterprise is to argue that, of course, we don't need 100,000 units of public housing a year—we only need 80,000 units! But this kind of a breaking point leaves no stopping place in principle. If all the people are to be taxed to build the new homes which some of the people cannot afford, this very tax will drive others down into the eligible "substandard class." There will always be a lowest 5 per cent, until absolute equality is reached. And the disrupted market place will not be allowed to indicate by way of price changes just who wants what.

If 5 per cent of the productive efforts of individuals are diverted, through the taxing powers of government, to the building of housing which a free market would not justify, then it must follow that something other than housing will not be made available for consumption. The subsidized housing may be provided by curbing the output of fine cars and television sets and fur coats. Or, the housing may come at the expense of workshoes, clothes, food, medical care, and other nonluxury items. This much is certain: Whatever other values may be claimed for it, it is not logical to claim that taxation is a device for improving or even sustaining the productive activities of individuals. The taxpayer, the recipient of the subsidy, and the supervising middleman are all invited by the compulsory leveling process to be less productive than they could be. This curtails the total supply of things which can be consumed. Such compulsory exchange for the purpose of equalizing—unlike the market process of voluntary exchange for mutual gain—inevitably drives the over-all level of living below that of which free men are capable.

The Unseen Individuals

There is indeed a sharp contrast between the poor housing conditions of the "slums" and the more exclusive homes of the "heights." And, not infrequently, it is out of the picture windows of the more fashionable homes that the "slums" are seen to be "community eyesores, blotches upon the character of American humanity, dens of iniquity, breeders of ignorance, disease and poverty"—areas justifying public intervention and clearance.

Seldom seen from the picture windows on the "heights" are the details of humanity in the so-called blighted areas. Unseen is the fact that in these "slum areas" are individuals who are living as they feel they can afford to live. Perhaps their homes are substandard by the measurements of outsiders. Yet there is much to indicate that some persons live in the "slums" by choice rather than necessity. It is conceivable that these occupants consider other things more important than improved housing, so far as their own spending is concerned. Streets filled with parked automobiles and roof-tops jammed with television aerials suggest that possibility. And if a man wants to spread his earnings by a formula somewhat different from the average for the community, is that necessarily wrong? If the majority, by way of government, is to prescribe the kind of a house in which a poor man is to live, then to the same degree will the majority prescribe how the wealthy and even the citizens of ordinary means are to live. If it is a new house for each family today, will it not be an adequate diet on every table, or a new car in every garage, tomorrow? And, of course, all of these things would be quite wonderful, except for the fact that the government cannot thus provide one single item of goods or services to these persons except by taking it away from someone else who has worked to produce it.

Unforeseen Consequences

There is no denying that an architect's drawing of the bright and cheerful new homes of a proposed housing project is more beautiful than a photograph of the "slums." "And it won't cost the community a cent," they usually say. Such clever devices influence opinion in favor of the project, for these are the things which can be seen.

There is another side of this picture, however, an unpleasant side which the picture-painters prefer to keep toward the wall. It depicts the taxpayers of the "favored" community and of the entire nation whose property will be taken to finance such housing projects. The money thus taken might have hired some extra household help for an overburdened mother. Or it might have brought the doctor in time, when Johnny developed pneumonia. It might have been invested in the tools and facilities which provide jobs. It might have provided real employment opportunities for those who are to be put "on relief" instead. These are some of the things which are unseen, things which cause "slum" conditions to expand until they become universal, all developing as the unforeseen consequences of a public housing project.

Secondhand Houses

In some respects, a "slum" is like a used-car lot. A "slum area" offers a supply of secondhand housing of the kind which satisfies a need until such time as a person can afford and wants a better home.

For purposes of illustration, let us assume that a more or less typical house may be suitable for occupancy over a period of 80 years from the time it is new. Assume further that the builder or original purchaser lives in the house for 20 years, and then sells it. He might reasonably expect to sell a 20-year-old house for about 75 per cent of the replacement cost of a new building. If the next resident occupies the house for 20 years, he might then sell it for roughly half the replacement cost. And a 60-year-old house might sell for about one-third of the replacement cost.[1]

In other words, if a family can afford only so much for housing—say $10,000, or the carrying costs on that amount—then one alternative would be a new home of small size. Another alternative would be a used house with relatively more living space. It seems reasonable to let each family decide how best to balance newness against cubic content in their own choice of a home.

The point is that a typical dwelling does house a succession of different families during the life of the dwelling. And as a rule, it costs less to buy living quarters in a used house than in a new one. This explains why so many of us go through our lives always living in secondhand houses. And this is no cause for shame.

We do the same with automobiles. A Federal Reserve Board study reveals that in 1951, five out of eight purchasers of passenger cars bought secondhand vehicles. About a fourth of all cars in use today are more than ten years old. Those who want a car, but feel that they cannot afford a new one, patronize the used-car markets. As a consequence of this market method of distribution, nearly two-thirds of all families in the United States do

[1] Roy Wenzlick and Co. *Appraisal Bulletin,* Vol. XXII, No. 2, January 21, 1953, and *As I See,* Vol. XXII, No. 11, March 17, 1950.

own automobiles. And of the remaining families, many do not own cars simply because they do not want them.[2]

Socialized "Charity"

Let us assume, however, that 5 per cent of all families in America are car-less because they believe that they cannot afford to buy even a used car. Now, suppose it is politically determined that the government shall provide "adequate" automobiles—new ones, of course—for about 2.5 million car-less families. This would mean putting some 400,000 more men to work producing these extra cars. But the meaning goes deeper—this act of the government would, in effect, pull one of every 150 working persons in the country out of his present job. That much of our current output of goods and services would be withheld from the market in which the most urgent wants of consumers are now being satisfied through voluntary exchange. That would be the unseen cost of providing 2.5 million shiny new cars for families who either could not or would not make the effort to pay for them.

It is possible to produce automobiles under governmental direction and control. In fact, if the government were to divert enough resources and manpower to that job, perhaps the government could even provide more cars than private industry now produces. That might be one way of getting more cars for more people. But does anyone believe that this same method of forced production is a useful method of increasing the *total* supply of

[2] *Automobile Facts and Figures,* 1952. pp. 14, 37.

all the various things people might want? Is that a method of getting more cars and more of everything else at the same time?

Though the long chapters of history offer one illustration after another of the failure of the coercive method, still there are those who think it should be tried again. In fact, that was the argument for the first of the major public housing projects in the United States. We were going to spend ourselves out of depression into prosperity by employing persons to build houses. Of course, housing was a drug on the market, like so many other goods and services in those lean years of the early thirties. Private landlords, in many instances, couldn't collect rent enough to pay the taxes. Yet the government was collecting taxes to build more housing which wasn't wanted. And the object then was to reduce unemployment—implement the spending power of the improvident by seizing the spending power of the thrifty. Whatever can be said of the "Arthurdales" and the "Greenhills" and other early public housing experiments as a means of creating employment, it cannot be said truthfully that they were a useful addition to the total of the things for which any person would voluntarily spend his money.

Unwanted Production

Forcing the taxpayers of a nation to build unwanted housing does not differ in principle from compulsory war mobilization. In case of all-out war, the government usually takes charge of the production of war materials.

This is not because the government can produce these things more efficiently than could private industry; the reverse is true. The reason is that private industry does not deliberately undertake to supply people with things which are unwanted. If the government didn't compel the production of war materials, the people might keep right on producing whatever it is they want most.

Now, undoubtedly there have been times in the history of most nations when some of the people—perhaps the great majority of them—did want to produce war materials, particularly for defensive purposes. In that event, the competitive market would offer no hindrance to those who want to work full time and overtime for defense. This would by all odds be the most efficient method of providing as much national defense as the majority really wants. However, if a government is committed in a war effort which seems unreasonable to the citizenry, then it is necessary for the government to either compel mobilization or confess its unrepresentative character. The government finds itself in this same kind of a squeeze when it has promised to deliver new housing which individuals would not build voluntarily.

Let Each Choose

People being what they are, the most efficient method of increasing the total supply of the things they really want is to allow every person to produce what pleases him, and then let him trade it, if he can, for anything which might please him more.

If people really want houses, let new ones be built or bought by those most able and anxious to build or buy. This is the most rapid and economical method of providing the total supply of adequate housing which free people want. There is no other way to make "adequate" housing available to the poorest among us without at the same time cutting back the supply of other things which we, as free people, would consider more important. To build new houses for families who couldn't possibly afford them, and who wouldn't try to pay for them as a matter of personal choice, is the kind of thing which has to be done by force—by the government—if it's to be done at all. There isn't any other way to get people to produce what they don't want.

Community Deterioration

Most individuals in America will not voluntarily open their own homes for use as public housing projects. A man will rush downtown every workday morning to open his place of business to the public; yet he wants a certain amount of privacy in his own home. All of us know of residential areas which are zoned against business use —the presumed objective being privacy, exclusion of the public, restriction of noise and traffic.

Judging from the petitions of protest from nearby residents whenever a Housing Authority announces consideration of a site for a public housing project, it appears that many home owners don't even want to live close to such a project. Now, this seems to be a strange reaction from people who are supposed to believe that public housing is a fine thing for their community! But the fact is that the erection of a public housing project tends to drive down the market values of nearby homes. It is as though a new and continuing tax burden is being imposed upon the property which adjoins a project.

In fact, that may be precisely the situation. Suddenly the community "needs" additional water, sewage, road, school, police, and other facilities of a public service nature. The project which necessitates this increased cost of local government is not arranged to bear its share of the burden of these services. The difference turns out to be a levy against other property in the community, a continuing burden which capitalizes itself into a reduction in the market value of such adjacent property. Yet people will vote—or wire their congressman to vote—to do this to their fellow citizens in other communities.

Creating Slums by Force

When such a thing happens to any community, the tendency will be for the present residents to look elsewhere for homes. Homes and grounds which had been tended with pride will begin to show signs of neglect. The community will deteriorate by reason of the added burden of government which is imposed upon it. This is the manner in which new slums are created—by force. What the government takes from an individual as taxes is no longer available to that individual for use as he might please toward the care and improvement of his own home and his own family.

It is true, of course, that a new housing project might afford a growing volume of trade to merchants and others who serve a community in a business sense. Local salesmen of building materials and workmen in construction industries may look upon the project as a source of new revenue. But except for those tradesmen who hold some grant of special privilege, such as the powers of exclusion of a closed or union shop and various other monopolies, the possibility of new customers will attract competing owners and operators of business enterprises into the community. And what might have seemed to a businessman to be a good idea when he was plugging for a public housing project for his community may turn out to be the cause of his own downfall as the deterioration of the community follows its natural course.

Any individual who would live beyond his means, voting himself into a home which he cannot afford, is not a desirable neighbor for those who adhere to the concepts of private ownership and control of property. A person who will swallow his self-respect in order to live in subsidized housing may be expected to evade his other obligations and responsibilities in a similar manner.

High-Cost Public Housing

Public housing is sometimes thoughtlessly, or maybe willfully, described as "low-cost government housing." Though it may be low-rent housing to the subsidized tenant, it is not low-cost by any acceptable method of accounting.

The late Senator Taft said: "I have not any doubt that as a general thing it probably is more expensive and usually does cost the government more to build than a private person."[3] And he might well have added that the costs to the government are always assessed in one way or another as taxes to be paid by private persons.

Senator Taft's conclusions probably were influenced by page after page of sworn testimony before congressional committees, comparing the record of private and public construction costs. For instance, "the average construction cost of new privately financed nonfarm dwelling units started in the United States in the first 9 months of 1948 was $7,640, whereas the average publicly financed unit cost was $9,350."[4] A Senate subcommittee study of public housing in Washington, D. C., revealed that private enterprise can build at a cost of from 25 per cent to 40 per cent less than the public housers.[5]

It stands to reason that private builders, who must bear the cost and responsibility of their own mistakes, would be more efficient than those who plan and then

[3] U. S. Congress, Senate. *Housing and Urban Redevelopment,* Hearings before Subcommittee on Housing and Urban Redevelopment, 79th Congress, 1st Session. p. 2100.
[4] U. S. Congress, House of Representatives. *Housing Act of 1949,* Hearings before Committee on Banking and Currency, 81st Congress, 1st Session. p. 458.
[5] *Public vs. Private Housing,* National Industrial Conference Board, March, 1945; also *The Answer to Public Housing,* Home Builders Assoc. of Metropolitan Washington, Washington, D. C., 1945. p. 8.

keep changing their plans at the taxpayer's risk and expense. It is not that private industry doesn't perform the actual construction job on a public project; the difference is that they do the job under the added handicap of governmental rules and regulations, with the added overhead of governmental supervisors and inspectors of supervisors. Among the rules laid down by the government is one which discriminates in favor of unionized laborers, a well-known method of boosting the costs of housing construction.

Some Hidden Costs

Not all of the high cost of "low-rent government housing" is revealed by a direct comparison of construction costs for public versus private housing projects. The public housing calls for continuing subsidy, not only by way of federally collected tax funds, but also by way of the added burden of local taxes upon the property owners of the community in which the partially tax-exempt housing project is located.

Some citizens of Los Angeles recently took the trouble to look into the total costs which might be involved in a proposed 10,000-unit public housing program in their community. The cost of construction was to have been \$11,000 a unit. Their conclusion was that "the taxpayers would be much better off . . . to build 10,000 houses costing \$11,000 each and give them away than to build and subsidize the 10,000-unit public housing program."[6]

[6] *Rose Hills Report,* Monterey Woods Improvement Association, 4400 Sinova Street, Los Angeles, California, January, 1953. p. 11.

Comparative Costs

It must be recognized that any attempt to compare the costs of public versus private housing can never be more than an estimate. When the government goes into business, it does not abide by the rules of exchange and accounting which are observed by ordinary citizens. In the first place, government housing projects are seldom located according to the market demand for housing. Public housing projects often spring up on land which private citizens would reject as a site for a new home. And once the site has been determined, the government is not bound by ordinary methods of acquiring title from present owners. The "just compensation" to an owner is seldom the same as the price which might have been determined by competitive bargaining between willing buyers and willing sellers.

The payment which the government may offer in lieu of local property taxes is not calculated according to the usual tax formula. The rate of interest which the government allows on funds invested in such a project is not necessarily related to the going market rate. And, finally, it can never be known just what part of the expense of central planning and supervision is properly chargeable to any particular local housing project.

The Government Monopoly

In other words, the government—which so concerns itself with the maintenance of "fair" competition in the world of business and trade—conducts its own operations in a monopolistic fashion. It does not compete for a man's services or for his savings; it levies a tax and allows no alternative. The government is not guided by the market method of price determination; it sets prices or exchange rates quite arbitrarily. The government is not subject to the profit and loss method of measuring success or failure; if it operates at a deficit, the taxpayer is held responsible and must pay for the government's failure. As long as those who want new homes are in the majority over those who realize that they will be forced to pay for them, the government probably will carry on its socialized housing operations. And the dollars-and-cents costs of such interference with the freedom of individuals can never be measured precisely. The market would provide the only means of such measurement, but the government does not allow the market to function.

Out of the market place the government draws the materials and services which go into the construction of such things as public housing projects. But unlike the private builder of homes, the government does not put back into the market enough to entice anyone to make the trade voluntarily. Anyone who really believes that it might be profitable or useful or desirable to replace the "slums" with new dwellings need not be forced by the government to undertake the task. Nor should the risk of failure be saddled upon those who honestly doubt the wisdom of such an undertaking. To do so is compulsory socialization at the expense of every individual's right to his own life and to his own private property.

Social Gains

Despite the long record of facts exposing the economic waste involved in public housing, there are those who still insist that it must be done in order to clear the "slums." It is said that the children of the "slums" are dirty, undernourished, diseased, untutored, disrespectful of law, and generally unfit for the duties and responsibilities of citizenship. But even if this be true, it does not justify the conclusion that society would necessarily be improved if those children and their parents were transferred into subsidized and supervised housing projects.

A "free" house isn't going to stop some parents from bringing into this world more children than they can possibly rear to maturity in as genteel and ample a manner as other parents might like to prescribe. There is no assurance that a subsidized roof will impart to the tenant a more desirable character than might otherwise have leaked in upon him through a roof provided by his own efforts.

The owner-occupant of a house and lot may love flowers, a beautiful lawn, and a freshly-painted dwelling. But few love those long hours of evening and weekend hard labor so much that they would continue to maintain one home in a decent state of repair if another in perfect condition were available for the asking. The pride of ownership must soon pass away in a society which follows the downward path of compulsory equalization.

When a self-respecting individual who can afford to live in a used home, however humble, is led or pushed by the hand of public aid into a new home which obviously is beyond his means, just how does one measure the change in the value of the new ward of the government to the society in which he lives? And what kind of an attitude toward the personal and social problems of life is to be expected from the children who come out of such socialized homes? "Better," we are told, "than the attitudes of those who strive to find their ways out of poverty by their own efforts!" But any observant person may find within his own experience reasonable basis for doubting that assumption.

Some of the proponents of public housing like to cite statistics as to the incidence of juvenile delinquency in "slum" areas, and then leave the inference that public housing projects would materially reduce such criminal tendencies. But when the Los Angeles Chief of Police was asked to make a statistical study of this matter in 1951, he found the incidence of crime in public housing projects to be nearly twice as heavy as in the "slums" and 17 times as heavy as in a nearby privately-owned low-rent housing project.[7]

Who Says We Must?

It is not because of the behavior of self-respecting and property-respecting individuals that anyone is being forced to live in "slums" and substandard dwellings in this country. The people of the United States have dele-

[7] Rose Hills Report, *op. cit.* pp. 14-15.

gated to government a monopoly of the use of force. That delegated authority has been exercised in such forms as rent control, credit control, health control, zoning restrictions, tax policies, special privileges to organized members of the construction industry, and in numerous other ways which forcefully interfere with the capacity of individuals to house themselves adequately. Now we are being told that we ought to feel a sense of personal responsibility for the housing problems which the government has managed to create. We *must* have better housing! And this strange theory proceeds with the implication that if the individual isn't able to provide and subsidize a few hundred thousand new homes for others, then he *must* keep on delegating to government the responsibility for solving these problems which are the product of governmental interference with our lives. To accept that theory is to bow to tyranny without even struggling.

Limited Government

The idea of limited government is that there is somewhere a stopping point to the inevitable governmental grasp for authority. In other words, there are certain things which ought to remain matters of individual responsibility. And if providing his own housing isn't such a personal responsibility, then on what grounds does any of us claim a right to be different and enjoy the privacy of his own home—his own property? If I advocate seizure of your property for what I claim to be in the common interest, why should I believe that you would still be interested in defending my property—or even my life? There is much dread that the individualism of competitive enterprise may lead to anarchy. But there is a worse form of anarchy—the anarchy of compulsory democratic collectivism by which the majority rides rough shod over the last vestiges of individuality.

As Judge Van Orsdel has cautioned:

> It should be remembered that of the three fundamental principles which underlie government, and for which government exists, the protection of life, liberty and property, the chief of these is property, not that any amount of property is more valuable than the life or liberty of the citizen, but the history of civilization proves that, when the citizen is deprived of the free use and enjoyment of his property, anarchy and revolution follow, and life and liberty are without protection.[8]

There is no reason for any conscientious citizen to believe that the government of the United States gave him life or granted him liberty. Nor is it reasonable of him to believe that the government ought to give him a house or any other right to property, thereby denying the similar rights of all others. That an individual may possess the power to seize or to tear down the house of his neighbor does not mean that he has a right to do it. Such powers of criminal violence are relinquished by those who pledge allegiance to the government of the United States. That is the price of membership in any peaceful society. The authorized function of our government is to restrain those who might attempt to deal coercively with

[8] 284 Federal Reports, 622.

one another. The government was designed to be the defender, not the equalizer, of life and property.

If a human being is ingenious and industrious enough, he can create a house and claim it as his own. If he is careless enough to let the government do it for him, he will live in the kind of walled enclosure which compulsory state socialism affords—public housing for those who serve political masters.

THE BOTH-SIDES IDEA

by Hughston M. McBain

You HEAR it everywhere. "We believe in presenting both sides." That concept is endorsed by the overwhelming majority of persons who arrange the education and information programs for colleges, service clubs, discussion groups, business organizations, and others. They believe in presenting the case for socialism along with the case for the free market. Challenge them and they will reply: "Objectivity and fairness demand that we present the arguments for government ownership even though we ourselves don't believe in it."

Do objectivity and fairness demand that they present the case for coin clipping? They say no. Then why do they arrange for speakers and teachers who endorse the monetization of debt? After all, the device of monetizing debt is merely a modern arrangement of the old idea of clipping coins.

Objectivity and fairness aren't the real reasons a person arranges for the presentation of both sides. The primary reason is this: The person hasn't made up his own mind! He doesn't arrange for a defense of coin clipping because he himself has repudiated the idea of coin clipping. He arranges to have the case for monetization of debt presented because he himself hasn't yet repudiated that method of financing government.

Objective persons have repudiated the ideas of astrology, slavery, alchemy, witchcraft, and the divine right of kings. They no longer believe that the earth is flat. Therefore, no objective person can, in good conscience and fairness, be responsible for having those ideas presented as valid. In like manner, if a person has rejected the ideas of government ownership and government controls, advocates of those ideas won't be on any programs over which he has authority.

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

Here is a truism: If the evidence clearly indicates that an idea or policy is untrue or evil, no fair and objective person will voluntarily arrange to have it presented as valid.

"DOWNTOWN" SOCIALISM

by E. W. Dykes

"DOWNTOWN" is an institution created by transportation facilities. Because the consumers can get there easily, merchants locate there; and because many merchants do so, more consumers come to the area so that they may "shop around" with the least exertion. "Downtown" is a convenience as well as a business center.

But we are really talking of the past. A new kind of transportation—the automobile—has created a condition that threatens the growth, if not the existence, of "downtown." This personal, pleasant, and fast means of transportation has made it possible for many of "downtown's" customers to live outside the congested city areas, beyond the reach of the public conveyances which channel customers "downtown." Where there are people, there will be merchants and other servicers to cater to their wants; so that many who formerly took their trade "downtown" are now taking it to the local shopping centers that have sprung up in suburbia. The automobile has created serious competition for "downtown."

The old and established "downtown" still has advantages over the upstarts in that, because of its larger clientele, it can offer a greater variety of goods and usually at more favorable prices. The automobilist knows this and would like to patronize these merchants, but the inconvenience of getting rid of his automobile once he reaches the central mart induces him to pay more for what he can get at the neighborhood shop. The parking problem is more of a threat to "downtown" than new outlying competitors.

The merchants and servicers who built "downtown" thrived on competition and the problems of business. They met them in their own ways and never asked for help from government. But these are different times. It is in the modern spirit to seek "security" in the bottomless pit of the public treasury. So, instead of tackling off-street parking as a business problem—like advertising, merchandising, warehousing, etc.—"downtown" in many cities is demanding that the taxpayers come to its rescue. It is after the city to provide parking lots; of course, it insists that these facilities are for the "general good," not for the benefit of its own business interests. In short, these dauntless free enterprisers are taking to the path of socialism. And most of them don't even know that they are.

Arguments for Socialism

It is interesting to note the "public spirit" that pervades the arguments of these proponents of city-owned parking lots. (Socialism is always "public spirited.") They run like this:

1. Unless "downtown" is saved, its taxable property values will decline, and the city will lose needed revenue.

This is a specious argument. No business is established for the purpose of providing revenue for the city or any other taxing body. If "downtown" were really sincere in its solicitude for the city's revenues, why doesn't it ask the tax appraiser to assess its properties at their true market value? It is a well-known fact that "downtown" is always objecting to what it calls overassessments.

Putting that aside, the proponents of city-owned parking lots overlook the fact that real estate values rise in the outlying sections built up by the automobile, and that the increased taxes on these locations will offset the loss of taxes on "downtown" properties. If they are really concerned about tax revenues, why don't they provide their own parking lots so that the values of their properties will not decline?

2. Private parking lots are poorly located.

That is, they are not located next door to the stores that need them. So the city should exercise its right of eminent domain to obtain "proper sites." To which one is prompted to ask, how arrogant and selfish can a special interest get? What "downtown" is saying is something like this:

"We believe that our businesses are more important (to the community, of course) than are the businesses in the areas where we would like to have parking lots. Unfortunately, the law does not compel a man to sell his property to another man, regardless of price. Eminent domain solves that problem. The city could use this power to seize the property we want, the court could set a proper price, and we could have the parking space so badly needed by the public."

That is in essence the proposal made by those who consider themselves champions of private property.

3. *Private lots are inadequate, and besides they are generally held on short-term leases, with no assurance of continuity.*

The charge of inadequacy of the lots is based on the fact that there are times when they are full. But there are times when the lots could use customers. Every business has its peak periods, and to provide facilities for more than that is to court losses. Should the city be asked to establish banks so that depositors would never have to stand in line?

It is true that private parking lots are subject to short-term leases. But this is also true of many retail stores, restaurants, beauty shops, every sort of service. Like any other business, the private off-street parking lot will be operated only as long as it is economically justified—as long as it pays its way. And no longer.

4. *Cities with parking meters are already in the parking business; the lot would simply be an extension of established practice.*

This is what logicians call the "undistributed middle"; it is fallacious reasoning. The fact is that meters were introduced for police purposes—to stop the practice of all-day parking, to try to keep cars off the streets as much as possible—and not as a business venture. The coin put into the meter is in the nature of a tax or fine, since it goes into the city treasury along with other taxes and fines, and is in no way related to services rendered. Renting parking space on a competitive basis, or at fees having some relation to costs, is an entirely different thing.

Private Lots Could Not Survive

5. City-owned lots will be in competition with private lots, and parking fees will thus be kept down.

This is true only because government competition with private business is unfair in the extreme. The government does not tax itself, and therefore does not have to include this cost in its price. Besides, the government can and does, for political reasons, set its prices below operational costs, passing the loss on to the taxpayers; the private operator has no such escape.

If the city, therefore, should go into the off-street parking business, it would drive the private operator out of business. Nobody in his right mind would risk capital in the parking business (either in lots or buildings), since there would always be the possibility of the city's opening up next door and undercutting parking fees. Thus, what "downtown" is asking for is the elimination of private enterprise in this particular field; and "downtown" consists of men who beat their breasts for free enterprise.

"Downtown" insists that the city would lose nothing in the operation of off-street parking facilities; the business would be at least self-supporting. Putting aside the fact that the government seldom makes ends meet in its enterprises (except by trick bookkeeping), the question arises: if the city can do it, why can't the businessmen? Their establishments prove that they have the experience and the acumen for running businesses, and surely the parking business is not beyond their capacities. Or is it possible that they have looked into this business and know that it is not likely to be profitable or even self-supporting? In that case, they are advocating that the city (the taxpayers) take the loss.

There is an excellent reason for "downtown" going into the parking business even if an operational loss is inevitable. Just as a merchant spends money on advertising with the expectation of recouping through increased sales, so the cost of providing parking space for his customers would be offset by the profits on their trade. The merchant does not suggest that the city publish a newspaper for the purpose of carrying his advertisements at lower rates. Why should he ask the city to provide a service which is fast becoming as essential as advertising to his business?

Self-Serving Schemes

But, when you start thinking about getting something for nothing, the principles of free enterprise, or self-reliance, slip out of your mind and you find it easy to invent schemes to further your purpose. For instance, the "downtown" socialists not only advocate city-owned parking lots but also advance a plan for financing this venture in socialism. They propose the issuance of municipal bonds to provide the money. They point out that since such bonds would be free of federal income taxes, there would be no difficulty in floating them.

The thought arises, why does not "downtown" borrow money for the proposed enterprise by issuing its own IOU's? The reason is this: when a private enterprise borrows money, the loan becomes a lien on the business, and the borrower must run his affairs efficiently so that he can meet the terms of his obligation. A government bond, on the other hand, is a lien on the general taxing power of the government, not on the specific purpose for which the money was borrowed. If the city should lose money in the off-street parking business, for which the loan was made, the bondholders will still get the interest called for in the indenture; even if the city should abandon the business, the taxpayers would have to meet the payments. So, what "downtown" is suggesting is that the city should hang on the necks of the citizens, present and future, a long-term or permanent debt so that "downtown" can get the benefit of a service which it does not want to provide for itself.

No matter how you look at this effort to get the municipalities into a business which is essentially a private affair, you find that it is a step toward socialism—advocated not by long-haired doctrinaires but by many who loudly proclaim their adherence to the principles of free enterprise.

A SHORT HISTORY OF LIBERTY

by Dean Russell

From Biblical times onward, the history of liberty and progress among various peoples seems to have followed a remarkably similar pattern. There are exceptions, of course—and the time element varies widely—but the pattern may be generally described by ten key ideas in sequence:

1. BONDAGE. At some point in their histories, all peoples seem to have existed in some form of bondage or slavery—frequently even to their own domestic rulers by their own votes or acquiescence. But when thoughtful persons finally become aware that they are no longer free men, they want to know why. When they ask themselves that question, they automatically turn to contemplation and soul searching. Out of this grows . . .

2. FAITH. If people in bondage have no faith—either in a personal Creator or impersonal ideal—they will remain slaves and eventually die out or be absorbed by another culture. But an intelligent faith will almost always develop into . . .

3. UNDERSTANDING. A person's faith needs to be buttressed by an understanding of why it is evil to force

any peaceful person to conform to the will and ideas of another person. Otherwise, he is apt to remain a faithful slave or attempt to become a slave-owner. But the combination of faith and understanding results in the necessary . . .

4. COURAGE. You may depend upon it, courageous men with faith and understanding will neither remain in bondage nor keep others in bondage. Even against great odds, this combination leads to . . .

5. LIBERTY. Liberty is a relationship among persons wherein no person molests any other peaceful person in his ideas, possessions, or actions. Liberty may also be viewed as the responsibility one assumes for himself and recognizes in all others, for there can be no liberty where there is no responsibility. Liberty has never existed completely among any people at any time; but where it has existed to a high degree, the resulting freedom to work, trade, choose, win, lose, and bargain has always meant . . .

6. ABUNDANCE. But if an abundance of material things is the primary aim of a person, his life is devoid of any real meaning. For if the goal is abundance, its achievement logically results in . . .

7. COMPLACENCY. Complacency and self-satisfaction (the "full barns" of the Biblical lesson) inevitably lead to . . .

8. APATHY. With apathy comes a dullness and a loss of interest—a "let George do it" philosophy. And there will always be many political "Georges" around to accept this

invitation to seize both the reins and the whip. This always degenerates into . . .

9. DEPENDENCY. For a time, it is possible for dependents to be unaware that they are dependents. As they continue to shed the personal responsibilities which *are* freedom, they also continue to delude themselves that they are still free people—"We never had it so good." Or they may be deluded into believing that they are still free so long as they themselves are able to participate in the mechanical processes of selecting their rulers—"We can still vote, can't we?" But dependents are at the mercy of the persons or groups or parties upon whom they depend for their housing, or security in old age, or subsidies, or education, or medical care, or any of the other "aids" from political authority which cause persons to depend on others instead of themselves. Sooner or later, this dependency becomes known by its true nature . . .

10. BONDAGE. Fortunately, the record shows that people can regain their faith, understanding, and courage. They can again become persons and citizens who are responsible for their own welfare, rather than units and subjects identified by numbers for purposes of regimentation and subsidization. The record shows that people can, by their own intelligent actions, regain their liberty any time they want it.

THE TOPSY-TURVY TARIFF TANGLE

by W. M. Curtiss

HAD William McKinley been a visitor at the 84th Congress of the United States in 1955, and listened to the arguments for and against protective tariffs, he would have felt right at home. Sixty years ago, McKinley was a leading proponent of high protective tariffs. He had served as a congressman for nearly 20 years before he was elected President in 1896. The high tariff bill of 1890 bore his name.

In the campaign of 1896, McKinley had hoped to make his high tariff plank the main issue. However, William Jennings Bryan, with his "free silver" and "cross of gold" approach, forced the issue elsewhere.

McKinley's stock in trade in advocating high tariffs was the "infant industry" argument and still today, he would find the pleaders for the "infants" as voluble as they were in his time. But something new has been added —not really new—but of considerably more importance now to the arguments for high tariffs. That is the "national defense" argument, and it has assumed colossal proportions in the debates.

More perplexing to McKinley would have been an analysis of who, among the tariff debaters in the 84th Congress, were advocating what. In his day you could count on the South to be for free trade. Hadn't the late war been fought over that issue? New England and the industrial areas could be counted on to defend protectionism.

The political parties of the "gay nineties" were clearly split on the question. The Republicans were for high tariffs and the Democrats for free trade. But now, McKinley would find prominent southern politicians lining up against free trade. Could it be because New England textiles and other industries have moved into the South?

Time was when farmers could be counted as free traders. A large part of their production was exported. Also, they were interested in buying what manufactured goods they needed as cheaply as posible. But now, with huge stocks built up by government loans and purchases at prices above world markets, free trade has lost some of its appeal to the agricultural interests.

Party Labels Lost

Where once you might assume the protectionists were by and large Republicans and the freetraders were Democrats, now one must look further. The party label means little except as a particular vote may be along party lines.

While the tariff issue is being debated much as it was sixty years ago, it wouldn't take McKinley long to discover that this really isn't the major issue at all in a discussion of international trade. Many new devices have been invented to restrict trade. Then, trade was carried on chiefly between individuals in the various countries. Now, much of the trading is done by governments. Now, governments manipulate trade with give-away schemes, exchange controls, quotas, import and export licenses, subsidies, most-favored-nation agreements, and other restrictive measures.

It does seem a bit futile to argue over tariffs when these other measures are the controlling factors. However, if the effects of tariffs were clearly understood, a better understanding of the various other trade restrictions might evolve because the same basic fallacies seem to underlie them all.

McKinley would have discovered that human nature hadn't changed much in the sixty years. The advocates of high tariffs generally are those who think that they or their constituents will benefit by protection. The free-traders think they will benefit from low tariffs or none at all. Only rarely is a voice heard defending the principles of individual property rights and the interests of the consumer.

When the Detroit Board of Commerce made its notable statement in defense of free trade late in 1952, it was immediately charged with having a bias in favor of the automobile industry which depends in substantial part on foreign trade. Henry Ford II won considerable attention with an address, "The Free World Can't Trade on a One Way Street." However logical his arguments may have been, there were those who said: "But of course. What would you expect from a motor car manufacturer?"

The bias was by no means all on one side of the tariff issue. In October 1953, a top executive of a large chemical company spoke on "Let's Not Import Depression." So it progressed through chemicals, watches, pottery, glass, optical instruments, cameras, textiles, gloves, and all the other industries which believe they have benefited or will benefit by protection against competition from foreign manufacturers.

As our government has grown larger and larger, it has become more and more run by pressure groups, each seeking legislation for its own special interest. The lawmakers, anxious to remain in office, keep their ears to the ground to make certain they act in such a way as to corral a majority of the votes. We rarely stop to think any more that there are some questions of such vital importance to the individual that they should never be put to the majority test.

Amazing Testimony

The discussions about tariffs in the 84th Congress centered around H. R. 1, the Trade Agreements Extension Act of 1955. Testimony was taken by the Ways and Means Committee of the House of Representatives and some very interesting documents resulted.

A most amazing testimony was given on January 24 by Charles H. Percy, the able young president of the Bell & Howell Company of Chicago. The Bell & Howell

Company manufactures photographic products. This industy competes with skilled German workers who are paid 37 cents an hour, Italian workers who are paid 34 cents, and Japanese workers who receive only 27 cents. In contrast, American workers are paid better than $2.00 an hour in the industry. More than twice as many cheap cameras came into the United States last year (over a tariff wall) as were produced here.

Mr. Percy said that the photographic industry is essential to national defense and that in World War II his Company converted 100 per cent to war work, manufacturing 90 million dollars of defense products. Percy admitted at the outset that he did not represent the photographic industry—far from it. "No one desires more than I the health, vigor, and growth of the photographic industry. Yet I do not believe we must gain these things through artificial trade restrictions. I think we can, and we will, win them for ourselves in a freer and, therefore, more competitive market."

Truly, this is a man-bites-dog story—free trade testimony from a man whose natural business bias would lead him to cry out for protection.

A typical argument in defense of protection is that it keeps our standard of living at the $2.00 level and prevents it from going to the 27 cent level of some foreign workers. It keeps wages high and prevents unemployment. Listen to Mr. Percy:

> It must be recognized that where we still use handicraft methods, we do have difficulty in competing. . . . But our present foreign trade policy cannot be tailored to meet the

needs of a handicraft industry any more than can our national economy.

Years ago we sold a movie camera for $49.95, the lowest priced camera we had ever made. At that time we paid our workers an average of 40 cents an hour. . . . Yet today, with our average labor cost in excess of $2.00 an hour, we are again selling a movie camera for $49.95. . . . The highly paid American worker has become the most efficient in the world—two to ten times as productive as his European counterpart. . . . In the final analysis, the combined effect of foreign competition and high American wage rates has been fortunate—it has forced us to find new and better ways of doing things. . . . Without the spur of foreign competition, it is doubtful whether these techniques would ever have been developed.

My own company recognizes that foreign competition in the years ahead will become an increasingly important factor. We intend to fight it with as strong an organization as we can possibly build—with the most brilliant research and development, the most ingenious manufacturing and vigorous merchandising and service organizations we can possibly command. But we *will* adjust ourselves to the tariff policy that is best for our country. . . . I am confident that we can adjust to increased foreign competition as effectively as we have adjusted to domestic competition throughout the years.

If every company and industry were to request that our national policy be molded to fit its own interests, such action would spell ruin to our country and its citizens. We must never forget that in addition to being producers with "special interests," we are also consumers and taxpayers. To gradually lose our allies because they find it necessary to turn eastward to keep open their own trade lanes, to become an isolated island in a sea of communism, to find our economy crushed under an intolerable national defense burden, would serve the interests of neither group.

America's industry did not become great by being sheltered. It achieved greatness because of the intelligence and pioneering spirit of its people. It became great through huge expenditures for research and development, new ideas in manufacturing and merchandising. It is great because it firmly believes that there is one way to succeed—to give the consumer the best possible product for best possible value. This, and this alone, will keep American industry vigorous and healthy in the years to come.

I believe—and I believe it with the utmost conviction, that a gradual liberalization of our foreign trade policy will help to further improve the efficiency of American industry, will increase our productivity, lower our unit costs of production and increase our standard of living. It will increase wholesale and retail trade in this country and inure to the ultimate benefit of consumers. At the same time, it will strengthen our allies, weaken our enemies and provide a greater measure of security to our country. Against the national interest what citizen can in good conscience set his special interest?

I do believe this: there is a fallacy in saying we are competing with cheap foreign labor. Really, what we are doing is competing with the efficiency of the automotive industry and this holds true for the watch industry as well. They are really competing with Detroit and not Switzerland, because Detroit uses American labor relatively more efficiently than Elgin does, and the people of Elgin and Hamilton are good friends of mine.

"Cheap Foreign Labor"

Many businessmen have expressed concern over their inability to compete with foreign manufacturers because of "cheap foreign labor." And well they might be concerned, but not entirely because of wages. It is well known that low unit costs and not wages make for competitive advantage.

If "cheap foreign labor" were the cause of their troubles, American manufacturers wouldn't have a ghost of a chance—and this has been the case for 150 years or more. The scales have been tipped toward our producers because of high savings resulting in high capital investment per worker, good managerial ability, and strong incentives for workers, management, and the suppliers of capital.

But is there something new in the picture that should cause concern to American industrialists? Are we losing ground in productivity or unit costs to foreign producers? And, if so, is there anything businessmen can do about it, besides clamoring for more protection?

One culprit could be high taxes. Taxes enter into unit costs just as surely as wages and raw materials. Textile, watch, and bicycle makers would find it much easier to withstand foreign competition if their unit costs were not raised by a heavy tax burden.

Another culprit could be abnormally high labor costs for whatever reasons. It may be restricted output—featherbedding—slowdown, strikes, or government-sponsored welfare programs. Whatever the reasons—and there are many possibilities—American workers can quickly lose much of the comparative advantage they have had in high productivity compared with other nations.

To make matters worse, not only are high taxes a problem; but also a portion of these taxes has been used, through outright gifts, to make our foreign competitors better able to compete in our own markets. The old principle of comparative advantage thus becomes less important through a leveling-down process.

To say that this is a government problem and not one that businessmen can do anything about is merely evading the issues. Businessmen *can* do something about taxes and labor and give-away programs. If the United States is to maintain or regain its exalted position in productivity and trade—without fear of tariffs here or abroad—it must avoid the present trend toward artificially rising costs due to high taxes and abnormal labor costs. And incentives to efficient production must be restored.

"Infant Industry"

The "infant industry" argument is not used by protectionists as widely as it was in McKinley's time. Some would say this is because our economy has matured. Actually it always was a specious argument. Mr. Percy says: "How does one tell in advance which infant industry will grow to self-reliant maturity? Many are given protection and grow up, but few are weaned as the theoretical argument would require."

In any industry, protected or not, there are firms that are barely able to stay in business—even though other firms in the same industry are operated profitably. If the crutch of tariffs is removed, these marginal producers must either improve their efficiency, turn to something else, or go out of business. Is an "infant industry" any different in principle from a new firm coming into a field already established? Suppose a new firm is formed to produce automobiles. The "infant industry" argument would demand that such a firm be subsidized with the taxpayers' money until it reaches adolescence. How much progress would our country have made under such a policy?

The favorite modern argument of the protectionists is that an adequate national defense demands the protection of home industries. We cannot afford to be dependent on foreign countries in times of war. Such are the arguments for isolationism and national self-sufficiency.

Mr. Percy had something to say in this regard:

Recently, in a meeting called by the Department of Commerce, I heard the head of one of our photographic optical manufacturing companies speak with a conviction that could only come from belief. He said that it takes ten years to train an optical worker and that for this reason the industry requires special tariff protection. If this is true of his company, I can only say that it is not true of all optical manufacturers. It *is* true that at the outbreak of World War II, we were vulnerable because of our dependence upon German optics. Bell & Howell, along with other firms, was asked by the War Production Board to produce lenses. We started with two optical workers in 1941, and by 1943 we had five hundred. We took housewives and insurance salesmen and bank clerks —and within six months we made trained optical workers of them. If we had to do it again, we think we could do it in *three* months.

Our industry points with alarm to the fact that because of foreign competition there are perhaps no more than two thousand optical workers in the United States. This may be true; but the industry fails to mention the fact that in the process of learning the optical grinding business, we have radically changed and improved the methods used in Germany and other countries for hundreds of years. As a result, the present unit productivity of our two thousand workers is probably greater than the productivity of our optical grinding industry during the war.

In Bell & Howell's rough grinding department alone, we now turn out ten times as many lens surfaces with eleven workers using automatic diamond grinders, than we did in 1943 with one hundred workers using the traditional "thumb and finger" technique.

No matter how you look at it, a tariff is a form of taxation on a consumer product. Yet the consumer never sees it, or knows how much it is. By protecting "national defense industries" through high tariffs, we are giving the Defense Department a "free ride." We are assuming an additional burden of national defense without being able to appraise its cost or its need.

In writing to this point more than 100 years ago, the French economist, Frédéric Bastiat, said:

The kind of dependence which results from exchange, from commercial transactions, is a reciprocal dependence. We cannot be dependent on the foreigner without the foreigner being dependent on us. . . . A nation isolates itself looking forward to the possibility of war; but is not this very act of isolating itself the beginning of war? . . . Let countries be permanent markets for each other's produce; let their reciprocal relations be such that they cannot be broken without inflicting on each other the double suffering of privation and a glut of commodities; and they will no longer stand in need of naval armaments, which ruin them, and overgrown armies, which crush them . . . and war will disappear for want of what supports it, for want of resources, inducements, pretexts, and popular sympathy.

Throughout his testimony, Mr. Percy indicated that trading, whether locally or on an international scale, is basically a peaceful, friendly project. He said:

> For our part, to refuse to trade with the world—and tariff and customs barriers are in practice a refusal—in no way serves our own self-interest. Ultimately the refusal will isolate us from the free world and the friendship of free nations, as it will surely aid the cause of world communism.
>
> The risks of refusing to trade are terribly real. But on the positive side, the benefits of expanding our world trade are two-fold. History has proved that friendships follow the trade lanes. Our nation is possessed of a tremendous capacity for production, a capacity which is expected to increase a minimum of two per cent each year. In seeking new markets for our products we will at the same time find ourselves in the happy position of winning friends. In considering world trade, we are apt to let our fears obscure our vision, forgetting that it can mean business gained rather than business lost.

Trade restrictions lead to hatreds, conniving, jealousy —incidents which in turn lead to conflict. Furthermore, trade restrictions weaken a nation's economy and make it less able to withstand attacks, should they come.

The testimony of Mr. Percy was remarkable because it came from a leader of an industry which is commonly thought of as needing protection. Bell & Howell exported only about 6 per cent of its total production in 1954. It faces terrific competition from foreign producers.

The day following Mr. Percy's testimony, Mr. A. T. Brown, executive vice-president of the Caterpillar Tractor Company, offered testimony on H. R. 1 before the Ways and Means Committee in defense of fewer restrictions in international trade. Caterpillar's principal products are crawler tractors, engines, motor graders, and earth-moving equipment. Approximately one-third of its sales goes to foreign countries. Their worries are chiefly from domestic rather than foreign competitors.

Protectionists will argue that Caterpillar, like the automobile makers, are naturally in favor of free trade because it helps their foreign sales. But the arguments which Mr. Brown advanced tie in logically with Mr. Percy's and help round out the picture of foreign trade.

Mr. Brown pointed out that because of its capital resources, the United States has a comparative advantage in the production of heavy equipment. Without its foreign markets, Caterpillar would have employed about 10,000 fewer persons with a pay roll decrease of about $45 million. He said: "The American farmer is able to buy our tractors at lower relative prices because our export business has permitted greater mass economies than would otherwise have been possible." The same, of course, could be said for the automobile industry.

Mr. Brown knows that in order for foreigners to buy his tractors, they must somehow get hold of dollars; and that means selling something to us. "Every time people of other countries are denied the opportunity to earn dollars, United States exporters are deprived of opportunity to export."

Mr. Brown said further:

Another suggestion which I would offer is that international trade be viewed first and foremost as a means of developing *our own* economic growth. By the example of one concern, I have attempted to show what export business can mean to the thousands of lives touched by its activities. Without exception we claim the results to have been good for all concerned—with harm to none.

Competition to us is a *creative* force, not a destructive one, and if it truly is a *principle,* then it surely should be worldwide in its application. Let us not, therefore, defeat the good work of American precept by advocating our way of life as an example of what others should do, and then restrict their freedom to do it.

If I were to try to leave one guiding thought, it would be that rather than devote our time to seeking and creating new plans, new rules, new laws, we set about wiping out the artificial restrictions which throughout the world are presently impeding trade. What is needed more than any one other single ingredient is more FREEDOM—and this country is in a good position to set an effective example.

The passing of H. R. 1 by the 84th Congress will by no means put an end to the debates on trade restrictions —tariffs, exchange controls, quotas, GATT, subsidies, licenses, and the like. As long as government has unlimited powers, thus making possible its response to group pressures, the debates and the tangles will continue. The solution lies in limiting government to the suppression of all fraud, all violence, all misrepresentation, and all predatory practices. Then and only then can the free, competitive market exist.

CURRENCY CONVERTIBILITY

by George Winder

THE VALUE of currencies, like the value of many other commodities, depends upon a thousand factors which cannot be measured. These depend upon the opinions of the thousands of businessmen who want to buy currencies and upon those who wish to buy and sell the goods those currencies can purchase.

No government has a yardstick that can measure the value of the goods currencies can buy, and this means that no government has a standard for measuring the value of currencies and the rate at which they should exchange for one another. The only possible way to ascertain the value of a currency is to place it on the free market and see what people will pay for it.

To fix by law an exchange rate between two currencies which will represent the true value of both currencies is impossible. When values depend upon so many factors which cannot be measured, then it is almost inevitable that a fixed rate must cheat one of the parties to every exchange transaction.

Businessmen, if left free to buy and sell currencies, are not powerful enough to overcharge each other. There are always too many sellers in the market. If currencies are to be sold at false values, a power of monopoly, which only a government can wield, is necessary. It is almost certain that there is no history of rings or monopolies in exchange transaction except where governments have interfered to create them.

Breaking the Rules

Until the advent of socialism upset old-established moral laws, the earnings of a British exporter of goods or services were his to do with whatever he liked. He invariably sold his earnings of foreign currency in the free market.

This had very important consequences on the community as a whole. It meant, to begin with, that there was an automatic guide to decide whether it was more profitable for people to be employed in export industries or directly employed in supplying the home market. It enabled the economy, in fact, to be planned by the price mechanism which has so far proved itself to be the most efficient form of economic planning known to man.

When governments began to expropriate the overseas exchange of their citizens, they lost this one efficient means of planning an economy; and this has been the chief cause for the economic crises we have suffered since the war ended.

It is an unfortunate fact that money, of even the richest of us, is limited. If we spend too much of it on one commodity, we have less to spend on another. In a free country the people decide for themselves how they shall distribute their money among the goods and services offered them, and consequently what they shall have in abundance and what they shall do without. This choice is part of the individual citizen's essential freedom.

In a free country a citizen has the right to buy overseas exchange freely. This means that if he wishes, he can send money to New Zealand for a leg of lamb or a box of butter, or to Australia or the Argentine for a shoulder of beef; or he can buy wheat from Canada or tobacco from Virginia.

Of course, in practice, he will probably not bother to exercise this right directly; for merchants anticipate his import requirements and order such goods beforehand and place them in shops so that he can buy exactly what he wants. Thus, when exchange transactions are free, a British citizen can enter a shop and choose which goods he shall buy from any part of the world. It is this choice of the citizen that decides for the merchant just how he will spend the overseas exchange he purchases from his bank.

Frustrating the Public

This means that those who decide how overseas exchange shall be spent are not bankers or businessmen but housewives and the ordinary British citizen. We are inclined to think that the buying and selling of exchange has nothing to do with the ordinary man in the street, but in actual fact there is not one of us who does not use his right to buy overseas exchange almost every day. We are the real buyers of overseas exchange—not the banks and the merchant; they are merely our agents who buy according to the directions we give when we spend our money in shops.

Thus when overseas exchange is controlled, it is not banks and businesmen only who are controlled but we ourselves. Exchange control deprives everyone of us of part of our freedom of choice.

People have a right to earn overseas exchange and hold it as their own property and to sell it freely to the highest bidder. To deprive them of this right is to rob them of both their freedom and property. It is also to rob all men of their power of choice, and to reduce them to something less than men.

THE ECONOMICS OF WAR

by Ludwig von Mises

THE MARKET economy involves peaceful cooperation. It bursts asunder when the citizens turn into warriors and, instead of exchanging commodities and services, fight one another.

The wars fought by primitive tribes did not affect cooperation under the division of labor. Such cooperation by and large did not exist between the warring parties before the outbreak of hostilities. These wars were unlimited or total wars. They aimed at total victory and total defeat. The defeated were either exterminated or expelled from their dwelling places or enslaved. The idea that a treaty could settle the conflict and make it possible for both parties to live in peaceful neighborly conditions was not present in the minds of fighters.

The spirit of conquest does not acknowledge restraints other than those imposed by a power which resists successfully. The principle of empire building is to expand the sphere of supremacy as far as possible. The great Asiatic conquerors and the Roman Imperators were stopped only when they could not march further. Then they postponed aggression for later days. They did not abandon their ambitious plans and did not consider independent foreign states as anything else than targets for later onslaughts.

This philosophy of boundless conquest also animated the rulers of medieval Europe. They too aimed first of all at the utmost expansion of the size of their realms. But the institutions of feudalism provided them with only scanty means for warfare. Vassals were not obliged to fight for their lord more than a limited time. The selfishness of the vassals who insisted on their rights checked the king's aggressiveness. Thus the peaceful coexistence of a number of sovereign states originated. In the sixteenth century a Frenchman, Bodin, developed the theory of national sovereignty. In the seventeenth century a Dutchman, Grotius, added to it a theory of international relations in war and peace.

Mercenaries

With the disintegration of feudalism, sovereigns could no longer rely upon summoned vassals. They "nationalized" the country's armed forces. Henceforth, the warriors were the king's mercenaries. The organization, equipment, and support of such troops were rather costly and a heavy burden on the ruler's revenues. The ambitions of the princes were unbounded, but financial considerations forced them to moderate their designs. They no longer planned to conquer a whole country. All they aimed at was the conquest of a few cities or of a province. To attain more would also have been unwise politically. For the European powers were anxious not to let any one of them become too powerful and a menace to their own safety. A too impetuous conqueror must always fear a coalition of all those whom his bigness has frightened.

The combined effect of military, financial, and political circumstances produced the limited warfare which prevailed in Europe in the three hundred years preceding the French Revolution. Wars were fought by comparatively small armies of professional soldiers. War was not an affair of the peoples; it concerned the rulers only. The citizens detested war which brought mischief to them and burdened them with taxes and contributions. But they considered themselves victims of events in which they did not participate actively. Even the belligerent armies respected the "neutrality" of the civilians. As they saw it, they were fighting the supreme war lord of the hostile forces, but not the noncombatant subjects of the enemy. In the wars fought on the European continent the property of civilians was considered inviolable. In 1856 the Congress of Paris made an attempt to extend this principle to naval warfare. More and more, eminent minds began to discuss the possibility of abolishing war altogether.

Abolition of War

Looking at conditions as they had developed under the system of limited warfare, philosophers found wars useless. So they reasoned as follows: Men are killed or maimed, wealth is destroyed, countries are devastated for the sole benefit of kings and ruling oligarchies. The peoples themselves do not derive any gain from victory. The individual citizens are not enriched if their rulers expand the size of their realm by annexing a province. For the people wars do not pay. The only cause of armed conflict is the greed of autocrats. The substitution of representative government for royal despotism will abolish war altogether. Democracies are peaceful. It is no concern of theirs whether their nation's sovereignty stretches over a larger or smaller territory. They will treat territorial problems without bias and passion. They will settle them peacefully. What is needed to make peace durable is to dethrone the despots. This, of course, cannot be achieved peacefully. It is necessary to crush the mercenaries of the kings. But this revolutionary war of the peoples against the tyrants will be the last war, the war to abolish war forever.

This idea was already dimly present in the minds of the French revolutionary leaders when, after having repelled the invading armies of Prussia and Austria, they embarked upon a campaign of aggression. Of course, under the leadership of Napoleon they themselves very soon adopted the most ruthless methods of boundless expansion and annexation until a coalition of all European powers frustrated their ambitions. But the idea of durable peace was soon resurrected. It was one of the main points in the body of nineteenth-century liberalism as consistently elaborated in the much abused principles of the Manchester School.

These British liberals and their continental friends were keen enough to realize that what can safeguard durable peace is not simply government by the people, but government by the people under unlimited laissez faire. In their eyes free trade, both in domestic affairs and in international relations, was the necessary prerequisite of the preservation of peace. In such a world without trade and migration barriers no incentives for war and conquest are left. Fully convinced of the irrefutable persuasiveness of the liberal ideas, they dropped the notion of the last war to abolish all wars. All peoples will of their own accord recognize the blessings of free trade and peace and will curb their domestic despots without any aid from abroad.

Most historians entirely fail to recognize the factors which replaced the "limited" war of the "ancien régime" by the "unlimited" war of our age. As they see it, the change came with the shift from the dynastic to the national form of state and was a consequence of the French Revolution. They look only upon attending phenomena and confuse causes and effects. They speak of the composition of the armies, of strategical and tactical principles, weapons and transportation facilities, and of many other matters of military art and administrative technicalities.[1] However, all these things do not explain why modern nations prefer aggression to peace.

There is perfect agreement with regard to the fact

[1] The best presentation of the traditional interpretation is provided by the book, *Makers of Modern Strategy, Military Thought from Machiavelli to Hitler*, ed. E. M. Earle (Princeton University Press, 1944); cf. especially the contribution of R. R. Palmer, pp. 49-53.

that total war is an offshoot of aggressive nationalism. But this is merely circular reasoning. We call aggressive nationalism that ideology which makes for modern total war. Aggressive nationalism is the necessary derivative of the policies of intervention and national planning. While laissez faire eliminates the causes of international conflict, socialism and government interference with business create conflicts for which no peaceful solution can be found. While under free trade and freedom of migration no individual is concerned about the territorial size of his country, under the protective measures of economic nationalism nearly every citizen has a substantial interest in these territorial issues. The enlargement of the territory subject to the sovereignty of his own government means material improvement for him or at least relief from restrictions which a foreign government has imposed upon his well-being. What has transformed the limited war between royal armies into total war, the clash between peoples, is not technicalities of military art, but the substitution of the Welfare State for the laissez-faire state.

Lebensraum

If Napoleon I had reached his goal, the French Empire would have stretched far beyond the limits of 1815. Spain and Naples would have been ruled by kings of the house of Bonaparte-Murat instead of kings of another French family, the Bourbons. The palace of Kassel would have been occupied by a French playboy instead of one of the egregious Electors of the Hesse family. All these things would not have made the citizens of France more prosperous. Neither did the citizens of Prussia win anything from the fact that their king in 1866 evicted his cousins of Hanover, Hesse-Kassel, and Nassau from their luxurious residences. But if Hitler had realized his plans, the Germans expected to enjoy a higher standard of living. They were confident that the annihilation of the French, the Poles, and the Czechs would make every member of their own race richer. The struggle for more Lebensraum was their own war.

Under laissez faire peaceful coexistence of a multitude of sovereign nations is possible. Under government control of business it is impossible. The tragic error of President Wilson is that he ignored this essential point. Modern total war has nothing in common with the limited war of the old dynasties. It is a war against trade and migration barriers, a war of the comparatively overpopulated countries against the comparatively underpopulated. It is a war to abolish those institutions which prevent the emergence of a tendency toward an equalization of wage rates all over the world. It is a war of the farmers tilling poor soil against those governments which bar them from access to much more fertile soil lying fallow. It is, in short, a war of wage earners and farmers who describe themselves as underprivileged "have-nots" against wage earners and farmers of other nations whom they consider privileged "haves."

The acknowledgment of this fact does not suggest that victorious wars would really do away with those evils about which the aggressors complain. Neither does it mean that there can be any question of appeasing the aggressors by removing migration barriers. As conditions are today, the Americas and Australia in admitting German, Italian, and Japanese immigrants would merely open their doors to the vanguards of hostile armies.

It is futile to place confidence in treaties, conferences, and such bureaucratic outfits as the League of Nations and the United Nations. Plenopotentiaries, office clerks, and experts make a poor show in fighting ideologies. The spirit of conquest cannot be smothered by red tape. What is needed is a radical change in ideologies and economic policies. . . .

If an economically self-sufficient man starts a feud against another autarkic man, no specific problems of "war economy" arise. But if the tailor goes to war against the baker, he must henceforth produce his bread for himself. If he neglects to do this, he will be in distress sooner than his adversary, the baker. For the baker can wait longer for a new suit than the tailor can for fresh bread. The economic problem of making war is therefore different for the baker and for the tailor.

Free Trade and Peace

The international division of labor was developed under the assumption that there would no longer be wars. In the philosophy of the Manchester School free trade and peace were seen as mutually conditioning one another. The businessmen who made trade international did not consider the possibility of new wars arising.

Nor did general staffs and students of the art of warfare pay any attention to the change in conditions which international division of labor brought about. The method of military science consists in examining the experience of wars fought in the past and in abstracting general rules from it. Even the most scrupulous occupation with the campaigns of Turenne and Napoleon I could not suggest the existence of a problem which was not present in ages in which there was practically no international division of labor.

The American Civil War

The European military experts slighted the study of the American Civil War. In their eyes this war was not instructive. It was fought by armies of irregulars led by nonprofessional commanders. Civilians like Lincoln interfered with the conduct of the operations. Little, they believed, could be learned from his experience. But it was in the Civil War that, for the first time, problems of the interregional division of labor played the decisive role. The South was predominantly agricultural, its processing industries were negligible. The Confederates depended on the supply of manufacturers from Europe. As the naval forces of the Union were strong enough to blockade their coast, they soon began to lack needed equipment.

The Germans in both World Wars had to face the same situation. They depended on the supply of foodstuffs and raw materials from overseas. But they could not run the British blockade. In both wars the outcome was decided by the battles of the Atlantic. The Germans lost because they failed in their efforts to cut off the British Isles from access to the world market and could not themselves safeguard their own maritime supply lines. The strategical problem was determined by the conditions of the international division of labor. . . .

Advantages of Cooperation

What distinguishes man from animals is the insight into the advantages that can be derived from cooperation under the division of labor. Man curbs his innate instinct of aggression in order to cooperate with other human beings. The more he wants to improve his material well-being, the more he must expand the system of the division of labor. Concomitantly, he must more and more restrict the sphere in which he resorts to military action. The emergence of the international division of labor requires the total abolition of war. Such is the essence of the laissez-faire philosophy of Manchester.

This philosophy is, of course, incompatible with statolatry. In its context the State, the social apparatus of violent oppression, is entrusted with the protection of the smooth operation of the market economy against the onslaughts of antisocial individuals and gangs. Its function is indispensable and beneficial, but it is an ancillary function only. There is no reason to idolize the police power and ascribe to it omnipotence and omniscience.

There are things which it can certainly not accomplish. It cannot conjure away the scarcity of the factors of production, it cannot make people more prosperous, it cannot raise the productivity of labor. All it can achieve is to prevent gangsters from frustrating the efforts of those people who are intent upon promoting material well-being.

The liberal philosophy of Bentham and Bastiat had not yet completed its work of removing trade barriers and government meddling with business when the counterfeit theology of the divine state began to take effect. Endeavors to improve the conditions of wage earners and small farmers by government decree made it necessary to loosen more and more the ties which connected each country's domestic economy with those of other countries. Economic nationalism, the necessary complement of domestic interventionism, hurts the interests of foreign peoples and thus creates international conflict. It suggests the idea of amending this unsatisfactory state of affairs by war. Why should a powerful nation tolerate the challenge of a less powerful nation? Is it not insolence on the part of small Lapputania to injure the citizens of big Ruritania by customs, migration barriers, foreign exchange control, quantitative trade restrictions, and expropriation of Ruritanian investments in Lapputania? Would it not be easy for the army of Ruritania to crush Lapputania's contemptible forces?

Such was the ideology of the German, Italian, and Japanese warmongers. It must be admitted that they were consistent from the point of view of the new "unorthodox" teachings. Interventionism generates economic nationalism, and economic nationalism generates bellicosity. If men and commodities are prevented from crossing the borderlines, why should not the armies try to pave the way for them? . . .

Modern civilization is a product of the philosophy of laissez faire. It cannot be preserved under the ideology of government omnipotence. . . . To defeat the aggressors is not enough to make peace durable. The main thing is to discard the ideology that generates war.

TWO KINDS OF INFLUENCE

by Leonard E. Read

MOST persons have some notion of their dependence on others. Most of us realize that we cannot by ourselves build the houses in which we live, raise the foods we eat, make the cars we drive, create the opportunities constantly presented to us, originate the knowledge and ideas by which we live, garner the fuel we burn, fabricate the clothes we wear, construct the telephones over which we talk—indeed, few among us could in a thousand years produce what we consume in a single day!

Anyone who is aware of the extent to which he is dependent on others is, or should be, familiar with his stake in the proficiency of others. Let all others fail, and I shall perish. Let all others become increasingly creative, and I shall in all likelihood receive more in exchange for the little I can create.

No doubt about it, most of us do concern ourselves with others. Every law is an attempt to do something to others. Wars are aimed at others, as are strikes and all coercive hassels. Sermons, lectures, schooling, pamphlets, books, statements like this—all are communications to others.

The important question at issue is not: "Should we have an interest in others?" Obviously we should. Instead, the vital question is: "In what way can we best aid the millions of others upon whom we are unquestionably dependent?"

There are two ways, constantly in action. One commends the influencing of others by *force.* The other commends the influencing of other by *attraction.* Both are useful if understood and properly practiced.

Aggression vs. Defense

There isn't any doubt but that force is an effective method of influencing others. Force, however, is of two kinds. There is initiated or coercive force—aggression. It is inconceivable that this kind of force can have any moral justification among men under any circumstances. There is, though, another kind of force—defensive or repellent force. But even defensive force has only the capacity to destroy or restrain and, therefore, is the type of influence that should be limited to negating aggression or coercive force, regardless of source: all violence, all fraud, all misrepresentation, all predatory practices. To avoid the authoritarianism of each citizen being a complete law unto himself—each person his own gun-toter—we should, in good theory, delegate the defensive function to a formal, codified, societal-wide agency called government. (When delegating only defensive functions to government, we grant no collective rights that are not the prior rights of individuals; for the collective cannot logically or morally exercise rights which are not inherent in the very persons who organize the collective.)

Defensive force, to be used profitably, must be confined to minimizing coercive or aggressive force—that is, to securing those rights to life and honestly acquired livelihood common to all men. Force cannot, by its nature, otherwise serve us creatively. Yet, force of the coercive brand is attempted currently as a means of influencing others in tens of thousands of instances. All socialistic acts by government are cases in point—public housing, for example. How? The force of government—not defensive but coercive force—is employed to take the property of some for the "benefit" of others. In what manner is this aggression? The use of one's livelihood in one's own way is forcibly denied by the aggressive taking of it —effective, indeed!

Force as a device for having others behave in ways seemingly advantageous to oneself is not intelligent attention to self-interest—except when used to restrain them from coercive acts. To aggressively force others is to thwart others. Self-interest requires that all others become more creative, not more thwarted.

The question, then, to which self-interest demands an answer is: "How does one influence others to become more creative?"

The Power of Attraction

Attraction is the best answer to influencing others creatively. Daily experiences supply evidence to support this conclusion. If one would influence another to become a better cook or golfer, he should increase his own proficiency at cooking or golfing. He should attain a perfection, a leadership, a head-of-the-class status that would attract others to draw on him. No person is influenced to greater creative activity on any subject by one who is inferior on that subject. Influence of one on another in upgrading—materialistically, intellectually, spiritually—is by attraction only.

One can do things *to* others destructively, but not creatively. Creatively, one must confine himself to what he can do *for* others. One can do things *for* others materialistically by having money or tools to lend or give, or goods and services to exchange; intellectually by having knowledge and understanding for those who are in search of knowledge and understanding; spiritually by possessing insights that can be imparted to those who want them.

Self-interest can best be served by minding one's own business—that is, by the process of self-perfection. It isn't that this idea has been tried and found wanting; it is that it has been tried and too often found difficult, and thus rejected. Actually, coercive meddling in other people's affairs has its origin in the rejection of self-perfection. Many persons conclude that they can easily improve others in ways they refuse to attempt on themselves. This is an absurd conclusion. Thus it is that in our dealings with our fellow men, we so often try to coerce them into likenesses of our own little images instead of trying to make of ourselves images that are attractive and worth emulating.

THE STATE

by Frederic Bastiat
(1801-1850)

I WISH someone would offer a prize—not of a hundred francs but of a million, with crowns, medals, and ribbons—for a good, simple, intelligible definition of the term, *The State.*

What an immense service such a definition would render to society!

The State! What is it? Where is it? What does it do? What should it do? We only know that it is a mysterious being; and, it is certainly the most petitioned, the most harassed, the most bustling, the most advised, the most reproached, the most invoked, and the most challenged of any being in the world.

I have not the honor of knowing my reader, but I would stake ten to one that sometime in the last six months you have designed utopias, and if so, that you are looking to The State for the realization of them.

But alas! That poor unfortunate being, like Figaro, knows not which plea to hear nor where to turn. The hundred thousand mouths of the press and of the platform cry out all at once—

Organize work and the workmen.
Cover the country with railways.

Irrigate the plains.
Reforest the hills.
Establish model farms.
Colonize Algeria.
Educate the youth.
Assist the aged.
Equalize the profits of all trades.
Lend money without interest to all who wish to borrow.
Emancipate Italy, Poland, and Hungary.
Encourage the arts, and train musicians and dancers for us.
Restrict commerce, and at the same time create a merchant marine.

Discover truth, and put a bit of sense into our heads. The mission of The State is to enlighten, to develop, to ennoble, to strengthen, and to sanctify the soul of the people.

"Wait, Gentlemen! A little patience," says The State beseechingly. "I will try to satisfy you, but for that I must have some resources. I have prepared plans for five or six entirely new taxes, the mildest in the world. You will see how gladly people will pay them."

But then a great hue and cry arises: "No! No! A fine thing—doing something with resources! This is hardly worthy of The State! Instead of loading us with new taxes, we call upon you to repeal the old ones. Decrease the salt tax, the liquor tax, the stamp tax, custom-house duties, monopoly license fees, and tolls."

In the midst of this tumult, the people have changed their government two or three times for failing to satisfy all their demands. To date, everything presenting itself under the name of The State is soon overthrown by the people, precisely because it fails to fulfill the somewhat contradictory features of its platform.

I fear we are, in this respect, the dupes of one of the strangest illusions which has ever taken possession of the human mind.

Man recoils from effort, from suffering. Yet, he is condemned by nature to the suffering of privation if he does not make the effort to work. He has only a choice then, between these two: privation and work. How can he manage to avoid both? He always has and always will find, only one means: *to enjoy the labor of others;* to arrange it so that the effort and the satisfaction do not fall upon each in their natural proportion, but that some would bear all the effort while all the satisfaction would go to others. This is the origin of slavery and plunder, whatever form it takes—whether wars, impositions, violences, restrictions, frauds, etc., monstrous abuses, but in accord with the idea which has given them birth.

Slavery is subsiding, thank heaven, and our disposition to defend our property prevents direct and open plunder from being easy. However, there remains the unfortunate, primitive inclination in all men to divide the lot of life into two parts, throwing the trouble upon others and keeping the satisfaction for themselves. Let us examine a current manifestation of this sad tendency.

The oppressor no longer uses his own force directly upon his victim. No, our conscience has become too sensitive for that. There is still the tyrant and his victim, but between them is an intermediary which is The State—the Law itself. What could be better designed to silence our scruples and—more important—to overcome all resistance? Thus do all of us, by various claims and under one pretext or another, appeal to The State:

"I am dissatisfied with the ratio between my labor and my pleasures. In order to establish the desired balance, I should like to take part of the possessions of others. But that is a dangerous thing. Couldn't you facilitate it for me? Couldn't you give me a good post? Or restrain my competitors' business? Or perhaps lend me some interest-free capital, which you will have taken from its rightful owners? Or bring up my children at the taxpayers' expense? Or grant me a subsidy? Or assure me a pension when I reach my fiftieth year? By this means I shall achieve my goal with an easy conscience, for the law will have acted for me. Thus I shall have all the advantages of plunder, without the risk or the disgrace!"

The Helpless State

All of us are petitioning The State in this manner, yet it has been proven that The State has no means of granting privileges to some without adding to the labor of others.

The State is the great fiction through which everybody endeavors to live at the expense of everybody.

Today, as in the past, nearly everyone would like to profit by the labor of others. No one dares admit such a feeling; he even hides it from himself. So what does he do? He imagines an intermediary; he appeals to The State, and every class in its turn comes and says to it:

"You, who can do so justifiably and honestly, take from the public; and we will partake of the proceeds."

Alas! The State is only too much disposed to follow this diabolical advice; for it is composed of ministers and officials—of men, in short—who, like all other men, desire in their hearts and eagerly seize every opportunity to increase their wealth and influence. The State quickly perceives the advantages it can derive from the role entrusted to it by the public. It will be the judge, the master of the destinies of all. It will take a lot: then much will remain for itself. It will multiply the number of its agents, and increase its functions, until it finally acquires crushing proportions.

Reciprocal Plunder

But the most remarkable thing is the astonishing blindness of the public while all this takes place. In the past, when victorious soldiers reduced the vanquished to slavery they were barbarous, but they were not foolish. Their object, like ours, was to live at the expense of others; but they succeeded, where we fail. What are we to think of a people who never seem to realize that *reciprocal plunder* is no less plunder because it is reciprocal; that it is no less criminal, because it is carried out legally and peacefully; that it adds nothing to the public good, but rather diminishes it by the amount of the cost of that expensive intermediary we call The State?

And this great illusion we have placed, for the edification of the people as a frontispiece to the Constitution. Here are the first words of the preamble:

"France has constituted itself a Republic to . . . raise all the citizens to an ever-increasing degree of morality, enlightenment, and well-being."

Thus it is France—an *abstraction*—which is to raise the French—or *realities*—to morality, well-being, and so on. Isn't it our blind attachment to this strange delusion that leads us to expect everything from a power not our own? Isn't it suggesting that there is, apart from the French people, a virtuous, enlightened, rich being who can and should bestow its favors upon them?

Limited Government

The Americans developed a different idea of the relationship of the citizens with The State, when they placed these simple words at the beginning of their Constitution:

"We, the people of the United States, in order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain. . . ."

Here is no shadowy creation, no *abstraction*, from which the citizens may demand everything. They expect nothing except from themselves and their own energy.

I contend that the *personification* of The State has been in the past and will be in the future, a fertile source of calamities and revolutions. There is the public on one side, The State on the other, considered as two distinct beings; the latter obligated to bestow upon the former, the former having the right to claim from the latter a flood of human benefits. What must happen?

The State has two hands, one for receiving and the other for giving—a rough hand and a smooth one. The activity of the second is necessarily subordinate to the activity of the first. Strictly speaking, The State can take and not give back. This can be seen and can be explained by the porous, absorbing nature of its hands, which always retain part and sometimes all of what it touches.

But that which is never seen, which never will be seen, and which cannot even be imagined, is that The State can return *more* to the people than it has taken from them. Therefore, it is ridiculous for us to appear before The State in the humble attitude of beggars. It is utterly impossible for it to confer a specific benefit upon some of the individuals who make up the community, without inflicting a greater injury upon the community as a whole.

Our demands, therefore, place The State in an obvious dilemma! If it refuses to grant the requested benefit, it is accused of weakness, ill-will, and incapacity. If it tries to grant their requests, it is obliged to load the people with increased taxes—to do more harm than good—and to bring upon itself general displeasure from another quarter.

So, the public has two hopes, and The State makes two promises: *many benefits and no taxes*—hopes and promises, which, being contradictory, can never be realized.

Is not this the cause of all our revolutions? For between The State, which lavishly promises the impossible, and the public, whose hopes can never be realized, there come to interpose two types of men: the ambitious and the utopians. The circumstances give them their cue. These office seekers need only cry out to the people: "The authorities are deceiving you. If we were in their place, we would load you with benefits and exempt you from taxes."

Changing the Guard

And the people believe, and the people hope, and the people substitute a new government for the old.

No sooner are their friends in charge of things, than they are called upon to redeem their pledge. "Give us work, bread, assistance, credit, instruction, colonies," say the people, "and meanwhile deliver us, as you promised, from the clutches of the tax gatherer."

The new government is no less embarrassed than the former one, for it is easier to promise the impossible than to do it. It tries to gain time which it needs for maturing its vast projects. First it makes a few timid attempts: On one hand, it slightly expands primary education; on the other, it makes a small reduction in the liquor tax. But the contradiction always confronts the administration: If it would be philanthropic, it must attend to its treasury; if it neglects the treasury, it must give up being philanthropic.

These two promises are always and inevitably clashing with one another. To live upon credit, that is, to exhaust the future, is certainly a temporary method of reconciling them—an attempt to do a little good now, at the expense of a great deal of harm in the future. But this procedure calls forth the specter of bankruptcy which puts an end to credit. What is to be done then? Why then, the new government defends itself boldly. It unites its forces to maintain itself. It smothers opinion, has recourse to arbitrary measures, ridicules its former slogans, declares that it is imposible to govern except at the risk of being unpopular; in short, it proclaims itself *governmental.*

And this is what other candidates for office are waiting for. They exploit the same illusion, follow the same course, obtain the same success, and are soon swallowed up in the same abyss.

Give Much, Take Little

The latest manifesto of the Montagnards, which they issued at the time of the presidential election, concludes with these words:—"*The State ought to give a great deal to the people, and take little from them.*" It is always the same tactics, or rather, the same mistake. The State must:

Give free instruction and education to all the citizens.

Give a general and professional education, as much as possible adapted to the needs, talents, and capacities of each citizen.

Teach every citizen his duty to God, to man, and to himself; develop his perceptions, his aptitudes, and his faculties; teach him, in short, the skill of his trade; make him understand his own interests, and give him a knowledge of his rights.

Place within the reach of all literature and the arts, the heritage of thought, the treasures of the mind, and all those intellectual possessions which elevate and strengthen the soul.

Give compensation for every disaster, fire, flood, etc., experienced by a citizen. (The *et cetera* means more than it says.)

Act as mediator in the relations between capital and labor, and become the regulator of credit.

Give substantial encouragement and effectual support to agriculture.

Purchase railroads, canals, and mines—and doubtless administer them with its characteristic industrial ability!

Encourage useful experiments, promote and assist them by every means likely to make them successful. As a regulator of credit, it will have extensive control over industrial and agricultural associations in order to assure their success.

The State *must* do all this, in addition to the services to which it is already pledged! For instance, it is always to maintain a menacing attitude towards foreigners. The signers of the manifesto say that: "Bound together by this holy union, and by the precedents of the French Republic, we carry our wishes and hopes beyond the barriers which despotism has raised between nations. The rights which we desire for ourselves, we desire for all those who are oppressed by the yoke of tyranny; we desire that our glorious army should, if necessary, again be the army of liberty."

You see that the gentle hand of The State—that good hand which gives and distributes—will be very busy under the direction of these reformers. You think perhaps it will be the same with the rough hand—that hand which penetrates and takes from our pockets?

Do not deceive yourselves. The politicians would not know their trade, if they had not the art, when showing the gentle hand, to conceal the rough one. Their reign will assuredly be the jubilee of the taxpayers!

"It is luxuries, not necessaries," they say, "which ought to be taxed."

Won't it be wonderful that the treasury, in overwhelming us with favors, will content itself with curtailing our luxuries!

An Act of Brotherhood!

This is not all. This party of reformers intends that "taxation shall lose its oppressive character, and be only an act of brotherhood." Good heavens! I know it is the fashion to thrust brotherhood in everywhere, but I did not imagine it would ever be put into the proclamations of the tax gatherer.

Well, I ask the impartial reader, is this not childishness, and more than that, dangerous childishness? Is it not inevitable that we shall have revolution after revolution, if it is once decided never to stop till this contradiction is realized: "Give nothing to The State and receive much from it?"

Citizens! At all times, two political systems have been in existence, and each can justify itself with good reasons. According to one of them, The State should do a lot, but then it should take a lot. According to the other, this twofold activity ought to be limited. We have to choose between these two systems.

But the third system, which partakes of both the others, and consists in exacting everything from The State without giving it anything, is chimerical, absurd, childish, contradictory, and dangerous. Those who advocate such a system are only flattering and deceiving you, or at least are deceiving themselves.

As for us, we consider that The State is and ought to be nothing whatever but *community force* organized, not to be an instrument of oppression and mutual plunder among citizens, but, on the contrary, to guarantee to each his own, and to cause justice and security to reign.

LEGISLATED SECURITY IS BONDAGE

by Samuel Gompers

THERE has never yet come down from any government any substantial improvement in the conditions of the masses of the people, unless it found its own initiative in the mind, the heart, and the courage of the people. Take from the people of our country the source of initiative and the opportunity to aspire and to struggle in order that that aspiration may become a reality, and though you couch your action in any sympathetic terms, it will fail of its purpose and be the undoing of the vital forces that go to make up a virile people. Look over all the world where you will, and see those governments where the features of compulsory benevolence have been established, and you will find the initiative taken from the hearts of the people.

Social insurance cannot even undertake to remove or prevent poverty. It is not fundamental and does not get at the causes of social injustice.

The first step in establishing compulsory social insurance is to divide people into groups, those eligible for benefits and those considered capable of caring for themselves. The division is based upon earning capacity. This governmental regulation must tend to fix the citizens of the country into classes, and a long-established insurance system would tend to make those classes rigid.

Governmental power grows upon that on which it feeds. Give an agency power, and it at once tries to reach out after more. Its effectiveness depends upon increasing power.

Fleeing Social Security

Recently a gentleman of the highest standing stated to me that during the time he was in Germany, and in a position to know, German workmen came to him seeking aid to get out of that country to the United States. They told him that by reason of the taxes which they were compelled to pay into compulsory social insurance schemes, they had no money left except for absolute necessities of life, and were unable to secure sufficient funds to come to the United States even in the steerage. He said to me further that in Germany, where compulsory social insurance has been more extensively worked out than in any other country, the workmen of that country, by reason of their property interests in compulsory social insurance, have been compelled to remain in Germany and work under circumstances, wages, hours, and conditions of employment which forced them to endure conditions below standards of a living wage.

Is it not discernible that the payments required of workmen for this compulsory social insurance interfere very materially with mobility of labor, and constitute a very effectual barrier to the workers determining their whole lives?

Industrial freedom exists only when and where wage earners have complete control over their labor power. To delegate control over their labor power to an outside agency takes away from the economic power of those wage earners and creates another agency for power. Whoever has control of this new agency acquires some degree of control over the worker. There is nothing to guarantee control over that agency to employees. It may also be controlled by employers. In other words, giving the government control over industrial relations creates a fulcrum which means great power for an unknown user.

The introduction of compulsory social insurance in cases of sickness, or compulsory social insurance in cases of unemployment, means that the workers must be subject to examinations, investigations, regulations, and limitations. Their activities must be regulated in accordance with the standards set by governmental agencies. To that we shall not stand idly by and give our assent.

A Warning

Men and women, I trust I may not be sounding my warnings upon the empty air. I hope that they may find a lodgment in the minds and the hearts of my countrymen. I bid you have a care in all these attempts to regulate the personal relations and the normal personal activities of the citizenship of our country ere it be too late.

There is in the minds of many an absence of understanding of the fundamental essentials of freedom. They talk freedom, and yet would have bound upon their wrists the gyves that would tie them to everlasting bondage. And no matter how sympathetic or humanitarian is the gloss over the plan and the scheme, I again bid you beware. We know not when or how this great struggle going on in Europe will terminate, or what it shall mean for the future of those countries; but at least let the people of the United States hold their liberties in their own hands, for it may come to pass that our America, the America whose institutions and ideals we so much revere, may be the one nation to hold the beacon light of freedom aloft, and thus aid in relighting the torch, rekindling the heart flame of the world's liberty.

For a mess of pottage, under the pretense of compulsory social insurance, let us not voluntarily surrender the fundamental principles of liberty and freedom, the hope of the Republic of the United States, the leader and teacher to the world of the significance of this great anthem chorus of humanity—liberty!

ONE WORLDISM

by Frank Chodorov

TEN YEARS ago the United Nations was ushered into the world as the guarantor of peace. It has failed. Despite that obvious fact, there are many whose faith in some sort of Superstate as an instrument of peace is unshaken, and who lay the failure of the UN to the limitations put upon it by the autonomy of its members. That is to say, they believe in peace through coercion; the more coercion, the more peace.

History cannot give this faith the slightest support. The grandeur that was Rome did not prevent the parts of that empire from coming into conflict with one another nor from rising up against the central authority. Even our American coalition of commonwealths came near breaking up in war, and uprisings have all but disintegrated the British Empire. Centralization of power has never been a guarantor of peace.

The best that can be said of any coalition of nations is that it can keep smoldering fires from breaking out only so long as one of its members can dominate the others. It can maintain an armed truce. The UN has not done even that, simply because no one State has shown sufficient strength to take control. The two most powerful members have been in contention since its beginning and are now flexing their muscles for a test of strength.

The UN—it is moonshine to think otherwise—consists of two hostile camps, one held together by the American dollar, the other by fear of the Soviet army. Neither law, morality, nor ideology is a cementing influence. If the American dollar is withdrawn the West will break up, its members entering into new alignments dictated by expediency; if the Soviet power shows weakness, the Red Empire will splinter.

In short, it is evident now—even as it always was to anyone familiar with the history of political alliances—that the high moral purpose written into the charter of the UN is but a fairy tale. World peace is not to be achieved through this or any other political concoction—simply because peace and power politics are antithetical. "War," said von Clausewitz, "is merely the continuation of politics by other means."

Social Power

Peace is the business of Society. Society is a cooperative effort, springing spontaneously from man's urge to improve on his circumstances and widen his horizon. It is voluntary, completely free of force. It comes because man has learned that the task of life is easier of accomplishment through the exchange of goods, services, and ideas. The greater the volume and the fluidity of such exchanges, the richer and fuller the life of every member of Society. That is the law of association—and of peace.

It is in the free market place that man's peaceful ways are expressed. Here the individual voluntarily gives up possession of what he has in abundance to gain possession of what he lacks. It is in the market place that Society flourishes because it is in the market place that the individual flourishes. Not only does he find here the satisfactions for which he craves, but he also learns of the desires of his fellow men so that he may the better serve them. More than that, it is in the market place that he learns of and swaps ideas, hopes, and dreams and comes away with values of greater worth to him than the material things he acquired.

Society has no geographical limits; it is as big as its market place, its area of exchanges. The Malayan and the American are automatically enrolled in the same Society by the exchange of rubber for a juke box; and, when trade demands, the barriers of language disappear. South American music became the idiom of the North American dance floor because automobiles are swapped for coffee and bananas. Society is the spontaneous organization of people who voluntarily do business with one another.

The law of association—the supreme law of Society—is self-operating; it needs no enforcement agency. Its motor force is in the nature of man. His insatiable appetite for material, cultural, and spiritual desires drives him to join up. The compulsion is so strong that he makes an automobile out of an oxcart, a telephone system out of a drum, so as to overcome the handicaps of time and space; contact is of the essence in the market place technique.

Society grows because the seed of it is in the human being; it is made of man, but not by men.

Political Power

Government is the monopoly of coercion. Its function is to prevent individuals from using violence or other coercive methods on one another, so that the business of Society—the exchange of goods, services and ideas—may be carried on in safety and tranquility. Its contribution to social progress, though necessary, is purely negative. In this country, tradition and the Constitution hold that the function of government is to protect the individual in the enjoyment of those rights which inhere in him by virtue of existence, and which are the gifts of the Creator. And in the beginning, before tradition and the spirit of the Constitution were perverted, Americans took for granted that government had no other competence.

But the hard fact is that this monopoly of coercion is vested in humans—of which government is necessarily composed—and that these humans are no different in make-up from those they are called upon to coerce. It would be expecting too much for them scrupulously to resist the temptation to use the power they wield for purposes purely personal. The temptation is heightened by the fiction that political power can be used to promote the "general good," a fiction that politicians are ever ready to foster and believe. Whenever the power of government is so used, the "general good" turns out to be a special advantage granted to some group of citizens, to the disadvantage of another, accompanied by a further increase in the glory and emoluments of political office. Since government cannot produce a single economic good, and lives only by what it takes from the property of individuals, every "general good" venture increases its need for taxes, and every increase in taxes enables it to venture further. Thus in time the agency established for the purpose of protecting Society becomes its master.

This tendency of government to expand upon its power and its prerogatives is inherent in it simply because it is composed of men who have ambition and who dream dreams of their own. But the expansion is always at the expense of Society. Therefore, the concern of Society, particularly in the last few centuries, has been to find some way to keep government within bounds. Thus came constitutionalism. Thus came the idea that to safeguard freedom—from government, of course—it is necessary to keep government small, so that it can be subject to constant surveillance, and poor, so that it cannot get out of hand.

That idea found expression in the establishment of the American government. The constitutional limits of the powers of the central government, the system of checks and balances to restrain any tendency toward centralization of authority, the vesting of all general powers in separate autonomous States, the delimitation of its taxing power—all bear witness to the common recognition in 1789 of the truth that Society flourishes best under small and impotent government.

The wisdom of the Founding Fathers was demonstrated in the miracle of the market place that sprang from what was wilderness and prairie a few years back. Wealth multiplied at a rate unheard of in human history; out of wheat lands grew towns and cities; small shops were transmuted into factories; storekeepers became department store operators; schools, colleges, churches took their place in the human scheme of things, and out of the abundance came a demand for those cultural satisfactions which men seek when their larders are full—lectures, the circus, the road show, and the concert.

Free men built a rich Society. Neither federal nor state governments were in position to intervene, since their income from taxes was insufficient for such mischief. There were no border guards to prevent men from moving to where their fancy or the prospect of profit on their labors might lure them, no custom collectors to filch any of their produce, no inquisitional agents to deprive them of their savings. In time, the free trade area approximated in size the border-ridden eastern Europe (outside Russia), and free men performed the materialistic miracle of the ages. Government, on the whole, did not try to interfere with them, and certainly could not help them.

During this time of material growth, a century and a quarter, the country suffered from three freebooting ventures—hardly wars—instigated by conniving politicians, and one war; meanwhile, the strong governments of

Europe were always either warring one another or sending their armies all over the world to augment their inadequate tax-and-tariff incomes with what they could pick up from colonials. And, be it noted, the one American war of that era was caused by the tariff disabilities from which the South suffered; compelled to sell their cotton at the price fixed by world demand, and to buy all their manufactured products at tariff-laden prices from the industrial Northeast, Southerners' sense of economic hurt spilled over into other areas of discontent, and other causes for war obscured the original one. Thirty years before secession detonated the conflict, John C. Calhoun warned that if protectionism became the settled policy of the government, the separation of the Union would "inevitably" follow.

A Nonpolitical Solution

One Worldism is not an impossible ideal. But, it is not approachable by the road of political power. On the contrary, the organization of the world into a single Society—which is what the sincere One Worlders (not the communists and socialists) hope for—can only be effected by the voluntary cooperation of the peoples of the world via an unfettered market place. The first step in that direction is the removal of all barriers to trade, all of which are political. Not only must tariffs go, but also such impediments to exchange as quotas, special embargoes, and the pegging of moneys at false values. Free trade is trade in which government is in no way involved. If General Motors is willing to sell its product to somebody in Moscow, on a credit basis, it must do so at its own risk; it cannot call on the U. S. Marines to collect on defaulted bills. Nor is it free trade when the government pledges the taxpayers' money against loss to foreign investors; that is likely to be a subsidy, or an excuse for intervention in foreign affairs.

What this proposal amounts to, in the final analysis, is a general recognition of the fact that political power is incapable of doing anything that men cannot do for themselves; that when it invades the market place, except as an impartial policeman, it must be destructive and predatory; that it is without competence to improve the "general good," and that when it attempts to do so it causes injustice and, therefore, friction. The best that government can do for Society is to perform its negative functions and otherwise get out of its way.

An international political organization with practically unlimited power and unlimited revenues certainly will not do that.

COFFEE, BUTTER, AND POLITICS

by Henry Hazlitt

OTHERS—*The Wall Street Journal* and economist Sumner Slichter, for example—have already pointed to the striking contrast between the attitude of some of our congressmen toward coffee prices on the one hand and butter prices on the other. But the contrast will bear further emphasis.

Some of our congressmen have been furiously indignant about the high price of coffee. As the gentleman from Iowa or New York orders another Martini at 75 cents a throw, he tells us what an outrage it is that his coffee at home now averages him about 3 cents a cup. The price of butter is also high; but in reply to this his only comment is that it isn't high enough. Could it be that this strange contrast has anything to do with the fact that coffee growers don't vote in his district, while dairy farmers do?

The chief reason for the recent rise in coffee prices has been a shortage in the supply. For the past seven years the world has been drinking more coffee than it has been producing. This has worked down the carry-over. And in the last crop year drought and frost in Brazil killed millions of coffee trees. As people in the trade have pointed out, no Congressional investigation will increase the world's supply of coffee by a single pound.

But the price of coffee, we are told by some of our Washington solons, has been pushed up by "speculation" and "manipulation." In a free market economy, of course, speculation enters into the price of practically everything. And it usually confers a benefit on society by doing so. If speculators bid up the price of coffee, for example, because they correctly anticipate or recognize the existence of a shortage, they help to prevent the shortage from becoming as bad as it otherwise might. For the high price not only discourages wasteful consumption, but also encourages increased production.

A Natural Phenomenon

The chief reason why coffee is subject to comparatively violent fluctuations in price is not speculation (which actually tends to mitigate fluctuations) but a fact of nature. It takes about five years for a new coffee tree to start bearing in commercial amounts. After it does start bearing, it usually continues to do so for ten to twenty years. So no matter what happens to the price, it normally takes a few years for supply to adjust itself. To force the price down artificially, however, would only further prolong the period of adjustment.

It may be that the senatorial sleuths will find some real "manipulation" of the price of coffee. But suppose they do? Will it even begin to compare with the open manipulation by our own government of the price of butter? Not to speak of cheese, dried milk, wheat, cotton? Our government is running a gigantic butter cartel which is at this moment holding off the market 264 million pounds of butter in order to force American working families to pay more for it. From this comparison we may judge the hypocrisy of the Congressional outcries against the high price of coffee.

I do not mean to imply that Brazil has always been guiltless of any attempt to manipulate coffee prices. On the contrary, in its efforts to force up coffee prices, the Brazilian government for years burned coffee or dumped it into the sea. During 1931 to 1934, for example, the government burned 27 million bags of coffee as locomotive fuel.

This was the same kind of beggar-my-neighbor policy that our own government is trying to follow today with our own farm exports. Instead of hypocritically denouncing the immorality of such policies when pursued by others, our congressmen and our own farmers might more profitably study their consequences. Insofar as Brazil's coffee-burning had any effect in holding up prices, it merely encouraged Colombia and other Latin American countries to increase their own plantings. The result was that Brazil, which in the 1920's supplied two-thirds of the outside world's coffee, supplies less than half today.

So Brazil's destruction of coffee in the end hurt the very producers it was intended to benefit. This is the real lesson for our farm price support pressure groups to ponder, as tons of butter turn rancid in storage while oleomargarine consumption grows.

THE SOCIAL SECURITY TAX

by Clarence E. Manion

THE PROMOTERS of the great social security deception never advertised it to the people as a slick, easily collectible form of constantly increasing taxation. Nevertheless, when the original Federal Social Security Act was passed upon by the United States Supreme Court in 1937, it was validated by that Court *merely as an exercise of the Constitutional taxing power of Congress for the benefit of the general fund of the United States Treasury.* In substance, the Supreme Court held that if and when the government needs money, Congress can tax payments and earnings of employers and employees in the same way that it can tax a bottle of whiskey or a ticket to the ball game.

Having thus raised the money, the Supreme Court said that Congress could, in its future discretion, spend that money for whatever Congress then judged to be the general welfare of the country. The Court held that Congress has no constitutional power to earmark or segregate certain kinds of tax proceeds for certain purposes, whether the purposes be farm-price supports, foreign aid, or social security payments.[1]

[1] U.S. *vs.* Butler, 297 U.S. 1; Stewart Machine Company *vs.* Davis, 301 U.S. 548; Helvering *vs.* Davis, 301 U.S. 619.

All federal taxes, income taxes, estate taxes, gasoline taxes, and social security taxes, go indiscriminately into the same general fund of the federal treasury. From that general fund, Congress makes periodic appropriations for all the purposes of the federal government, including payments for social security benefits.

Congress could continue to collect the so-called social security payroll taxes even though Congress discontinued all social security benefit payments. Congress could wipe out the social security payroll taxes and yet continue to pay all present social security benefits out of the general tax receipts of the federal treasury.

A Legal Illusion

Any apparent connection between the collection of social security payroll taxes and the payment of social security benefits is purely coincidental. The Supreme Court has held that Congress is without Constitutional power to establish such a connection. For this reason, the so-called Federal Old Age and Survivors' Insurance Reserve Fund is actually nonexistent. The legal illusion of such a fund was conjured up to dissolve popular resistance to one of the most cruel and unjust systems of taxation ever imposed upon the American people.

The fraud of the great deception is the deliberate and official misrepresentation of social security *taxes* as payments of insurance premiums for the right to get back specified benefits at a specified time. There is no such right. The government is under no contractual obligation to make any return payment at all. From the very beginning, the Social Security Tax Act has carried this provision: *"The right to alter, amend, or repeal any provision of this act is hereby reserved to the Congress."*

Pursuant to that reservation, Congress has revamped and changed the taxes, benefits, and the coverage of social security many times during the past 15 years. When the Act was first passed in 1935, it expressly exempted nine separate classifications of people ranging from agricultural labor to the self-employed. One after another, each of these exempted classifications has been forced into the system until under the current pending resolution, only medical doctors are left out.

No Limit

The original tax rate was 1 per cent on the first $3,000 of earnings. Under the pending resolution, the present tax is raised to 2½ per cent, or 25 per cent above the present level. Since both employer and employee must pay this tax, this means that 5 per cent of every pay check under $4,200 a year will be funneled into the federal treasury. The next step will be to increase both the tax and the level of salaries taxed to include the first five thousand and then the first six thousand of annual earnings.

There is no limit to the high range of this money-raising escalator except the complete confiscation of all salaries by the government.

Meanwhile, the popular illusion of a Federal Old Age and Retirement Insurance system enables the federal spenders to roll up billions of dollars in additional tax revenues through social security wage withholding that they never could collect if they called these extortionate taxes by their right name. Through 1950 to the beginning of 1955, the federal government collected $18.97 billion in social security taxes. Throughout the same period, the government paid out social security benefits totaling $11.72 billion.

"Profit" or Loss?

What happened to the difference, the "profit" so-called, of $7.25 billion? It was spent as fast as it came in for foreign aid, national defense, and other current expenses of the government. What was put aside for the ultimate retirement of those who paid the $18.97 billion in taxes between 1950 and 1955? Merely $7.25 billion worth of government IOU's.

At the end of last March the much advertised reserve fund contained $20.4 billion—*all in government IOU's.* This accumulation is not an asset. On the contrary, it costs current taxpayers $500 million annually in maintenance or interest charges. Eventually all these bonds must be paid by *additional taxation.*

Testifying before the Ways and Means Committee of the House of Representatives in 1952, the chief actuary of the Social Security Administration said: "The present trust fund is not quite large enough to pay off the benefits of existing beneficiaries"—those already on the receiving end, in other words. This was before the 1954 "liberalized coverage" was enacted into law. The same witness now believes that it would take $35 billion just to pay the people *now receiving benefits.*

If you are *paying* social security taxes *now,* there is thus $15 billion *less than nothing in the fund that you are supposed to be accumulating against your retirement and old age.* Small wonder that the Secretary of the Treasury recently testified that "under the present provisions of collections and disbursement the Old Age Survivors' Insurance system is actuarially unsound."[2] That is the great understatement of the current fiscal year.

[2] *Congressional Record,* July 5, 1955, page A 4871.

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FREDERIC BASTIAT (1801-1850) was an economist, statesman, author, and ardent advocate of freedom. "Freedom in Transactions," written in 1848, was republished by the Foundation in May 1955 from the Register Publishing Company's 1944 edition of *Social Fallacies*. "The State," published by the Foundation in November 1955, was translated and condensed by Mallory Cross Johnson from *Sophismes Economiques*, Vol. I (Paris: Guillaumin, 1878).

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EDMUND A. OPITZ, for nine years a parish minister, has been a member of the Foundation staff since 1955. "The Lengthening Shadow of Government," published by the Foundation in 1954, was based on an article which had appeared in *Faith and Freedom* in May of that year. "In Defense of the Individual" was published in the November 1955 issue of *Ideas on Liberty.*

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LEONARD E. READ, former manager of the Los Angeles Chamber of Commerce and vice-president of the National Industrial Conference Board, organized the Foundation for Economic Education in 1946 and has been its president since that time. "Two Kinds of Influence" and "In an Ideal America" were published in 1954. "How To Get Action," "Self Interest: Vice or Virtue?" and "Why Is Slavery Possible?" are from 1955 issues of the journal, *Ideas on Liberty.*

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George Winder is a well-known British economic analyst and author. "Currency Convertibility," which appeared in the November issue of *Ideas on Liberty*, is a selection from his book, *The Free Convertibility of Sterling* (London: Institute of Economic Affairs, 1955).

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