THE Freeman

IDEAS ON LIBERTY

FEBRUARY 1965

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533

OUTSTANDING ADVANTAGES FOR COAST FEDERAL SAVERS

FINANCIAL STRENGTH — Assets over half a billion dollars. Strong reserves and high ratio of cash and government bonds to assure withdrawal of savings immediately on request.

HIGHER EARNINGS — Earnings for 1964 paid at 4.9% per year.

MAIN OFFICE
9th & Hill, Los Angeles

SAVE-BY-MAIL — We pay postage.

MEMBER:
Federal Savings and Loan Insurance Corp.
Federal Home Loan Bank.

IF IT'S SAFETY YOU WANT MOST—
OPEN YOUR SAVINGS ACCOUNT AT COAST

"A Businessman Looks at Communism Vs. Capitalism"

For your courtesy copy of President Joe Crail's speech, write to:

Coast Federal Savings
Post Office Box 5150A
Los Angeles 55, California

5-56A

COAST FEDERAL SAVINGS

AND LOAN ASSOCIATION

IN THIS ISSUE

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

THE Freeman
A MONTHLY JOURNAL OF IDEAS ON LIBERTY

FEBRUARY 1965 Vol. 15, No. 2

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount – $5.00 to $10,000 – as the means of maintaining and extending the Foundation's work.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

THE FORMATION AND FUNCTION OF PRICES

HANS F. SENNHOLZ

Dr. Sennholz heads the department of economics at Grove City College, Pennsylvania. This article is taken from one of his lectures delivered last November before libertarian groups in Guatemala and Costa Rica.

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

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

In the terminology of the economists, the value of a good is determined by its marginal utility. This means that the value of a good is determined by the importance of the least important want that can be satisfied by the available supply of goods. A simple example first used by Böhm-Bawerk,

the eminent Austrian economist, may illustrate this principle.

A pioneer farmer in the jungle of Brazil has just harvested five sacks of grain. They are his only means of subsistence until the next harvest. One sack is absolutely essential as the food supply which is to keep him alive. A second sack is to assure his full strength and complete health until the next harvest. The third sack is to be used for the raising of poultry which provides nutriment in the form of meat. The fourth sack is devoted to the distilling of brandy. And finally, after his modest personal wants are thus provided for, he can think of no better use for his fifth sack than to feed it to a number of parrots whose antics give him some entertainment.

It is obvious that the various uses to which the grain is put do not rank equally in importance to him. His life and health depend on the first two sacks, while the fifth and last sack "at the margin" has the least importance or "utility." If he were to lose this last sack, our frontier farmer would suffer a loss of well-being no greater than the pleasure of parrot entertainment. Or, if he should have an opportunity to trade with another frontiersman who happens to pass his solitary log cabin, he will be willing to exchange one sack for any other good that in his judgment exceeds the pleasure of parrot entertainment.

But now let us assume that our frontier farmer has a total supply of only three sacks. His valuation of any one sack will be the utility provided by the third and last sack, which affords him the meat. Loss of any one of three sacks would be much more serious, its value and price therefore much higher. Our farmer could be induced to exchange this sack only if the usefulness of the good he is offered would exceed the utility derived from the consumption of meat.

And finally, let us assume that he possesses only a single sack of grain. It is obvious that any exchange is out of the question as his life depends on it. He would rather fight than risk loss of this sack.

The Law of Supply and Demand

This discussion of the principles of valuation is not merely academic. In a highly developed exchange economy these principles explain the familiar observation that the value and price of goods vary inversely to their quantity. The larger the supply of goods the lower will be the value of the individual good, and vice versa. This elementary principle is the basis of the price doctrine known as the

law of supply and demand. Stated in a more detailed manner, the following factors determine market prices: the value of the desired good according to the subjective judgment of the buyer and his subjective value of the medium of exchange; the subjective value of the good for the seller and his subjective value of the medium of exchange.

In a given market there can be only *one* price. Whenever businessmen discover discrepancies in prices of goods at different locations, they will endeavor to buy in the lower-price markets and sell in the higher-price markets. But these operations tend to equalize all prices. Or, if they discover discrepancies between producers' goods prices and the anticipated prices of consumers' goods, they may embark upon production in order to take advantage of the price differences.

Value and price constitute the very foundation of the economics of the market society, for it is through value and price that the people give purpose and aim to the production process. No matter what their ultimate motivation may be, whether material or ideal, noble or base, the people judge goods and services according to their suitability for the attainment of their desired objectives. They ascribe value to consumers' goods and determine their prices. And according to Böhm-Bawerk's irrefutable "imputation theory," they even determine indirectly the prices of all factors of production and the income of every member of the market economy.

The prices of the consumers' goods condition and determine the prices of the factors of production: land, labor, and capital. Businessmen appraise the production factors in accordance with the anticipated prices of the products. On the market, the price and remuneration of each factor then emerges from the bids of the competing highest bidders. The businessmen, in order to acquire the necessary production factors, outbid each other by bidding higher prices than their competitors. Their bids are limited by their anticipation of the prices of the products.

The pricing process thus reveals itself as a social process in which all members of society participate. Through buying or abstaining from buying, through cooperation and competition, the millions of consumers ultimately determine the price structure of the market and the allocation of the income of each individual.

Prices Are Production Signals

Market prices direct economic production. They determine the

selection of the factors of production, particularly the land and resources that are employed—or left unused. Market prices are the essential signals that provide meaning and direction to the market economy. The entrepreneurs and capitalists are merely the consumers' agents, and must cater to their wishes and preferences. Through their judgments of value and expressions of price, the consumers decide what is to be produced and in what quantity and quality; where it is to be produced and by whom; what method of production is to be employed; what material is to be used; and they make numerous other decisions. Indeed, the baton of price makes every member of the market economy a conductor of the production process.

Prices also direct investments. True, it may appear that the businessman determines the investment of savings and the direction of production. But he does not exercise this control arbitrarily, as his own desires dictate. On the contrary, he is guided by the prices of products. Where lively demand assures or promises profitable prices, he expands his production. Where prices decline, he restricts production. Expansion and contraction of production tend to alternate until an equilibrium has been established between supply and demand. In final analysis, then, it is the consumer – not the businessman – who determines the direction of production through his buying or abstention from buying.

If, for instance, every individual member of the market society were to consume all his income, then the demand for consumers' goods would determine prices in such a way that businessmen would be induced to produce consumers' goods only. The stock of capital goods will stay the same, provided people do not consume more than their income. If they consume more, the stock of capital goods is necessarily diminished.

If, on the other hand, people save part of their incomes and reduce consumption expenditures, the prices of consumption goods decline. Businessmen thus are forced to adjust their production to the changes demanded. Let us assume that people, on the average, save 25 per cent of their incomes. Then, businessmen, through the agency of prices, would assign only 75 per cent of production to immediate consumption and the rest to increasing capital.

Our knowledge of prices also discloses the most crucial shortcoming of socialism and the immense superiority of the market order. Without the yardstick of prices, economic calculation is impossible. Without prices, how is

the economic planner to calculate the results of production? He cannot compare the vast number of different materials, kinds of labor, capital goods, land, and methods of production with the yields of production. Without the price yardstick, he cannot ascertain whether certain procedures actually increase the productivity and output of his system. It is true, he may calculate in kind. But such a calculation permits no value comparison between the costs of production and its yield. Other socialist substitutes for the price denominator, such as the calculation of labor time, are equally spurious.

Government Interference with Prices

Economic theory reveals irrefutably that government intervention causes effects that tend to be undesirable, even from the point of view of those who design that intervention. To interfere with prices, wages, and the rates of interest through government orders and prohibitions is to deprive the people of their central position as sovereigns of the market process. It compels entrepreneurs to obey government orders rather than the value judgments and price signals of consumers. In short, government intervention curtails the economic freedom of the people and enhances the power of politicians and government officials.

The price theory also explains the various other economic problems of socialism and the interventionist state. It explains, for instance, the unemployment suffered in the industrial areas, the agricultural surpluses accumulated in government bins and warehouses; it even explains the gold and dollar shortages suffered by many central banks all over the world.

The market price equates the demand for and the supply of goods and services. It is the very function of price to establish this equilibrium. At the free market price, anyone willing to sell can sell, and anyone willing to buy can buy. Surpluses or shortages are inconceivable where market prices continuously adjust supply and production to the demand exerted by the consumers.

But whenever government by law or decree endeavors to raise a price, a surplus inevitably results. The motivation for such a policy may indeed be laudable: to raise the farmers' income and improve their living conditions. But the artificially high price causes the supply to increase and the demand to decline. A surplus is thus created, which finds some producers unable to sell their goods at the official price. This very effect explains the $8 billion agricultural

surplus now held by the U.S. Government.

It also explains the chronic unemployment of some 5 million people in the United States. For political and social reasons and in attempted defiance of the law of supply and demand, the U.S. Government has enacted minimum wage legislation that is pricing millions of workers right out of the market. The minimum wage is set at $1.25 per hour – to which must be added approximately 30¢ in fringe costs such as social security, vacations and paid holidays, health, and other benefits – so that the minimum employment costs of an American worker exceed $1.55 an hour. But in the world of economic reality, there are millions of unskilled workers, teenagers, and elderly workers whose productivity rates are lower than this minimum. Consequently, no businessman will employ them unless he is able to sustain continuous losses on their employment. In fact, these unfortunate people are unemployable as long as the official minimum wage exceeds their individual productivity in the market. This kind of labor legislation, even when conceived in good intentions, has bred a great variety of problems which give rise and impetus to more radical government intervention.

The price theory also explains most money problems in the world. For several years after World War II, many underdeveloped countries suffered a chronic gold and dollar shortage. And in recent years, the United States itself has had serious balance-of-payments problems, which are reflected in European countries as a dollar flood.

No matter what the official explanations may be, our knowledge of prices provides us with an understanding of these international money problems. Price theory reveals the operation of "Gresham's Law," according to which an inflated depreciated currency causes gold to leave the country. Gresham's Law merely constitutes the monetary case of the general price theory, which teaches that a shortage inevitably results whenever the government fixes an official price that is below the market price. When the official exchange ratio between gold and paper money understates the value of gold, or overstates the paper, a shortage of gold must inevitably emerge.

And finally, our knowledge of the nature of prices and of the consequences of government interference with prices also explains the "shortages" of goods and services suffered in many countries. Whether the interference is in the

form of emergency or wartime controls, international commodity agreements, price stops, wage stops, rent stops, or "usury laws" that artificially limit the yield of capital – and whether they are imposed on the people of America, Africa, Asia, or Europe – government controls over prices control and impoverish the people. And yet, omnipotent governments all over the world are bent on substituting threats and coercion for the laws of the market. ◈

"The Government Is All of Us."

LEONARD E. READ

A RENOWNED and respectable sociologist once wrote, "The Government is All of Us," and a President of the U.S.A. voiced the same idea in another of its several versions, "The Government is the People."

How this notion, so at odds with American concepts of limited government, ever insinuated itself into our folklore is a mystery. It may have had its start – who knows? – with a misinterpretation of the Preamble to our Constitution: "We the People of the United States, in order to form a more perfect Union . . ." Semantically, this is tricky: a correlation of two collective terms, "People" and "Union." Instead of being construed as intended, namely, that All of Us should support the idea of a government of limited scope, many have misread this as saying that "the Union is the People," which is to say, that the Government is All of Us.

Regardless of the esteem in which we may hold the authors of a concept, we are in no way absolved from thinking the concept through for ourselves – especially if the inferences drawn from it lead to mischief. We must never commit the present to errant ways because of a sanctimonious regard for the past. If we let our ancestors do our thinking for us, we

shall do no thinking for ourselves, nor will we ever really understand what their thinking was.

Anything That's Peaceful

In an ideal free society each individual may do anything he pleases as long as it is peaceful. The role of government is limited to keeping the peace. There is a principled justification for All of Us to support a government thus limited; but it is absurd to conclude that this commits everyone to support everything a contemporary Government may undertake in the name of All of Us! This perversion would virtually acknowledge that we count for nothing as individuals. It would identify Government with All of Us, and imply that the regulation of every detail of our lives is a proper function of Government – because "we are doing it to ourselves!" A comparable perversion would be to suggest that a company, having employed and given its backing to a group of company guards, thereupon becomes a company of guards, and nothing else!

The dictators headquartering at Moscow and Peiping are not the People – far from it. And in democracies where majorities have the political say-so, the Majority is not All of Us, for there is the Minority! Indeed, there is no conceivable organization of society in which the Government is the People.

How, then, can mischief grow out of such a silly idea? An idea prevails because someone believes it. Ideas rule our lives. People are led in wrong as well as in right directions by ideas. Ideas, in turn, are sometimes clarified and sometimes confused by the words and phrases in which they are expressed; all of us are under semantic influences. Americans, by and large, favor the idea of democracy, that is, they would decide on the proper scope and functions of government by majority vote. Rightness and wrongness, to most citizens, turns on what the majority decrees. If the majority approves social security, or sending men to the Moon or Mars, or paying farmers not to farm, or whatever, then such is within the proper scope of government! The majority does not fret about – or even discern – the dire consequences of these policies, and this explains, in part, why majoritarianism is satisfactory to most Americans as a means of deciding on right and wrong. "We voted for it!" That's their shallow political way of testing morality!

How Schemes Develop

It matters little that the American people, for the most part, have not *initiated* these schemes which

take government out of bounds. It wasn't "The People" who demanded federal urban renewal or the Peace Corps or going to the Moon or social security. These – the whole kaboodle of socialistic antics – were the inventions of the political Establishment or of the few who are able to maneuver the Establishment and then, after the fact, drum up majority approval for their schemes.

Except in unusual circumstances, individuals in Government are bent on enlarging the Establishment, that is, on extending their control over the rest of us. If the point once be accepted that the Government is All of Us, it follows that whatever the individuals in Government favor – going to Mars or whatever – is the will of All of Us. This is how this cliché – an absurdity – leads toward the total state: socialism.

I am not suggesting that the trend toward all-out statism is a conscious objective of all who further the trend. I am insisting that some in Government, no less than some among All of Us, can be and are being victimized by loose and erroneous concepts, one of the worst being "The Government is All of Us."

Reprints available, 2¢ each.

IDEAS ON LIBERTY

Double Standard

IF WE HAD THE MONEY, we could get a "cease-and-desist" order against every businessman in the United States who is engaged in interstate commerce. The businessman has nothing to say. He can only hope the law of averages will keep him off the wrong end of a complaint.

As an administrator of two antitrust laws diametrically opposed to each other, it was not difficult for me to accuse everybody at a trade convention with being some kind of a lawbreaker. Either they were all charging everyone the same prices, a circumstance indicating a violation of the Sherman Act, or they were not charging everyone the same price, a circumstance indicating a violation of the Robinson-Patman Act.

LOWELL B. MASON, Former Federal Trade Commissioner

FALLACIES IN THE CURRENT Cult of Progress

FRED DEARMOND

"HUMAN KNOWLEDGE has doubled in the last 12 years. It will double again in the next five years, and by 1980 it will be doubling itself every three months." This exaggerated herald of an onrushing millennium by a well-publicized space navigator has been widely quoted and acclaimed.

Another speaker solemnly declared that in the decade 1960-70 more scientific knowledge will be developed than in all the centuries that preceded 1960. Now, a belief exists that if only enough billions are spent on research, cancer and heart disease can be wiped out by scientific blitz. Such speculation is symptomatic of the unbalanced state of mind in the soaring 1960's. It exhibits a deplorably narrow concept of what human knowledge is and how it is accumulated.

This new gospel of technology by the specialists is a result of focussing on the immediate and close-up while blurring the achievements of all the thinkers who preceded our generation. It magnifies the present and minifies the traditional wisdom of the ages. Our contemporary wise men should be reminded that in all they discover they stand on the tall shoulders of Aristotle, Kepler, Galileo, Newton, Spencer, and all the others who did the pioneering. If each scientist or inventor had to start from scratch, how far would any have gotten toward such startling innovations as irradiated foods, tranquilizing drugs, and guided missiles?

It seems reasonable to ask by what standards is human knowl-

Mr. DeArmond, lecturer, writer, and business consultant on personnel training, is a contributor to numerous periodicals and the author of books such as *The Executive at Work* and *How to Sell and Unsell Ideas.*

edge bounded by those who see its range being expanded at such fantastic rates. Are modern automation gadgets to weigh heavier in the scales than the centuries-long and laborious study and experimentation by which the physical facts of the universe such as the laws of thermodynamics and the persistence of motion were determined? The question is like asking which is the more important, a child's early training when he is learning how to perceive, to react, to reason, and to communicate, or the later development when he applies to the refinements of practical living the basics of what he has learned in childhood and youth.

Rejection of Tested Values

What we are witnessing is the growth of a cult of Progress. "Everything you thought you knew about marketing as long as five years ago is out of date; throw it away and go modern," a speaker said at a meeting of a Sales and Marketing Executive's club. This is simply nonsense, of course. If I could have the choice of talking for an hour with Claude Hopkins or John H. Patterson, or of interviewing the present head of a leading New York advertising agency, I would unhesitatingly choose the former.

People have the same basic desires, aspirations, and frailties that they had five years or 500 years ago. They display the same courage, curiosity, cupidity, generosity, and brutality in somewhat changed forms as in the times of Dante and Chaucer. The capacity to learn is as great but no greater than when Plato walked and talked in his Academy. So slow is the process of evolution that the spirit and body have remained unchanged through 50 centuries of recorded history. Nietzsche's Superman has not appeared.

In the 1790's the French Jacobins pursued a revolutionary cult to a tragic conclusion. They attempted a premature delivery of a perfect society based on liberty, fraternity, equality, plus a worship of the Goddess of Reason. May not the outcome of the present aberration be an abortion, also? To anyone who makes the smallest pretense to a sense of the historic values, it is positively frightening to see so many presumably literate leaders hailing the millennium when they are obviously ignorant of the past and the process of societal evolution. The main tradition of our Anglo-American race has been to make every advance on the tested foundation of the best in the past.

My friend E. W. Dykes has well said that "evolution is the nearest

thing to eternal purpose which man can discover." But humanity has a way of chasing the recurring illusion that progress is a steady march toward perfection. The illusion may be illustrated in a parable out of the experience of Peary, the polar explorer. One whole day he traveled northward, urging his sleigh dogs on at a brisk pace. But when at the close of the day he checked his bearings, he was astonished to find that he was much farther South than he had been in the morning. He had been toiling all day toward the North on an immense iceberg being drawn southward by an ocean current.

Some of our vaunted advances in civilization are a counterpart of Peary's illusion. The sum total of human satisfactions might be as close a criterion as we could establish for genuine progress. In that respect, as Alfred N. Whitehead said in his *Dialogues*, "One of the happiest times in the history of mankind was the 30 years roughly from 1880 to 1910." That was surely about the peak of liberty and contentment for Americans.

One who thinks of 1964 as a pinnacle of achievement might profit in perspective by looking back just over a century, to the year 1859. During that twelve-month period these literary classics were published: Darwin's *Origin of Species*, George Meredith's *Ordeal of Richard Feverel*, Thackeray's *The Virginians*, Tennyson's *Idylls of the King*, Dickens' *A Tale of Two Cities*, Fitzgerald's *Rubaiyat of Omar Khayyam*. Also Wagner's opera, *Tristan and Isolde*. In that year, too, the first oil well, "Drake's Folly," was brought in at Titusville, Pennsylvania. Could we match this score in '64?

All this moved Emerson to note in his Journal that "the only progress ever known was of the individual, not the race."

Overspecialized Scientists

Today the scientists are erecting a dazzling utopia on man's increasing mastery over the forces of nature. Everything is to be done by machine, and soon man will not even have to raise his hands to clothe and feed himself. Their supremacy in the world inspires Jacques Barzun to ask, "What do they know of science who only science know?" He goes on to add, ". . . if college boys and girls think that science steadily and automatically makes for a better world – then they have wasted their time in the science lecture room."

A narrowly specialized scientist is surely the most gullible babe-in-the-woods for plausible eco-

nomic, political, and ethical fallacies. In his own field the scientist is inclined to be dogmatic, doctrinaire, scornful of "laymen's" opinions. In any other field, but especially the nonscientific, he is prone to accept almost any pronouncement that carries authority. He will follow slavishly any line promulgated by another specialist of status.

The enormous branching out of scientific specialties moved Will Durant to a comparison of our age with that of the great Greek philosophers, when science limped so far behind theory. "Our modern danger," he wrote, "is precisely opposite; industrial data fall upon us from all sides like the lava from Vesuvius; we suffocate with uncoordinated facts; our minds are overwhelmed with sciences breeding and multiplying into specialistic chaos for want of synthetic thought and a unifying philosophy. We are all mere fragments of what a man might be."

Conventional Wisdom Ridiculed

The two magic words in advertising are "free" and "new." Both are attached like barnacles to the mores of our century. Adults with college degrees, no less than the unsophisticated, fondly swallow those all-purpose pills that promise something for nothing from the hucksters. "New" has become the very embodiment of the "good" word, taking precedence over such favorite adjectives as "sacred," "true," and "sound."

This passion for novelty, coupled with an admiring worship of our time as vastly ahead of any that went before it, has given the present generation a distorted sense of values. We are being exhorted by tremendous forces of conformity to judge everything by its newness. A leading spokesman of the prevailing pragmatism is John K. Galbraith, professor of economics at Harvard and mentor of New Frontier presidents. In his *The Affluent Society*, Galbraith reserves his most withering irony for what he repeatedly calls "the conventional wisdom" in an economic society. His admired predecessor, John Maynard Keynes, likewise discarded in toto the wisdom of Adam Smith, David Ricardo, John Stuart Mill, and others. Thus, the Western world suffers from having embraced an economic philosophy that sneers at the past.

It seems that the ultimate reach of ridicule heaped upon a conservative statesman or politician is to relegate him to oblivion as an anachronism who belongs in the nineteenth or the eighteenth century. Then there is the peculiar assumption that a political leader who is "ahead of his time"

is per se a very great man. All the political leaders who have achieved greatly have been abreast of their times and aware of the past. That is where Abraham Lincoln always stood. William Lloyd Garrison, Wendell Phillips, and Horace Greeley marched on ahead and found themselves alone in the great slavery-secession struggle. Because Lincoln didn't isolate himself from the slowly developing public opinion in the North, he saved the Union. Lincoln knew that to turn the clock forward is quite as bad as to turn it back.

And so I rest on the wise epigram of the great Spanish thinker, Jose Ortega y Gasset, "We know so much that we do not understand!" ◈

IDEAS ON LIBERTY

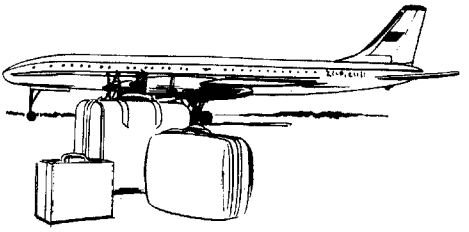
Do Our Best

SOME OF US are sensitive and hate to see any man compelled to work for less than he needs for a decent standard of living. Many claim they have a way out – socialism, single tax, communism, birth control, prohibition, the golden rule, co-operation. All have been tried somewhere or other. Not one has equaled the expectations of its advocates.

In the meantime, we have made a good deal of progress under our present system of private ownership, with individual initiative and responsibility. The trouble is that no degree of prosperity seems to disturb the relative distinctions. The poor men of today are probably as well off as the well-to-do of a century ago. But that is no consolation to the man who is low in the scale. So we shall probably always have complaining. I don't know what we can do about it except to do our best to improve conditions, and be philosophic.

WILLIAM FEATHER, *The William Feather Magazine*, October, 1964.

SAM H. HUSBANDS, JR.



FLYING SOCIALISM

IT STANDS TO REASON that persons who want certain things accomplished will get the job done more promptly and efficiently than it could be done under compulsion – that competitive private enterprise in a free market is more efficient than government operation and control. But this is a difficult matter to prove, for governments seldom enter a business activity without claiming a monopoly – that is, passing a law to forbid competition.

The international airline traffic situation affords a rare opportunity to compare private enterprise with government operation in the same competitive area. Here we may observe various privately owned and managed airlines operating side by side with government lines, using similar equipment, flying similar routes, and offering similar services.

Most of the airlines serving within the United States or originating here are privately owned and operated, whereas nearly all of the major airlines from other countries are under government ownership and control. For the most part, these major trunk lines, whether privately or governmentally owned, use similar equipment and must be assumed to face similar costs for depreciation, replacement parts, and fuel. The remaining major cost factor, and the one that might be expected to show the greatest variation between businesses managed for profit and those under political management, would be the amount of labor used. The labor efficiency of handling passenger service, overhaul, promotion, administration, and flying operations can readily be measured

Mr. Husbands is with Dean Witter & Company in San Francisco.

in terms of the number of revenue passenger miles flown per employee by the various airlines.

Government Lines vs. Private Lines

A striking contrast between two airlines operating over similar international routes with similar equipment is afforded by British Overseas Airways Corporation (BOAC) and Pan American Airways. Both are characterized by comparatively long flights per passenger, averaging 3,200 and 1,800 miles respectively. Pan American is the larger of the operations, with slightly more than twice the number of aircraft operated by BOAC. In 1963 Pan American flew more than 2.6 times as many revenue passenger miles (8,069,397,000) as did BOAC (3,023,470,000), but with only 20 per cent more personnel.

A comparison between Air France and TWA shows the latter providing nearly 2½ times the number of revenue passenger miles per employee as did Air France in 1963.

KLM, operating 57 aircraft in contrast to 50 for Northwest Airlines, showed only 101,968 revenue passenger miles per employee com-

1963 WORLD AIRLINE STATISTICS

Airline	*Revenue Passengers (Thousands)*	*Revenue Pass. Miles (Millions)*	*Load Factor (%)*	*Number of Aircraft*	*Number of Employees*	*Rev. Pass. Miles per Employee*
Air France	3,483	3,266	52.6	135	25,000	130,623
TWA	6,197	7,016	51.8	144	21,730	322,883
BOAC	946	3,023	51.3	56	20,783	145,478
Pan American	4,478	8,069	57.2	116	24,851	324,711
KLM	1,466	1,591	43.6	57	15,600	101,968
Northwest	2,768	2,367	52.2	50	6,090	388,626
Lufthansa	1,992	1,621	54.0	39	12,224	132,608
National	2,167	1,726	51.5	33	4,416	390,816
Swissair	1,802	1,160	52.7	30	8,471	136,833
Continental	1,697	1,210	50.5	23	3,081	392,861
SAS	2,377	1,592	49.7	47	11,772	135,208
Western	2,813	1,615	50.1	36	3,503	461,087

Data from *American Aviation*, American Aviation Publications, Inc., May, 1964, Vol. 27, No. 12.

pared with 388,626 for Northwest.

Lufthansa, Swissair, and SAS all averaged about 135,000 revenue passenger miles per employee, whereas National, Continental, and Western, with reasonably similar equipment and flight conditions, averaged from 390,000 to 461,000 revenue passenger miles for each employee. In other words, according to these figures, it takes approximately three government employees to do the work of one employed privately under the profit motive.

It may be argued that wage rates are lower for foreign airlines, and that the number of employees is not a fair measure of the airline's efficiency, but it is noteworthy that flight crew personnel number about the same for privately owned airlines and government owned, and that U.S. airlines operating internationally employ mostly foreign nationals in their overseas ground operations. In any case, to the extent that an airline has more personnel than needed to do the job, it is sacrificing the standard of living, not only of those extra employees, but of all consumers in the economy.

Private Lines Would Reduce Fares

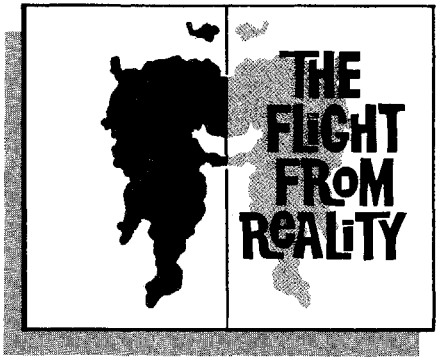
The excuse for nationalization of industry is often expressed in terms of "national interest" or "for the benefit of the people." It is ironic, but predictable, that the recent request for rate reductions of almost 30 per cent on the North Atlantic run was made by Pan American Airways and TWA. Equally predictable is that their government-owned competitors would argue to hold existing rates, as they contemplated the increased red ink they would show if these rate reductions were installed.

The socialist insists that his ability to plan relieves his world of the anarchy of the free market, all to the benefit of the people. Yet, in this one area of the transportation industry where we can make a direct comparison, we find the government-owned airlines relatively inefficient. Further, the indications are that, without the competition from free enterprise, the government airlines would charge even more for their services than they do now. Would that these lessons could be learned by all advocates of socialized production. ◈

IDEAS ON LIBERTY

Could Be

"A REASON why the Russian communists are increasingly adopting free market practices in their economy," suggests Dean Russell, "is that they'd rather be fed than Red."



5. The Utopian Vision

CLARENCE B. CARSON

. . . I know that society may be formed so as to exist without crime, without poverty, with health greatly improved, with little, if any, misery, and with intelligence and happiness increased an hundredfold; and no obstacle whatsoever intervenes at this moment, except ignorance, to prevent such a state of society from becoming universal.[1]

—ROBERT OWEN, 1816

THE CONNECTION between visions of utopia and reformers may not be apparent to everyone. Utopians are often thought of as quaint characters who lived and wrote sometime in the past, somewhat impractical but harmless fellows. If they were literary figures in their own right, or if they had a pleasing style, excerpts from their works crop up in anthologies of literature, and whole books are sometimes reprinted. But they are not generally credited with having had much to do with what has happened. The matter is quite otherwise, in fact.

Hardly a reform proposal has been made in the twentieth century which did not have antecedents in utopian literature of the nineteenth century or earlier. As one writer points out, in the earlier period "utopists were anticipating the 'welfare state,' the nationalization of industries, 'socialized' medicine and health programs, unemployment insurance, old-age pensions, and numerous other such proposals. . . ." [2]

More specifically, one historian points out that Robert Owen, an

[1] Quoted in W. H. G. Armitage, *Heavens Below* (London: Routledge and Kegan Paul, 1961), p. 77.

Dr. Carson is Professor of American History at Grove City College, Pennsylvania. Among his earlier writings in THE FREEMAN were his series on *The Fateful Turn* and *The American Tradition*, both of which are now available as books.

[2] Glenn Negley and J. Max Patrick, *The Quest for Utopia* (New York: Henry Schuman, 1952), p. 16.

early nineteenth century utopian, had a considerable impact upon historical development. "Owen . . . was influential in bringing to pass the first labor legislation, the British Factory Acts in 1819. . . . The co-operative buying societies among the poorer folk. . . are also the direct outgrowth of Owen's experiments of New Lanark. He was one of the pioneers of the trade union movement, and laid down the first plans for labor bureaus on the national scale."[3] This writer goes on to give similar examples for many other utopians.

Utopias are articulated visions of a perfect society. They are products of the imagination of their authors, neither existing anywhere at the time they are described nor ever having existed anywhere. They are futuristic in orientation, though there is often an admixture of a return to felicity which man once enjoyed before corruption. Even so, their realization is to come at some future time, or at least that is the implication and hope. Even so, the "role of utopias in social thought . . . is not analogous to that of blueprint to house. Such a misconception makes them of little importance, for as such they have hardly entered the stream of human history at all. Instead, utopias more nearly play the part of the idealized picture of the completed house which precedes the drawing of the blueprint. Utopias are the best societies which their authors can imagine, distant goals toward which their creators would have us move, unhampered in their conception by gross obstacles and difficulties." [4]

The Vision and the Means

The construction of a utopia, then, is an elemental flight from reality. The author who does so must, by the nature of his task, withdraw from concrete reality, must envision something which does not exist. Insofar as he neglects to take into account the nature of man and the universe, as most modern utopians have, he is engaged in a full-fledged flight from reality. The role of utopian thought in the development of meliorist reform is this: Utopians provided the vision of the perfect society toward which meliorist reform is supposed to move. Quite often, they also described the means which might be used to achieve utopia and ways of doing things in the perfect society. Utopia is the end; meliorist reform is the means. Utopias have served as

[3] Joyce O. Hertzler, *The History of Utopian Thought* (New York: Macmillan, 1923), p. 282.

[4] Clarence B. Carson, "Their Young Men Dream No Dreams," *Spiritual Life*, IX (Spring 1963), 32.

the visionary and imaginary flight which has preceded the actual flight.

The fact that twentieth century reformers have usually disavowed any particular utopian hopes must not be permitted to obscure the actual connection. The vagueness of the goals of contemporary reformers are not even to be pitted against any particularized version of utopia. This would tend to discipline reformers to some limited extent, though this may not be the reason for the avoidance of embracing a utopia. Nonetheless, a vague generalized vision of utopia does impel reformers to their exertions.

As I have pointed out elsewhere, this vision is of a utopia that "is altogether pleasant and enticing. It is of a place and time where suffering and privation have been banished, where the inhabitants are secure from the ravages of disease and unemployment, where all men have enough of the good things of life. . . , where education and environment have banished the baser things and men have willingly and gladly turned to the finer things of life, where one may speed in a carefree manner down the highway of life with no fear of a collision along the way." [5]

[5] *The Fateful Turn* (Irvington-on-Hudson, N. Y.: Foundation for Economic Education, 1963), p. 178.

Sir Thomas More and Company

The content for a vision which has become progressively more vague was provided in luxuriant detail by nineteenth century utopians.

Before utopian thought could enter the life stream of that social thought which is believed to have relevance to actuality, a transformation had to take place. Such a transformation had taken place for many of those in intellectual circles by the early nineteenth century. It has already been described as the cutting loose from reality. Uninhibited rationalism became abstract rationalism; the imagination was cut loose from the fetters of reason; men turned their eyes away from the nature of things, from an enduring reality, from metaphysical or eternal realms, to focus their attention upon change and development. In these circumstances, they could not only envision utopias with the utmost freedom but also actually begin to believe in them as possibilities.

The literary genera which we refer to as utopias was not new to the nineteenth century, of course. The name itself adorned a work of Sir Thomas More, a book which was published in the early sixteenth century. But More's book was modeled upon one of much more ancient vintage, Plato's

Republic. It should be noted, though, that Plato's good society differed significantly from most modern utopias. Plato did not envision the transformation of human nature; he took men as they are and proposed to build a good society for them. This would involve, as he saw, a rather rigorous regimentation, and he did not shrink from these implications. Hence, the meaning of Plato's *Republic* for those who prefer liberty (whether he could be numbered among them or not) is clear; it is a cautionary tale, showing the consequences of trying to institute the good society. There were other utopias written in the classical period, but the genera disappeared for the Middle Ages and did not reappear until More's work.

Following More, there were a good many utopian writers from the sixteenth into the eighteenth centuries – what historians are likely to call the early modern period. They include Francis Bacon's *New Atlantis,* Tommaso Campanella's *The City of the Sun,* James Harrington's *Oceana,* Fenelon's *Telemachus,* Andrae Valenti's *Christianopolis,* and Robert Filmer's *Patriarcha.* These utopias have mainly an academic interest. That is, they constitute an historical background for the utopianism which came to inform meliorist reform but they entered into the stream of social thought at the time, little, if at all. They did contain many of the ideas which went into later utopias.

Indeed, More's work contained what can now be recognized as most of the staple ingredients of utopian literature. Utopias almost invariably have two sorts of materials: a critique of conditions contemporary with the work being written, and a vision of the perfect society. More's book has both. Moreover, the good society is pictured as a communistic one. Private property is an evil to be rooted out, a theme which runs the gamut of utopian literature from the sixteenth to the twentieth centuries. More said,

> I am persuaded, that till property is taken away there can be no equitable or just distribution of things, nor can the world be happily governed: for as long as that is maintained, the greatest and the far best part of mankind will be still oppressed with a load of cares and anxieties.[6]

The great change that will be wrought by the abolition of property is described:

> In all places it is visible, that while people talk of a commonwealth, every man seeks his own wealth; but there, where no man has any property, all men zealously pur-

[6] Quoted in Hertzler, *op. cit.,* pp. 132-33.

sue the good of the public: and, indeed, it is no wonder to see men act so differently; for in other commonwealths every man knows that unless he provides for himself, how flourishing soever the commonwealth may be, he must die of hunger; so that he sees the necessity of preferring his own concerns to the public; but in Utopia, where every man has a right to everything, they all know that if care is taken to keep the public stores full, no private man can want anything; for among them there is no unequal distribution, so that no man is poor, none in necessity; and though no man has anything, yet they are all rich; for what can make a man so rich as to lead a serene and cheerful life, free from anxieties. . . .[7]

The chances are good that More was engaging in superb irony throughout much of this work, that at most it is only an exercise of the fancy. In any event, later writers have presented such fancies with deadly, and deadening, seriousness.

Most of the utopian ideas appear to have been suggested during this early period, but we had best not stop to explore them. A considerable change had come over utopian literature by the nineteenth century. Indeed, this century was the century of utopians, par excellence. Many intellectuals turned their attention to describing perfect societies and offering programs for realizing them. There were utopian socialists, communitarians, anarchists, "scientific" socialists, syndicalists, and perfectionists. There was a great deal of enthusiasm for utopian projects, and men began actually to try to put them into effect.

Utopian Communities

The first considerable effort along this line was the communitarian movement. In general, the idea in founding communities was for a group to separate itself from the corrupting influence of the "world" and arrive at perfection in isolation from contaminating influences. There were a great many such communities attempted. Some were religious in orientation, for there was a great deal of religious enthusiasm in the first half of the nineteenth century. Others were secular in origin and aims. But whether religious or secular they were usually communistic, that is, they proposed to labor for the common good and share equally, or at least according to need, in the goods produced.

America was a popular place to locate such experiments, since they needed physical isolation and considerable tolerance from political authorities. Some of the more famous of the American communities were Brook Farm, New Har-

[7] *Ibid.*, p. 135.

mony, North American Phalanx, Amana, Oneida, Nashoba, Fruitlands, Icaria, and the religious communities of the Shakers and Rappites.

Two examples of such communities will suffice. One of the most famous was the one located on the banks of the Wabash river in Indiana; it was called New Harmony. New Harmony was the brain child, and purse child, of Robert Owen, a wealthy Scottish manufacturer. Owen's idea was to found self-sufficient villages. As one writer describes his utopia:

> He saw the world made up of villages, rid of the capitalist and free from that private property which was completely incompatible with social well-being, producing solely for the collective good. . . . Briefly stated, he recommended . . . that colonies of workers should be formed on the co-operative principle. These colonies or villages of co-operation with a population varying from 500 to 2000 souls . . . were to be engaged in both agriculture and manufacturing; they were to be housed in great quadrangles located in the midst of each colony, containing the common dormitories, common kitchen and dining rooms, common schools, library, reading rooms, guest rooms, etc. . . . All were to work at suitable tasks according to their ability. . . .
>
> These villages were to be joined together in a great federation

which would replace the old world of the "capitalistic system with its poverty and misery, its injustice and inequality, its falsehood and deception; and all were to be united in brotherly co-operative effort." [8]

In Owen's most ambitious attempt to put his ideas into effect, the community of New Harmony, he was confronted by continual difficulties for the short time that he continued the effort. Splinter groups of dissenters were continually forming and moving off elsewhere. There were complaints about those who ate but did not work. Since decisions were to be made democratically, all work and other activity was frequently stopped for discussions and votes. Some complained that Owen was profiteering from the sale of land, though he sold the land on credit or gave leases for ten thousand years. "Money had been officially abolished but in every lane and alley the Harmonists privately traded and bargained and bickered over cash."[9] "There was trouble over liquor. Prohibition was decreed, but everywhere people were drunk, supplied by sly bootlegging members."[10] In short, before its

[8] *Ibid.*, pp. 219-20.

[9] Everett Webber, *Escape to Utopia* (New York: Hastings House, 1959), p. 151.

[10] *Ibid.*, p. 147.

hasty demise New Harmony had witnessed some of the classic ills accompanying efforts to make over men.

The Oneida Community, founded and watched over for many years by John Humphrey Noyes, carried communal sharing to what most would probably consider its logical extreme. To be specific, in this community they practiced what was called complex marriage. That is, each adult who was a full-fledged member of the community might be considered married to every other such adult of the opposite sex. Noyes was a religious leader, and the strange beliefs of the community were a part of the religion he taught. He believed in the possibility of perfection here and now, and those who had arrived at perfection no longer lived under the old dispensation. In anticipation of the Kingdom of Heaven – which was the name bestowed upon the first establishment begun by Noyes – he wrote:

> When the will of God is done . . . there will be no marriage. The marriage supper of the lamb is a feast at which every dish is free to every guest. Exclusiveness, jealousy, quarreling, have no place there, for the same reason as that which forbids the guests at a thanksgiving dinner to claim each his separate dish, and quarrel with the rest for his rights. In a holy community, there is no more reason why sexual intercourse should be restrained by law, than why eating and drinking should be. . . .[11]

Though the community lasted for a longer period than most such undertakings, it did eventually break up. One writer points out that young people went away to college and came more and more "to desire the marriage customs of the world where people were allowed to fall in love and not required to cultivate a specious enjoyment at seeing their loved ones bandied through a wide circle of holy hands." [12]

Utopian Socialism

A second, and related, development in utopian thought in the first half of the nineteenth century was the setting forth of what has been called utopian socialism. The theory of modern socialism was developed in this period by those whom Marx scornfully dubbed utopians. They were mostly French, and included Morelly, Babeuf, Saint-Simon, Fourier, Cabet, and Blanc.

Fourier and Cabet developed theories, and attempted to apply them in communities. Fourier's dream may serve as an example of these, though they differed considerably one from another. "In

[11] *Ibid.*, pp. 375-76.

[12] *Ibid.*, p. 405.

brief, Fourier proposed to eliminate wasteful competition, and oppressive government, by organizing self-sufficient and mainly agricultural units of production."[13] These units he called Phalanstéres. They would, he thought, solve the problems of production, and each person would be guaranteed a basic standard of living. "Along with this expanding production, will go an educational revolution. . . . It will raise mankind to perfection in body and mind. . . . Our present teachers – slaves to abstractions – know how to produce Neros; we know how to turn potential Neros into men like Gods." [14]

Mankind was made for perfection and harmony, according to Fourier, not discord and competition. His system would achieve the true end of man. "This economic and educational revolution, by housing the population in self-supporting, autonomous and self-conducted luxury hotels, in which all the occupants would work and play in industrious harmony, would solve the problems of poverty, war, and wickedness."[15] All that he needed to get this plan underway, he believed, was to find a wealthy patron who would finance it, and he waited expectantly through his later years for such a benefactor.

Several important changes in utopian literature occurred in the latter part of the nineteenth century. For one thing, there was apparently a great increase in the number of such works produced. One book lists the better known ones, mainly in English or English translation, for the period 1850-1950. This indicates a great concentration of production of such literature from about 1883 to 1912. Only six works are listed from 1850 to 1883; whereas, there are seventy-four works from 1883 to 1912, seven for 1894 alone."[16]

The Shift from Local Groups to a World-wide Organization

Another development was the shift from the conception of utopian communities to dreams of world-wide organization. As one account has it, "it was to become rapidly and increasingly apparent that the utopian community was so unrealistic that it could provide no more than a setting for fantasy or satire. Modern utopia must be a state, and indeed it was already beginning to be evident that modern utopia must be the world." By some kind of metamorphosis, "the

[13] John Bowle, *Politics and Opinion in the Nineteenth Century* (New York: Oxford University Press, A Galaxy Book, 1964), p. 142.

[14] *Ibid.*

[15] *Ibid.*, p. 143.

[16] See Negley and Patrick, *op. cit.*, pp. 19-22.

economic ideal of utopia, through a kind of economic necessity, becomes the ideal of the world."[17]

A third development was the organization of movements to act not in isolated communities but within societies at large, the attempt to make utopia scientific (as in Comte and Marx), and the development of programs and plans for the realization of the good society, no longer cast in the guise of utopia. In short, men were preparing to achieve utopia in society at large. Steps were being taken to translate utopian visions into reformist measures in the latter part of the nineteenth century.

The Ingredients of Utopia

It may be well, at this point, to sum up and indicate the main strains which went into utopian thought. Utopia was concocted out of a compound of some of man's deepest longings, longings for felicity, harmony, order, peace, security, and repose. Utopian visions have had appeal because they embraced remnants of mythology, relics of religious hopes (quite often transposed), immemorial prejudices, along with notions borrowed from scientific theories. Some of the ingredients of this compound are worth dwelling upon.

[17] *Ibid.*, pp. 582-83.

The "Golden Age" Myth

One of the strains that has frequently been woven into the fabric of utopia, or at least evoked by it, is the myth of the Golden Age. This myth appears to have had virtually universal appeal, and even extensive and intensive indoctrination in progressivism in contemporary society does not appear to have completely succeeded in exorcising it. The Golden Age myth locates the time of felicity and harmony in the past. The variations on the particular locale range from the recent past to the Garden of Eden.

At its deepest, the Golden Age myth is of a time before man had lost harmony with nature, or with God. In theological terms, it could refer to the time before man became a moral being, a time before all the travail, tension, and unpalatable choices entailed in being moral. In pagan terms, it could refer to the time when man was simply an animal, guided and living by instinct rather than thought. There have, of course, been many efforts to account for the appeal of the Golden Age myth. Some see it simply as a result of the tendency to romanticize that which lives only in memory, others as the effort to return to the womb, and so forth.

At any rate, elements from the Golden Age myth crop up in much

of utopian literature. Utopias quite often have strenuous criticisms of recent social and economic trends, criticisms of everything from the enclosure movement of an earlier time to industrialism in the nineteenth century. It is easy to see that the communitarian ideas owe much to a romanticizing of the medieval manor. Robert Owen even wanted to abolish the plow and return to the spade. "The spade," he said, "wherever there is sufficient soil, opens it to a depth that allows the water to pass freely below the bed of the seed or plant. . . ." Whereas, the plow is a "mere surface implement, and extremely defective in principle." [18] Utopians quite often want to be rid of money – the source of the hated cash nexus – and return to primitive barter and exchange. The appeal of many of their plans is the appeal of the return to primeval simplicity and felicity.

Heaven on Earth

A second ingredient in utopia, quite often sublimated and transposed in it, is millennialism. Christian eschatology places the Golden Age at the end of time rather than at the beginning (or in addition to placing it at the beginning). Whether this Golden Age is to be for eternity in a transcendental Heaven or for a thousand years upon a transformed earth (or that both shall be) has long been a matter for controversy. Of course, utopians have used only the conception of a heaven on earth. For some of them, the Kingdom of God became a kingdom to be made here on earth.

In utopian thought, however, millennialism was divorced largely from its religious content, humanized, and the vision of heaven quite often became the vision of a materialistic earthly paradise. The dictatorship of the proletariat of Marx and Engels does not appear to share much in common with the Kingdom which John saw descending to earth in his vision recorded in the Book of Revelations, but Marx turned more than Hegel upside down (or right side up, as he claimed), and his is indeed an apocalyptic vision of the ushering in of the Golden Age.

In short, millennialism was quite often subsumed into utopian thought, placing the Golden Age in the future, and subtly appealing to deep religious hopes.

Progressivism

By the latter part of the nineteenth century, however, millennialism was being domesticated and secularized as progressivism. Progressivism was a third ingre-

[18] Quoted in Bowle, *op. cit.*, pp. 148-49.

dient of utopianism. This statement needs modifying; progressivism was a late comer to the scene. Earlier utopias could not have used it. Thus, its major function became a mode for the achievement of utopia. Progressivism, as it is relevant to utopianism, was born out of technological progress by historical inevitability, evolution being the midwife. The flight from reality owes much of its believability both to evolutionary theories and technological progress. These, in turn, made the realization of utopia appear possible. It is not strange that anyone viewing the course of invention and industrial development in the modern era should be struck by the great possibilities of human ingenuity.

At any rate, Karl Marx and Friedrich Engels described a state of earthly bliss and devised a theory to make its coming historically inevitable. The tools they worked with were technological change, the theory of evolution, and a theory of historical change. By so doing, they associated progress with the realization of utopia, and, for those who have sought utopia by way of reform, unwittingly associated progress with reform – a wholly gratuitous connection, one might add. Reformers in the twentieth century have got maximum mileage out of the supposed connection between reform and progress.

The Static Society

A fourth strain in utopianism is the implied vision of life without tension. To put it another way, though not the way a utopian would describe it, utopia is a land where stasis or absolute stability has been achieved. This does not appear to be compatible with progressivism, any more than progressivism is compatible with a Golden Age in the past. But these are logical objections to nonlogical flights of fancy. Consistency is a requirement of dialectical reason, and it must be remembered that Kant had already cut the ground from under such reason.

In the real world, one may believe that change, development, even progress, are the products of tension. But in utopia one can have the products of capital without capitalism, the products of invention without the incentives to invention, the advantages of freedom without the corollary disadvantages of responsibility, and so on. Why raise difficult questions about the mode of progress without tensions, without frustrations, without incentives? At any rate, utopia will be a land without tensions, without that which produces crime, war, and other disorders. There will be no jealousy, no self-

ishness, no competition, and no abrasiveness in relationships.

Perhaps this is an overstatement of the case. Some utopians did envisage the continued presence of some dissidents. Let us take a look at what one utopian — Chauncey Thomas in *The Crystal Button* — proposed to do with such people. They are to be kept in hospitals, of course. Why hospitals? Because they are morally deranged. The explanation continues:

"Morally deranged?"

"Yes, I believe you used to apply the term 'prison' to the institution used for the confinement of moral patients."

"They are convicts, then? But why are these associated with your hospitals?"

"Why not? They constitute a part, though happily a small part of the patients that come under the same management and treatment. We simply treat them as persons who are morally deformed or ailing." [19]

Judging by this insight into what utopia will be like, we may be nearer to it than some have thought!

Environmentalism and Anarchism

A fifth ingredient of utopia has usually been environmentalism. This has provided utopians with an explanation of sorts for the imperfections which they readily observed and vigorously denounced. If man is perfect or perfectible, if there is no ingrained obstacle within him that would prevent the perfect society, why, one might ask, does perfection not prevail? One historian explains the utopian view, particularly the utopian socialist view, in the following manner:

> One and all believed that with proper environment man would be actually perfect. He was naturally good, but existing environment with its overwhelming imperfections and maladjustments destined him to evil and woe.[20]

The correction of the environment, and the education of men, would remove these obstacles to perfection. The Rubicon for such explanations, of course, is how to make an account of why things have not always been perfect.

A heady strain in much of nineteenth century utopian thought, particularly that of socialists, was anarchism. Marx proclaimed that the state would wither away. Marx was in a line extending from Godwin and Proudhon through Kropotkin and Sorel. Those utopian socialists who abominated the state and govern-

[19] Quoted in Negley and Patrick, *op. cit.*, pp. 88-89.

[20] Hertzler, *op. cit.*, p. 222.

ments apparently arrived at their position through some such reasoning, or unreasoning, as this: Private property is the root of all social evil, and its existence the cause of man's "fall." (Rousseau thought as much.) Private property, it has been claimed, sets one man against another, leads men to pursue their own interest to the harm of others, promotes selfishness, and so on. The state, as they saw it, was the prime bulwark of property. The vast paraphernalia of government – the courts, the police, the bulk of laws – had to do with the protection of property. Abolish property, and government would lose its reason for being. Or, as revolutionary anarchists were apt to believe, abolish government and things would revert to their natural, and perfect, condition. As one writer says:

> A strong line of thinking thus became absolutely hostile to the State; it considered this most important of all political phenomena either as infinitely elastic and compressible (J. S. Mill), altogether dispensable (Marx and Engels), or the supreme obstacle to total happiness.[21]

The flight from political reality has had horrible consequences in our century. Anarchists did not succeed in abolishing the state, but they did turn thought away from the very practical problems of how to contain the state. Eventually, most socialists reconciled themselves to the state, used it to their ends, but it tended to become the uninhibited state of totalitarianism. It is worth pointing out that some contemporary libertarians have similar views toward government to those of nineteenth century utopians. Socialists saw the state as the bulwark of property; these libertarians witness the state as violator of liberty and property at the hands of social reformers. Both fail to realize that government is an *instrument*, not a cause, of men's behavior and beliefs.

There were many other strains in utopian thought. Equality and distributive justice were prominent in many utopias. However, in the nineteenth century some thinkers expected utopias to be controlled by scientific elites. Such arrangements have been called technocracies. Scientism crops up quite often in these visions of the future. Rationalism and education were linked by thinkers as assumption and method for arriving at utopia. The above comprise the major assumptions and beliefs of utopians.

[21] Thomas Molnar, *The Decline of the Intellectual* (Cleveland: World Publishing Co., A Meridian Book, 1961), p. 73.

The Urge to Reform

Utopia, then, contained the vision of earthly bliss which has drawn us into the crucible of melioristic reform.

It must be made clear, though, that there is a great gulf between Robert Owen's utopian vision of a world without poverty and President Johnson's War on Poverty. To most of his contemporaries, even as for us, Owen was an impractical visionary, one to be taken advantage of by cynical joiners of his communities or to be avoided by more upstanding people. President Johnson, on the other hand, would certainly be reckoned to be a "practical" politician. But the difference between Owen and Johnson is not in the vision they hold forth; it is in the means to be employed. The gulf has been bridged. What was once clearly visionary is now being pursued with all the instruments of power of centralized states, is even the stock in trade of the most corrupt politicians. We are no nearer to utopia in our day, I think, but we are cheek by jowl with a whole panorama of compulsive devices that are billed as instruments for ushering in utopia (though the word itself is not employed).

Most of the remainder of this story will have to do with how the gulf was bridged. It was a tremendous undertaking. It must be kept in mind that thus far we have pursued mainly the development of some ideas among some intellectuals. Though utopian novels were becoming more popular in the late nineteenth century, as indicated by sales, utopian thought had even then hardly entered the mainstream of political thought. Apparently, it was as clear to most of our ancestors as it may be to some of us that utopian visions are flights from reality. Intellectuals had not yet come into the circle of power, certainly not utopistic intellectuals. The position of these people, and their kind, in the nineteenth century is described by one writer:

> These people belonged to no great disciplined order; they are backed by no European authority. . . . When they rebel, they become outcasts and refugees, as were Marx and Lenin, appealing away from the bourgeoisie to which they belong to the masses without.[22]

In short, such people were largely loners and outcasts. We must trace them in their move to the seats of power. Such a movement has been made, and it is rather clear that such intellectuals would be in line for a Freedom Medal from some President today.

It is not practical, however, to follow the movement from utopia

[22] Bowle, *op. cit.*, p. 29.

to reform, from visionary to presidential adviser, from lonely dreamer to practical politician, on an international scale. The perspective will now be shifted to the national scale, to the United States, so that the story can be told of how one nation was drawn into the web of those engaged in a flight from reality. ◈

The next article in this series will pertain to "An American Dream."

BRITAIN RETURNS to MERCANTILISM

GEORGE WINDER

THE BRITISH GOVERNMENT took another step back toward the ancient policy of mercantilism when last October it placed a 15 per cent surcharge upon all imported manufactured goods. This was against all modern trends and against the interests of G.A.T.T., the Common Market, the Commonwealth, and particularly damaging to the European Free Trade Association agreement to remove all tariffs against manufactured goods by 1966.

The Labour government has announced that this policy is only temporary, but no definite date is given for discarding it. There doubtless will be plenty of time to build up protected industries which soon acquire a vested interest in the tariffs that support them.

The object of this return to mercantilism is to save the pound, which the Exchange Equalization Account is sending out of the

Mr. Winder, formerly a Solicitor of the Supreme Court in New Zealand, is now farming in England. He has written widely on law, agriculture, and economics.

country in large quantities, thus depleting the country's reserves.

The British government wishes to persuade foreigners to take her goods instead of her money. The only practical way of doing this is to keep the price of goods down so that others want to buy them; but the British today are unable to do this, for they are pursuing the same inflationary policy which has characterized their economy since World War II and which caused them to devalue the pound in 1949. This policy has earned for the economy the description, "stop-go."

First the Inflationary Boom, Then the Credit Squeeze

The Chancellors of the Exchequer who have presided over Britain's economy since the war fall into two classes: the first fails to balance the budget and experiences a boom, but soon runs into an overseas payment crisis; the second comes in to clear up his predecessor's errors. He does this by reducing the budget deficit and placing the economy under the rigid conditions of a high Bank Rate and a credit squeeze. The subsequent high rates of interest for all borrowing tend to stop the credit expansion, and a painful and depressing period follows – but for the time being the pound is saved. It is left to the next Chancellor to begin the cycle all over again.

The outstanding periods of depression since the war have been in 1947, 1949, 1952, 1957 (when the Bank Rate went to 7 per cent), 1961, and now when Britain again is in overseas payment difficulties.

The cause of trouble this time is not difficult to find. Mr. Maudling was an expansive Chancellor who budgeted for a large deficit in 1963 and gave Britain a mild boom. At budget time in the spring of 1964, he was urged by almost every newspaper in the country to go ahead with an expansionary budget. What matter if Britain had to borrow from the International Monetary Fund? Does not every business borrow sometimes? He succumbed to this pressure and unbalanced his budget by several hundred million pounds.

During the summer of 1964 the pound lost more purchasing power than usual – that is to say, prices went up considerably, and in time to be noticed by the electors. At the same time, exports began to fall and imports increased. Imports always increase at this point of the cycle; an abundance of money to spend, and a fixed rate of exchange, result in a great demand for imported goods.

The extent of Britain's adverse balance was announced every month to the electors, and did the

Conservative cause no good. Many people thought the Conservatives were waiting until they had won the election before applying their customary remedies. But they lost the election and a chance of rectifying the position.

The Labour government complains that the former government left a bill of £800 million to settle. This is the amount by which Britain's imports are said to have exceeded her exports. Since a symptom of the trouble is high imports, the government has decided that it will reduce them by a surtax of 15 per cent against all imported manufactured goods, these accounting for about one-third of Britain's total imports.

Opening Pandora's Box

In announcing this policy, the Labour government stirred up a hornets' nest. The European Free Trade Association complained that Britain had broken her solemn treaty to lower duties on manufactured goods until they reach zero by 1966.

G.A.T.T. also complained and threatened retaliation, although a few members, notably the U. S., have expressed sympathy with Britain's position.

Ireland says it is a body blow, because England was her best customer. Japan, France, Italy, and many other countries have protested. Even the Commonwealth has not escaped. Canadian newsprint is hit, because it is considered a manufactured commodity. Hong Kong, the last remaining free trade area in the world, is a special sufferer.

Those who suffer most, however, are Britain's own nationals. They were given no notice of the extra duties which took effect from midnight of the day of the announcement. This naturally caught many importers with their goods on the high seas; when those goods are landed the extra duties will have to be paid. One importer, who has sold a thousand tons of steel bars, tells me he will have to meet the extra duty out of his own pocket. Another will have to pay the surtax on hundreds of tons of aluminum sheets he is importing from Austria and the E.F.T.A. countries. Thousands of importers will have difficulty in meeting the increased tax, and some will go bankrupt. Such is the fate of the individuals when the government manages the economy.

Will It Solve the Problem?

But the question remains: Will this policy of taxing imported manufactured goods really work? Is it not attacking the symptom instead of getting at the cause of the trouble? Manufactured goods are themselves often the raw ma-

terials of the export industries, especially in Britain which imports large quantities of machine tools and machinery. The sale of goods is essentially an act of exchange. Who knows what trade channels will be permanently blocked when the surcharge is removed? Mr. George Brown, the Minister of Economic Affairs, is expecting the British people to buy more British goods; yet the government says the surcharge is only temporary.

It looks as if the Labour government wants it both ways. It harbors the old mercantilist superstition that you can export and not import.

Inflation Must Be Curbed

The real cause of Britain's trouble lies in her excess of money. This, coupled with a fixed rate of exchange, acts like a sponge which draws the goods over the tariff wall in spite of the surcharge. Previously, when Britain faced such a problem, the remedy — except in 1949 — was to squeeze the economy by raising the Bank Rate and making money hard to get.

Even if the Labour government's policy does stop imports, the excess money will still circulate and press the price level upward. Either the Bank Rate has to be raised to bring about a credit squeeze,* or Britain will have to devalue the pound once again before she can restore equilibrium and sell her exports.

Devaluation is an expedient the British government has avoided since 1949. It involves repudiation of many millions of pounds loaned in good faith to the government. But this is the only thing left for any government to do if it goes on inflating the currency. And a reversion to all the mercantilistic failures of the past will be of no avail against the eventual day of reckoning. ◈

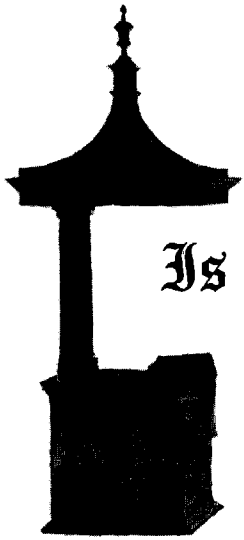
*Editor's Note: The discount rate has been raised, of course, to 7 per cent from 5 per cent since Mr. Winder submitted his analysis.

IDEAS ON LIBERTY

Good as Gold

YOU HAVE TO CHOOSE as a voter between trusting to the natural stability of gold and the natural stability of the honesty and intelligence of the members of the government. And with due respect to these gentlemen I advise you . . . to vote for gold.

Attributed to GEORGE BERNARD SHAW



Is God a Keynesian?

WILLIAM HENRY CHAMBERLIN

THERE IS a growing tendency on the part of some religious organizations and ministers of religion to lend religious sanction to left-wing social and economic views and even to pass the modern equivalent of sentences of excommunication on political figures who disagree with this outlook. This came out very strongly in the recent American presidential political campaign, as the following examples show.

Christianity and Crisis, edited by such prominent churchmen as Dr. Reinhold Niebuhr and President John C. Bennett of Union Theological Seminary, professed to find a conflict between Goldwater's "record and the judgment of the Christian churches on most of the major issues of our time." Dr. Joachim Prinz, president of the American Jewish Congress, went on record to the effect that "a Jewish vote for Goldwater is a vote for Jewish suicide." Equally strong was the statement of the Rev. William Sydnor, rector of Christ Episcopal Church in Alexandria, Virginia:

> When one listens to and reads Senator Goldwater, one finds that respect for God's law is shockingly absent. Never in the history of our nation have an aspirant for the presidency and his backers espoused principles and practices that so brazenly ignore God's commands dealing with love, peace, reconciliation, brotherhood, care of the poor, respect for law and the constitutional authority.

Many simliar declarations could be cited. And a similar attempt to extend a spiritual sanction to what would be a very grave decision of

---

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

temporal policy recently occurred in the discussion at the Roman Catholic Ecumenical Council in Rome concerning the use of nuclear arms. Some paragraphs in a proposed declaration on problems of peace call for the total elimination of nuclear weapons without mentioning controls to insure that disarmament is made universal.

It is unlikely, to put it mildly, that the communist regimes in Moscow and Peiping will be responsive to admonitions from the Vatican Council. A complete renunciation of nuclear weapons by noncommunist powers, principally the United States, would have as its consequence the confrontation of free nations with the alternative of surrender or annihilation, scarcely a desirable moral objective. It is to be hoped that the objections to the proposed draft raised by American and British prelates at the Council will be heeded. An adoption by such a widely respected religious gathering of a resolution in favor of absolute abandonment of nuclear weapons would be another deplorable example of the harm that can be done when men of good will make hasty pronouncements on subjects outside their range of competence and in fields where hard choices are necessary and ideal perfection is not to be expected.

Moral Obligations upon Individuals

Is there sound warrant for assuming the moral superiority of a collectivist to an individualist economic system, for imparting religious sanction to Keynesian economics and welfare state policies? The answer is No.

All the great religious and ethical systems emphasize the moral obligations of compassion and charity, the virtue that accrues when an individual foregoes a part of his wealth to help someone less fortunate or to promote some desirable cause in such fields as education, health, and general well-being. Incidentally, Americans, sometimes dismissed as materialistic, have been more responsive to this kind of moral appeal than any people in the world. Nowhere is there a quicker and warmer response to the call for relief from distress. There is nothing in Europe to compare with the Rockefeller, Carnegie, and Ford Foundations; nowhere have men of wealth shown such willingness voluntarily to give up a vast share of their wealth.

Nor is there any parallel to the number of American colleges and universities which owe their existence to private donations, not to state aid, or to the generosity with which such institutions are supported by their alumni and friends. Nor is American willing-

ness to extend the boundaries of health and education restricted to the boundaries of the United States. In far-off cities which few Americans have ever seen, in Istanbul, Beirut, Teheran, Salonika, colleges and schools founded by American initiative and supported to a considerable extent by American contributions have broadened considerably the educational opportunities in the countries where they are located.

The Far East was a prominent field of American missionary effort, with important educational and health by-products. This is still true as regards Japan and Taiwan. China, before the communist take-over, was dotted with American-founded colleges, schools, hospitals, research institutions; and the schools and colleges for many young Chinese eased the transition to study abroad in the United States and other foreign countries.

None of Great Religions Endorses Welfare State

Individual prosperity does pose moral challenges and Americans have met these challenges on a much larger scale than many European or Oriental peoples whose wealthier representatives are apt to let generosity stop at the limits of the family. But where is the moral element when the state transforms taxation from an instrument of raising revenue into an instrument for reallocating income, for pillaging the thrifty for the benefit of the thriftless? One will find in the Bible, in the Koran, in the writings of Buddha, Confucius, and other religious prophets, moralists, and sages many injunctions to practice charity and make voluntary sacrifices for the common good. What one does not find is any endorsement of a communist or collectivist form of society, anything that could reasonably be construed as a divine commandment in favor of the welfare state or Keynesian economics. On the contrary, the assumption is always that the individual enjoys enough of the fruits of his own labor to be able to share these, in one form or another, with those less fortunate.

And a very good case can be made, on moral as well as economic grounds, for a system in which the individual is required to stand on his own feet, not to lean on the state for handouts. Character, resourcefulness, capacity are formed and developed in struggle with obstacles, not in waiting passively for benefits from outside. Not the least of the causes of the juvenile delinquency which sometimes spills over into senseless and brutal riots is a sense of boredom, of having "nothing to do." This complaint

could scarcely be voiced in earlier times when young people expected and were expected to earn their livelihoods, instead of having these furnished on a silver platter.

For the individual to be intelligently generous with his own money is a meritorious and enriching side of life in a free political and economic system. For designing politicians and empire-building bureaucrats to be generous with other people's money is something quite different. The more Federal, state, and local agencies exact in taxation, the more limited is the scope of private beneficence. And an individual gift is much more likely to be well spent than a government grant.

So, there is no warrant in logic or morals for trying to place the authority of religion behind measures of social and economic collectivism. Indeed, there is a much stronger case for arguing that the sense of individual responsibility – which is a key indispensable factor in making it possible for the individual to distinguish between right and wrong – is best assured under a system in which the human being is mainly committed to his own care and required to make his own decisions, instead of being shaped and molded in line with some scheme of bureaucratic planners.

Misinterpretation of Biblical Reference to "Brother's Keeper"

It has been said that the devil can quote Scripture. And a Biblical reference that is often used completely out of context, and for collectivist ends, is the reference in Genesis to "my brother's keeper." There is a widespread attempt to twist Cain's reply, "Am I my brother's Keeper?" when Jehovah interrogates him about the whereabouts of his brother Abel, as a divine injuction on all human beings to play the role of "brother's keepers"; that is, to assume responsibility for and, by implication, direction of enormous numbers of strangers, from riotous juvenile delinquents at home to feuding cannibals in the Congo.

It should be noted that the use of the phrase in Genesis carries no such implication. "Am I my brother's keeper?" is not a divine injunction for all human beings. It is the guilty Cain, taking the Fifth Amendment when charged with murder. And the whole idea of men and nations playing in relation to each other the role of "brother's keeper" carries more than a little suggestion of condescension, even of insult. Among the dictionary definitions of the verb "keep" are "guard," "manage," "conduct," "detain," "confine" – a rather ominous series of connotations. A "keeper" may be

a warden in a prison, a supervisor of animals in a zoo.

A person of spirit and independence would give the rough edge of his tongue to anyone who tried to play the role of "keeper" by intruding into the concerns of his private life. And this is just as true for nations as for men. There is something naive in the surprised distress with which some Americans receive the not infrequent news that a mob in the capital of some country which has been on the handout list for foreign aid has pulled down the American flag or smashed the handsome quarters of the United States information agency.

Foreign Aid Resented

Behind such episodes is often an element of communist instigation. But this is by no means the whole story. No matter how poor a people may be, they have an instinctive revulsion against the idea of being "kept" by another. Here is one psychological explanation of why American aid has so often been met by brickbats, not bouquets. Another irritant is the large number of Americans in diplomatic and related establishments and the visibly lavish style in which they live. The poorer and more undeveloped the country economically, the more noticeable is this sort of thing.

There has been much anguished discussion, with the aid of high-powered psychology and opinion polls, of the question why Americans are not better liked abroad. One of the reasons, beyond reasonable doubt, is America's self-assumed role as "brother's keeper" for a vast number of peoples in foreign lands, many with profoundly different traditions, cultures, tastes, and habits. Even the most tactfully proffered advice can easily be resented as intrusion and interference; and the sudden injection of large numbers of free-spending Americans has sometimes created awkward financial and trade problems.

Looking back to the far-off days when the political systems and the economies of distant lands in Asia, Africa, and Latin America were regarded as the concern of the natives of these lands, when government-to-government grants were unknown, when Americans were content to invest and do business in countries where they were welcome and to stay away from those where they were not, when the United States government considered its first task as protecting the security and legitimate interests of its citizens abroad, one wonders whether Americans were not just as well or perhaps better liked when their government was not trying to play beneficent Big

Brother to the rest of the world. And behind this lies still another question.

Is it so important to be a winner in an international popularity contest? In the age of Britain's greatest international power and prestige, in the nineteenth century, there is no evidence that the British government or individual traveling Britons cared very much about the "national image" or attached undue importance to the question whether they were liked or not.

Perhaps respect is a more reasonable and feasible goal than liking, which is sometimes least achieved when most pursued. No doubt many individual Americans have won esteem for themselves and, incidentally, for their country by striking out as pioneers of some new project in economic development, or health, or education in a foreign country. But there is precious little indication that the bureaucrats who shovel out foreign aid have won a place in the hearts of the natives of the countries to which they have been assigned.

The "brother's keeper" philosophy, with its false interpretation of Scripture, is just as inapplicable in dealings between individuals as in relations between nations. Meddlers in other people's affairs, however good their intentions, seldom win much thanks for their pains. Sometimes the theory of collective responsibility is carried to truly absurd lengths.

It was by no means uncommon, after the assassination of President Kennedy, for orators in and out of pulpits to put forward the idea that the whole American people was responsible for this tragedy. This is sheer nonsense. According to all the evidence collected by painstaking search of a government commission, supplemented by the private investigations of many journalists and publicists, a single unbalanced person conceived and executed the assassination, without accomplices, without instigation. How, in the name of reason and common sense, can the whole American people be regarded as participants in the demented act of this person?

More Harm than Good

Throughout history the efforts of religious spokesmen to take sides and pronounce judgments on secular political and economic issues has probably wrought more harm than good. It is the primary function of religion to elevate the soul and improve the conduct of the individuals who respond to its teachings. There is no reason to assume that there is a divine sanction for Keynesian or other forms of collectivist economics.

And an international society of

individual, self-respecting peoples and a national society of independent, self-reliant individuals, who would vigorously resent the idea that anyone had the right to act as their "keepers," are far more attractive than the idea of some individuals and some nations assuming the impossible and undesirable burden of minding everyone else's business. No human being, no people worthy of its salt, has the slightest desire to submit to the ministrations, however benevolent in design, of a self-appointed "keeper." ◈

$48,000

PAUL L. POIROT

IT WAS a receipted bill for electrical service rendered in 1907 by the Edison Light and Power Company to a customer in Wichita, Kansas. The bill was for $7.00, for a month's service – for only 14 kilowatt-hours of electricity. (Collection must have been something of a problem in those days, because the bill specified: "Less 20 per cent if paid before the 10th of the month.")

The bill was made out on a postal card, the other side of which bore the one-cent stamp that paid for its delivery across town.

In the 58 years since 1907, the postage rate has risen to 4 cents a card – 400 per cent of what it was then; whereas, the price for electricity has steadily declined from 50 cents per kwh to 2 cents now – 4 per cent of what it was then.

An average American home today, if fully electrified with air conditioning and heating, would use about 24,000 kwh annually, costing $480. At the 1907 rate, that cost would be $12,000; and if kwh prices had behaved as has the price for delivering a post card,

the electrical bill would be $48,000 annually. Except, that no one would use electrical appliances!

One may speculate as to what those respective rates might be today had the situations been reversed, with a government monopoly of electrical service, and a free enterprise postal service!

How much profit was earned over the years by the Edison Light and Power Company and its successors in Wichita is unknown to us, but we do know that within a recent period of years while the Post Office was accumulating a deficit of $10 billion, its largest competitor in the communications field, the privately owned American Telephone and Telegraph, showed $22 billion in profits – despite the fact that the rates it could charge for phone service were regulated and controlled by the Federal Communications Commission.

The comparative performance of governmental and private enterprise, even when both are subject to price control, is further illustrated in adjoining news items from the front page of *The Wall Street Journal* of November 27, 1964:

Postal rate increases for business mail may be recommended by President Johnson in his January budget message. The increases might be as much as $300 million annually. Postmaster General Gronouski said the President ordered him to draw up proposals for rate boosts on second and third class mail. These would chiefly affect newspaper and magazine publishers and users of direct-mail advertising.

* * *

American Telephone reductions in long-distance interstate rates estimated at $100 million annually were announced by the Federal Communications Commission. The cuts take effect in two stages on Feb. 1 and April 1. The FCC said it had moved for the reductions, to which AT&T indicated it had agreed reluctantly, after reviewing the company's profit picture.

In view of all the talk about protecting consumers, the record suggests that private enterprise is a better caretaker than the government. ◈

(Reprints available at 2 cents each.)

FROM EDEN TO PARADISE

Choice versus Compulsion

• DEAN BANKS

OUT of the civil-rights and related issues emerges that old problem which has haunted civilized man ever since his curiosity got the upper hand in Eden. By what force, he keeps asking himself, will the desires and activities of men be governed? Must all human behavior fall under the rule of law, or can there be a functional division between "law" and "moral duty"—between established legal procedure, which demands compliance with basic social ideals, and individual sense of moral obligation, which persuades one to comply with general principles of humanity?[1]

Apparently, the problem of voluntary-versus-compulsory social duty has been the basic issue of all the great "revolutions" of the past, whether the birth of Christianity, the Renaissance, Reformation, French Revolution of 1789, or, in its earliest stages, the Russian upheaval of the early twentieth century. Always, one question headlined the tattered banner of progressive humanity: What is the ideal relationship between individual freedom and legal order? A definitive answer will be provided only when mankind completes the long journey from Eden to Paradise, that beautiful land void of apples and crafty reptiles which cause so much human imperfection. Here on earth, most societies have succeeded only in establishing some kind of balance between the extremes of voluntary and compulsory activity. The "bal-

[1] Throughout this study, "moral-legal" and "voluntary-compulsory" are used interchangeably. Since some philosophers delight in pointing out that man is "free" to obey or disobey law, moral or voluntary obligation will always refer to a course of action solely dependent upon the individual will and involving no penalty except that admitted by the individual.

Mr. Banks has taught American history at Oklahoma State University and presently is a free-lance writer.

ancer" in this society is the Constitution, a fundamental guideline which embodies the universal ideals of moral behavior while prescribing limitations on the legal enforcement of those ideals. This is the Constitutional order of the "free society," a functional compromise between choice and force.

Moral Responsibility and Restraint

Though the word "free" is habitually used to describe the voluntary character of our national organization, there certainly is nothing free about maintenance of the existing Constitutional balance. The free society's normal appetite for human sacrifice would stun even the old pagan gods. Heading the list of sacrificial demands are two essentials which members of this society must constantly place afresh on the altar of sustenance: fulfillment – rather than evasion – of moral responsibility, and moral restraint based on awareness of moral-legal distinctions.

Concerning fulfillment of moral duty, it is apparent that a free society cannot exist apart from the humanitarian spirit which sustains it; the history of all civilization underscores this fact. Only through a sense of moral obligation can men live in harmony outside the restraint of law. As a nation's moral fiber begins to rot, men become something less than human, and this inevitably results in an ever-increasing willingness to employ additional law as a remedy for such social "defects." In the free society, extension of law is directly proportional to diminishing morality.

Moral restraint, the second basic demand of Constitutional order, implies little more than recognition of moral limitations. Not having reached Paradise, mankind still falls short of angelic perfection, and therefore social order remains somewhat defective – it does not live up to our moral ideals. Men may, however, overlook this fact when possessed by unrestrained humanitarian fervor. When this happens, moral dedication becomes just as destructive as moral laxity, for invariably passion obscures the vital difference between moral responsibility and moral influence for remedial legislation. Thus, the fiber which restrains law may snap from stress as well as decay – the results are identical.

Today, it seems that both stress and decay are threatening to tip the scales in favor of ever-expanding legislation of social duty – at the expense of previous choice. On one hand are unrestrained forces which seek perfectionist reforms. "The outdated legal limitations

must be removed," they seem to be saying. "Progress demands a new order capable of satisfying all human need. It is right; society must do it – now." These idealistic voices belong to authoritative *secular* and *"religious"* equalitarians, men in positions of leadership who apparently have dedicated themselves to legislating Paradise on earth. Part of the problem before us, then, is the examination of the equalitarian leadership and its response to the two basic demands of the free society, but this takes care of only half the task. The light of inquisition should be placed also on the "grass roots," to examine the role of the individual in upsetting or maintaining the moral-legal balance. Even a brief study of this sort may disclose which is the greater villain – passionate leadership or passive individual. Most likely, it will be a tossup.

Secular Equalitarians

Consider first the secular equalitarian, a person whose frustrated desire for human perfection finally leads him to believe that society, like a machine, may actually be regulated to assure absolute precision. Possessed by fervent desire to cure society of its malady, chaotic individualism, this idealist disowns the moral, voluntary spirit of social organization and resorts to uninhibited legislative promiscuity.

It is not difficult to understand this lack of respect toward Constitutional order, for the equalitarian thesis clearly rests on one assumption: outside of legal regimentation, there can exist only irresponsible, inhuman individualism. Law is the great and simple equalizer with which egoistic men and women – the gears and springs – may be assigned a "human," impersonal role in the great social machine. Whether intentionally or unconsciously, the secular equalitarian assumes the role of a materialistically divine creator who suggests, "Let us re-create man in our own image. Let us legislate Paradise on earth. Progress demands it."[2]

The Church in Politics

As stated previously, the secular perfectionist shares his utopian aspirations with another, vastly influential force, official representatives of most churches. Though this is nothing new, only recently

[2] The liberal-equalitarian concept of "progress" is an essential part of the moral-legal question, but cannot be dealt with in this brief study. Always, "progress," "the march of events," "the mainstream of history," and so forth are used to justify reform, but search in vain for definitions of these slogans (e.g., see J. K. Galbraith's *The Affluent Society*. N. Y.: Mentor Books, 1963, p. 21ff.).

has the secular-religious romance grown so ardent that it presents an immediate threat to the free society. As one Texas preacher exclaimed to this writer last summer, "Looks as though we'll have to start asking God to protect the state from the church, since we have no antitrust laws to forbid collective church influence on social legislation." He referred, of course, to the decisive role of the church in pushing the Civil Rights Act through Congress. The minister, like many others in all church bodies, was quite concerned about the "religious" tendency toward converting moral responsibility into legal compulsion – some call it "legislating morality." And, to repeat the point, that is the danger of the equalitarian coalition, a joint venture into secular-religious idealism which can sweep aside existing legal limitations. Without church support, there could be no hope for success; but, the church seems eager and frighteningly able.

"Religions are many, reason one" – this observation by the well-known philosopher, George Santayana, catches the full flavor of current "religious" psychology.[3] Today, religious bodies are searching for common ground, the most common point of identification, around which they may reason together. The camp meeting has settled down on social grounds, a nonspiritual realm void of theological differences, and social reform has become the *cause celébre* of the united religious establishment. If such reforms were to be accomplished through increased religious-moral dedication, we could all rejoice and sing praises to a reborn church. But, regretfully, there is no reason for such elation.

Secularized Religiosity or Rational Morality

The church conciliatory movement results primarily from progressive theological "modernization," which erases fundamental spiritual differences that naturally create disunity among religious bodies. Church modernization has thus produced a secularized religiosity or, as Santayana called it, "rational morality."[4] At the same time, the church retains its spiritually derived vision of Paradise and projects it onto society. The

[3] See George Santayana, *The Life of Reason* (N. Y.: Charles Scribner's Sons, 1953), p. 181 ff. This is the one-volume edition.

[4] "Undoubtedly the principle of rational morality is utterly independent of each and all religion, and rather inimical to any special gospel; because rational morality coordinates all interests. . . ." George Santayana, *Dominations and Powers* . . . (N. Y.: Charles Scribner's Sons, 1951), p. 155.

result might be called "the political gospel."

Emphasizing the similarity between religious and social idealism, Santayana stated that political guidance is the natural role of "a systematic religion." Perfection of society, he said, "is precisely what wise legislation and good government profess to do: so that the spheres of systematic religion and of politics, far from being independent or incommensurable, are in principle identical."[5] So, it seems almost natural that religion unshackled from spiritual purpose would tend to become a political force, rather than an influence for voluntary, moral application.

In any religious mind, Paradise and social perfection occupy similar planes of thought; absolute social harmony corresponds with the heavenly ideal. Therefore, the important distinction between spiritually oriented religion and religion of the rational variety lies not in the desire for human perfection, but in the manner in which perfection will be attained. In secularized religion, the earth-godly power of law replaces spiritual force as the regenerator of imperfect man. The state displaces God. The Son becomes only a source of Christian ethics according to which society is to be governed. The evil fruits of human individualism wither away under the influence of law, an impersonal force which remolds disruptive personal will.[6] Certainly no one should be too surprised to find "modern" church spokesmen collaborating with the secular equalitarian leadership; with the spiritual quality removed, both stand exposed as dedicated social idealists.[7]

[5] Santayana, *Dominations and Powers*, p. 163.

[6] It is difficult to ignore the similarities between this thinking and that of Marx — the general ideas merge into one predominant thought: through compulsion, human nature can be "perfected." In a fairly recent study, Harold J. Blackham provides an interesting summary of "theocrats" who seek to stabilize society (eradicate individual will) through impersonal law (Harold J. Blackham, *Political Discipline in a Free Society*. London: George Allen & Unwin Ltd., 1961).

[7] In contrast to the modern church, fundamental Christianity profits from Scriptural knowledge of human nature and seeks perfection only in Paradise. Fundamentalist churchmen quite definitely reject physical compulsion as an instrument of Christian attainment — this has been the case ever since Christianity, the "law" of example and persuasion, replaced the physically compulsory Mosaic law. Dietrich Bonhoeffer (the controversial German Lutheran theologian executed by the Nazis at Flossenbürg) exemplified the fundamentalist attitude by calling on the church to leave its shell and respond to the problems of this world. Throughout his writings, Bonhoeffer pleads for the church to do one thing: witness for Christ through personal example and persuasion. He specifically rejects church politics and

A Duty of Leadership

In a society founded on concepts of popular government, however, leadership's primary duty is to promote a sense of reality, as well as humanitarian idealism. Its main functions are to cultivate individual moral and legal responsibility and to remain loyal, itself, to the fundamental law of social organization. The two tasks are equally important; both can be unbearably frustrating to men who cannot discipline themselves to acknowledge human imperfection. The responsible leader suppresses the urge to discharge moral responsibility through the catharsis of legislation, and thus preserves that most important virtue of authority – moral restraint.

Through its example, leadership testifies that Constitutional order can be maintained through moral dedication to the principles of humanity and personal application to the political business of self-government. On the individual's voluntary assumption of both responsibilities rests the future; and whether or not the individual meets the demand will depend largely on the example of leadership. Doctor Harold Bosley, former Duke Divinity School dean and now pastor of Christ Church, New York City, emphasized this point at a Methodist conference last July. Because the churches, the government, and other groups tend to "shrink back from direct involvement," Doctor Bosley said, the Civil Rights Act and the 1954 Supreme Court school decision were enacted.[8] When moral leadership begins to ebb, expect a legislative flow.

Undisciplined Human Nature

An old rule of human behavior indicates that a person will usually tend to abandon a duty which someone else tries to assume for him. Another ancient principle suggests that authority, secular or religious, has an intrinsic disposition toward assuming the "burdens" of others. These two fundamental truths point out the central problem of any hierarchical system. The desire to lift responsibility from the stooped shoulders of those in the lower ranks may arise from lust for power or from human compassion; but whatever its origin, it is destructive if it enables individuals to escape basic moral and political responsibilities.

Undisciplined human nature seems to abide by one rule: It is

the idea that social progress and the "Kingdom of God" are related (See the authoritative analysis of Bonhoeffer's works: Martin E. Marty, ed., *The Place of Bonhoeffer* . . . N. Y.: The Association Press, 1962).

[8] *The Houston* (Texas) *Post*, July 4, 1964.

easier to receive than to give. So, with this reality in mind, authority has to remain alert to the task of cultivating Constitutional discipline, rather than undermining it through unrestrained paternalism. As Walter Lippmann once stated, only when men have "learned the grammar of constitutionalism," acquired it as "intuitive habit" and "the normal idiom of. . . behavior," will the full promise of liberty be realized.[9]

Though secular and religious leadership has a major role in nourishing the free society, its efforts are almost entirely dependent on the individual's ability to *sense* his responsibility and *act* to fulfill it. It is a mistake to regard either of these responses as natural or automatic; neither the feeling of obligation nor the execution of duty is naturally convenient or enjoyable.

In a prosperous nation, moral duty can become little more than a hindrance to the pursuit of immediate profit and pleasure – thus, as in the case of leadership, morality is frequently and conveniently discharged through legislation. Santayana provides a good explanation of this moral-legal conversion by stating that "people always do as they like; but while they are believers, they must confess that they have sinned; whereas by the easy method of discarding their faith, they can have their fun and call themselves virtuous."[10]

Taking the Easy Way

Though Santayana refers to religious responsibility, the same psychology applies to the purely moral realm: a person may think that he can discharge moral duty through law, and thereby satisfy his conscience. The beauty of the method is its efficacy in relieving the individual of the physical mechanics of moral duty. The final result, as Santayana points out, will be a complete loss of conscience (faith).

What a person cannot accomplish through self-discipline or moral strength, he may assuredly achieve through law. It is always easier to command than to persuade, whether the object of attention is oneself or another; so, to the individual of conscience living in the modern society, the end (rather than the means) becomes

[9] Walter Lippmann, *An Inquiry into the Principles of the Good Society* (Boston: Little, Brown & Co., 1943), p. 343. Lippmann emphasizes throughout his work the vital importance of moral responsibility in social organization. *The Good Society* and a later work, *The Public Philosophy* (1955), are strongly recommended for those interested in a depth study of the problem.

[10] George Santayana, *Dominations and Powers*, p. 153.

of utmost importance. Having satisfied conscience through law, the timesaving instrument of "accomplishment," the shirker goes about reveling in the irresponsible freedom of being free. This attitude represents the new materialistic individualism of this age, a doctrine of self-service that steadily slashes away at the moral fiber binding that impatient devourer of human freedom. What has produced this attitude? How can it be changed? These are difficult questions, but some answers are clear enough.

Man and His Attitudes

Material prosperity has often been blamed for corrupting man's moral character, but this seems quite unbelievable. To say that material objects produce human attitudes is simply to excuse men of responsibility for those attitudes. No, the corrupting influence lies in the individual's inability or unwillingness to evaluate the prevailing ideologies which permeate his social, economic, and political life, particularly the equalitarian ideology of "individual freedom."

The liberal-equalitarian declares that progress follows man's inner urge to free himself from the shackles of exploitation. Always, the emphasis is placed on man as a creature struggling for his "rights" – and never his responsibilities. By its unrestrained, hypnotizing chant of "Rights! Rights! Rights!" the collectivist leadership has, indeed, given impetus to the loosening of human shackles: it has helped snap those fragile chains of moral responsibility which link individual men to civilized humanity. This is the nature of equalitarian "freedom," an ideology of rampant idealism which worships the god of immediate satisfaction. The sole responsibility for evaluating such shortsighted doctrines belongs to the individual. If he is unable to do so, he must strive to educate himself so that he can; if he is unwilling, . . .

Responsibility, unlike instinctive pursuit of pleasure, proceeds from inner conflict, fought on a battleground stretching from man's brain to his soul. From this individual struggle emerges a sense of values expressed through physical activity. To the spiritually motivated person, the source of values is, as Bonhoeffer expressed it so well, the Christian manifestation, a timeless example of men rising above instinct and taking up their crosses of spiritual *and* earthly responsibility.

The individual lacking spiritual impulse toward moral duty must, it seems, derive his values through human reason. Only as he does this can he call himself a free man,

as Spinoza emphasized a few decades ago. "The freer we conceived man to be," the great rationalist philosopher wrote, "the more we should be forced to maintain that he must of necessity preserve his existence and be in possession of his senses . . . . And so man can by no means be called free because he is able not to exist or not to use his reason, but only in so far as he preserves the power of existing and operating according to the laws of human nature."[11] Generally, Spinoza argues that freedom exists for the individual only when he strives to derive a code of human conduct (basic values) from the experiences of civilized man. Strangely enough, this is the process by which the existing Constitutional order was established.

Resolution Plus Action

Individual responsibility, however, involves not only reference to the experiences of man, but also mental application in projecting future consequences of personal attitudes and activities. When the individual does this, he always arrives at one conclusion: Freedom of action becomes a lasting value, rather than raw enjoyment, only as a person *resolves* to secure it and then *works* to do so. Mere enjoyment of freedom requires no human intelligence – even a coyote can run freely across the meadow and joyfully bark at the moon. It does, however, take the human quality to recognize that *future* liberties rest on established order and that such order must be maintained by moral, human application.

The free society will thrive as its moral fiber is strengthened, and moral sensitivity will spread and intensify as the individual learns to function as a responsible social being. This requires personal inventory of human nature, accomplished through reference to the humanities and social sciences. A person's concern for things outside himself seems to increase in proportion to his awareness of the world in which he exists, and this comes through knowledge. Knowledge alone, however, provides only a base for responsiveness; it never transforms an individual into a responsible human being.

A person must acquire proficiency in the fine art of critical thinking, he must be capable of evaluating knowledge in relation to himself. Out of centuries of human experience, the individual has to "find himself," see himself as he stands in comparison with the lasting values of civilization.

---

[11] Benedict De Spinoza, *Writings on Political Philosophy*, ed. A. G. Balz (N. Y.: Appleton-Century Co., Inc., 1937), p. 88.

Then, he is able to determine his own values and purposes in life. Through this process, man develops respect for himself as a human being, and this sense of self-respect or self-approval encourages him to display his human, moral qualities – thus, the human "conscience" rejoices over its humanity.

"The strength of self-government and the motive power of progress must be found in the characters of the individual citizens who make up a nation."[12] In this free society, such individual character rests on a deep sense of moral duty and a clear recognition of the Constitutional division between moral persuasion and legal compulsion. Such character acknowledges, regretfully, that there is no short cut between Eden and Paradise. ◈

[12] Elihu Root, "Experiments in Government," 1913 – a lecture delivered while Root was a Republican Senator from New York. The great jurist and former Secretary of State under T. Roosevelt was warning against a too-rapid pace of reform. The most accessible copy of the lecture (a partial text including the quotation above) is included in the following collection of documents: Richard Hofstadter, *Great Issues in American History*, vol. II (N. Y.: Vintage Books, 1958), pp. 283-85.

Why Social Security Must Fail

DEAN RUSSELL

IT IS mathematically impossible for everyone to "get his money back" under our social security program. The total group of participants must necessarily get back *less* than they pay in. Here's why:

All of the costs of administering the program are, by law, supposed to be paid by the participants. Regardless of the amount of these administrative costs deducted by government from the "premiums" paid in, it is certain that the same money cannot be paid back to the "policy holders." That's why it is impossible for all of the participants to get back as many dollars as all of the participants pay in. Various individuals will unquestionably gain, especially those who get there first. But the group as a whole must unquestionably lose, especially the young people who are now compelled to pay for the

Dr. Russell is a member of the staff of the Foundation for Economic Education.

next 30 or 40 years. There just isn't any way to avoid this "group loss" when the costs of administering the program can be met only from the money paid in by the group.

As a contrast, this is not true in the case of retirement income policies sold by private insurance companies. The premiums on real insurance offered by most private companies are keyed to an *expected return from invested funds.* Since these funds can be used for productive purposes, various companies and persons are quite willing to pay for them. Thus, private insurance companies can (and usually do) pay back to everyone more than everyone pays in; the participants as a group can all win.

The Fund a Bookkeeping Entry

When our government officials tell us that our social security funds are (like private insurance premiums) also invested and earn a return of three per cent, you might laugh – or perhaps cry. For the so-called "social security fund" is strictly nominal, since it amounts to less than one per cent of today's accrued liability. Even then, this woefully inadequate fund is "invested" by government in the government's own bonds. The interest that the government "earns" from its investment necessarily comes from you and me in the form of more taxes; there is no other place it can come from. That is why the government's social security scheme was mathematically and necessarily bankrupt from its inception; it was (and is) merely a political mechanism designed for persons who can be lulled into believing that the police power of government is the proper moral and financial base on which to build a sound retirement program.

The harsh reality of our financially and morally unsound social security program must be faced sooner or later; if not by our generation, then by our children and grandchildren. True enough, increases in premiums (up to some unknown point) can probably postpone the eventual collapse and the revolution that may follow it. Increased inflation can also be used by government to prolong the life of that unsound scheme. But our social security program *must* collapse eventually, since it is founded on continuing and automatic losses for the participants as a group.

Check the Mathematics

Finally, have I based my argument on sound mathematical reasoning? Well, I think so, but I must admit that it was once challenged by a professor of econom-

ics. He pointed out that *all* taxpayers are compelled to pay interest on the government's debt, including the interest on those bonds in the social security fund. But not all of the "interest payers" draw social security. Further, some taxpayers pay a greater part of the interest than do other taxpayers. Therefore, the professor deduced, it *is* theoretically and mathematically possible for the social security fund to pay back to all of the participants more dollars than they pay in. "Now what do you say to that?" he challenged me.

Two things. First, the interest income from those bonds amounts to no more than 4 per cent of total social security benefit payments at present. And this amount will necessarily diminish in significance as the accrued liabilities further mount and the "fund" declines. Let's arbitrarily assume that one-half of that amount (2 per cent of current payments) comes from the taxes of nonparticipants in the social security program, and that the other half is paid by the participants themselves. Now by the same measurement, what is the total governmental cost for administering both the bond program and the social security program? No one knows, including the administrators. But surely it is at least 10 per cent. And based on the inherent inefficiencies of governmental operations, it could run as high as 25 per cent, if all costs (including alternate opportunity and such) were properly included. That would mean an automatic loss of at least 8 per cent (probably much more) to the social security participants as a group.

Second, let us assume for the moment (incorrectly) that it is theoretically possible to make the social security program work mathematically by seizing income from some persons and giving it to other persons. Only a depraved people could knowingly and willingly endorse such a cynical scheme. And when a nation's people sink to that low moral level, the mathematics of the situation becomes relatively unimportant. ◈

IDEAS ON LIBERTY

Self-Insured

THE GREATEST SECURITY a person can have comes from within himself, not from the outside. Nothing anyone can do for you can begin to match what you can do for yourself.

SAMUEL GOLDWYN

THE INDIVIDUAL AND THE STATE

WILLIAM H. PETERSON

THE IDEA that the public sector of our economy is being "starved" while the private sector is becoming more "affluent" is gaining popularity in the United States. Perhaps the most famous disciple of this idea is Professor John Kenneth Galbraith. In his book, *The Affluent Society*,[1] he stated:

"The community is affluent in privately produced goods. It is poor in public services. The obvious solution is to tax the former and provide the latter — by making private goods more expensive, public goods are made more abundant."

Yet in 1927 the tax and other governmental revenue take of the net national product by local, state, and Federal authorities came to but 13.8 per cent, and in 1961 the take had risen to 34.4 per cent, and today it is higher still.

The following table measures the growth of the public sector in terms of the tax and other governmental revenue take by Federal, state, and local authorities as a per cent of net national product.

GOVERNMENTAL REVENUES 1902-1961

Fiscal Years	*Total Revenue (Millions)*	*Per cent of Net National Product*
1902	$1,694	9.0
1913	2,980	8.9
1922	9,322	14.0
1927	12,191	13.8
1932	10,289	17.3
1936	13,588	19.3
1940	17,804	20.3
1944	64,778	34.0
1946	61,532	30.7
1950	66,680	27.1
1952	100,245	31.8
1956	119,651	31.8
1958	130,403	32.4
1960	153,102	33.9
1961	158,741	34.4

SOURCE: U. S. Bureau of the Census, *Historical Summary of Governmental Finances in the U. S.*, 1957; U. S. Bureau of the Census, *Governmental Finances in 1961*, 1962; *Survey of Current Business*, November, 1962.

[1] Houghton, Mifflin, 1958, p. 315.

This article is extracted by permission from the pamphlet, "The Private Sector and the Public Sector," published May, 1964, by the Intercollegiate Society of Individualists, Inc. At the time of the writing Dr. Peterson was professor of economics at New York University.

But even the bare statistics of the heavy increase in the financial magnitude of the public sector, sometimes called the "starved" public sector, do not imply enough about the growing role of the state in our lives. For the public sector intervenes in a million and one otherwise private decisions.

Consider, for example, the pervasiveness of the Federal income tax – or should I say loophole – mentality in our day-to-day lives. Thus, coupled to the common modern dilemmas of how many calories, and where do I park, nowadays Americans also have to confront the problem: Is it deductible?

Many Forms of Control

Still, taxation is but one part of state intervention. For under state power, rents will be controlled, coffee burned, cotton propped, foreign competition subsidized, the underdeveloped world aided in perpetuity, wages raised by fiat, tariffs erected, trade made "fair," currency inflated, farmers paid not to farm, prices fixed, and mergers forbidden.

Little wonder then that in his *Revolt of the Masses,* the Spanish philosopher Ortega y Gasset wrote:[2] "This is the greatest change that today threatens civilization: State intervention–the absorption of all spontaneous social action by the State . . . Society will have to live for the State, man for the governmental machine. And as, after all, it is only a machine whose existence and maintenance depend on the vital supports around it, the State, after sucking out the very marrow of society, will be left bloodless, a skeleton, dead with that rusty death of machinery, more gruesome than the death of a living organism."

Of course, some public officials argue the larger the public sector the better. In a Presidential talk we were asked to consider how public expenditures "help determine the level of activity in the entire American economy." According to this line of reasoning, the more the government spends, the more activity it creates in the economy, the richer we all become. One rub to this line of reasoning, however, is that government has no spending money other than that which it taxes or borrows from its people. To be sure, the Keynesian economist may point to the possibility of deficit financing – of spending without equivalent taxation. This deficit finance, though, when based on a permanently expanding bank-financed public debt, can only be maintained through the printing press – through inflation – through this hidden and highly regressive tax upon the

[2] Norton, 1932, pp. 120-121.

people. Hence, either one way or the other, the people are taxed; government has no source, has no resources, other than those it appropriates from the people.

This is the irony of those advocates of a larger public sector; they would pile greater debt on our already debt-ridden economy. In 1958, for the first time in history, Congress raised the debt limit twice in one year. In 1963 Congress was forced to raise the limit again – and again. The situation reminds one of the drunk who asks for but one more for the road and then argues that there are still quite a few more roads to travel. Meanwhile, the Federal government distributes its welfare largesse with a free hand, in effect buying votes with the taxpayer's own money. How much money can be gauged from the fact that the Federal, state, and local governments cost the American people $158.7 billion in 1961, or some $900 for each American. This figure does not include indirect costs for bookkeeping, report-filing, legal fees, and accounting and various clerical expenses. Direct beneficiaries of this spending include some 40 million individuals regularly receiving monthly government checks. This huge bloc and their families are not likely to approve candidates, proposals, or philosophies calling for diminution of the public sector. But this bloc is not alone in securing government favors. Other blocs include beneficiaries of tariffs, defense contracts, favorable tax rulings, regulatory privileges, price supports, and the like.

Or as political analyst Samuel Lubell wrote in his *The Future of American Politics*:[3]

"The expansion of government to its present scale has politicalized virtually all economic life. The wages being paid most workers today are political wages, reflecting political pressures rather than anything that might be considered the normal working of supply and demand. The prices farmers receive are political prices. The profits business is earning are political profits. The savings people hold have become political savings, since their real value is subject to abrupt depreciation by political decisions."

To sum up, the public sector is a necessary sector. But so too is the private sector. Each depends on the other, but as one expands at a faster rate of growth, the other necessarily shrinks in proportion. The American dilemma seems to be that the public sector is expanding rapidly without discipline, without plan, without the constraint necessary to preserve the private sector – the sector of individual liberty. ◈

[3] Doubleday Anchor, 1956, p. 274.

Freeing Our Economy

JOHN DAVENPORT'S *The U.S. Economy* (Regnery, $5) is a short book, but, with the possible exception of Henry Hazlitt's *Economics in One Lesson,* it packs more wisdom in less space than can be found in any other contemporary essay on the subject.

Where else, in so short a compass, could you find something that:

1. Tells you why the free market, far from being the creation of anarchists, depends on a legal and institutional framework protected by a special type of government that is itself limited by law;

2. Brings Bastiat up to date in showing why the "unplanned" market economy (which is in actuality the meshing of a million voluntary plans) is more efficient than any other way of coordinating the energies of men;

3. Explains what profit is, and tells why its appearance or disappearance is a signal that is indispensable to the efficient deployment of the factors of production;

4. Makes mincemeat of such recent "original" thinkers as Adolf Berle and John Kenneth Galbraith, who have spawned a new "conventional wisdom" that fails to make connection with what is necessary to produce and distribute affluence;

5. Shows us where Keynes was right as well as where he went wrong – and then tells us what befell the American economy of the nineteen thirties when the disciples of Keynes mistook the meaning of what the master had said about the relation of profits to wages;

6. Shows how our farm policies have made the rich farmers richer, the poor farmers poorer, and, for better or worse, have driven thousands off the land to seek employment in the city;

7. Demonstrates the shortsightedness of labor leaders who seek to push wages higher than the natural growth of productivity will support;

8. Moves easily through the tangled thickets of monetary theory, foreign exchange problems,

tax policy and governmental spending for the "public sector"?

The answer to the foregoing lengthy question is that nobody in recent years has let his mind sweep over so wide a horizon and brought back so much in such a pithy manner of writing.

The effect, of course, is to make a corresponding pith in a review extremely difficult, for how condense something that is in itself 190 pages of rigorous condensation? One is forced to be arbitrary in picking something out of Mr. Davenport for extended discussion. I won't attempt to talk about Mr. Davenport's description of the workings of the economy of New York City, for that would be to fracture something that is a little jewel of writing. Maybe the best thing to pull out of Mr. Davenport's pages at this moment is his outline of how the Federal budget could be cut.

Some Ways to Save

Mr. Davenport would not do anything to hurt our military establishment, for he believes that the Communists would not hesitate to attack us if they thought they could beat us. But he would hack large gobs of expenditures from space exploration and foreign aid. He doesn't see why families who are having trouble sending children to college should be forced to contribute to "shooting the moon." And, while he would support such outposts of the free world as Formosa and Korea, he would definitely curtail aid to countries that are either inside the Communist camp or are so "neutral" against us that they think nothing of shooting our planes down, wrecking our overseas information libraries, or helping the pro-Communist forces in Latin America or the Congo.

In agriculture, Mr. Davenport would save the taxpayer $3 to $4 billion a year by following a responsible policy of lowering supports and eliminating controls. He sees no sense in burdening the great mass of the population with a price-support system which extracts $5 billion a year from city folks just to pass most of it along to the top layer of farmers that could get along in an unrigged market anyway. Presumably our agricultural support policy could be changed without really hurting anybody if we would establish a cut-off point, giving aid only to farmers who are below the $5,000-a-year income mark. And this aid could be made contingent upon a willingness on the part of the poor farmer to learn some new trade, or to take part-time employment in decentralized industry.

Mr. Davenport doesn't mind it when the Federal government

dredges the Mississippi River or interests itself in flood control. But he thinks the budget could be slimmed down if we were to refrain from turning river development into a drive to develop government-generated electric power. The TVA, which was started to bring flood control and water-generated power to the American southeast, is now burning coal to make much of its electricity. The ironic thing is that much of this coal comes from strip mines which rip off topsoil in the general area whose devastated lands the TVA fertilizer was supposed to improve.

The elimination of the Federal bulldozer from the scene could save the government another pretty penny. As things have been going, "urban renewal" has been lifting slum populations out of one congested area only to dump them down into another. On two blocks in the center of a city close to my home, urban renewal has driven out at least twenty small businesses to replace them with two big department stores, one of them owned by a national chain. Thus, urban renewal abets the growth of monopoly – and the taxpayer helps finance it. Mr. Davenport would let the cities renew themselves by repealing local rent control laws (which penalize private builders), and by eliminating antiquated building codes.

Precious Incentive

Mr. Davenport does not try to total up the budget savings that might result from the application of his ideas. But they would surely enable the Federal government to get back into the $80-billion area, which would permit a more rational tax policy. The cry would go up that this would be "starving" the "public sector." But, as Mr. Davenport suggests, Americans have always been ingenious in taking care of their needs by developing a multiplicity of voluntary means. The U.S. public already spends more than $20 billion a year for private medical care, and 80 per cent of the population has some form of health insurance. In order to take care of all this, it is important that the medical profession should continue to attract good men. The compulsions involved in the "socialization" of medicine, even as manifested in the proposed Medicare, are hardly likely to lure competent people into the medical schools.

Mr. Davenport was a poet before he was an economist, and a philosopher before he was either. He looks at economics in its wider context, as a branch of human action that often competes with other activities for time and energy. Because he realizes that economics is shot through with value judgments, Mr. Davenport

knows that it cannot be considered apart from ethics, a theory of government, and even religion. His own bias is in favor of a life devoted to the extension of freedom, but he knows that economic and political institutions are often the prey of people who love power for its own sake. His general awareness of the whole flow of history keeps his book from being just one more sterile contribution to the sort of science that has been called dismal. ◈

IDEAS ON LIBERTY

So, Be Discouraged!

DISCOURAGEMENT is not negative *per se.* The word, says Webster's, means the state of being deprived of courage or confidence. A truly creative thinker wants to *lose* the courage to take every course except the right one. He wants to *lose* confidence in former ways which are insufficient to meet present needs. He wants to be guided to right action by his failure to find success in wrong actions.

My own experience as a mechanical engineer, after I left college, is a case in point. I was involved with the design of products and equipment that for commercial reasons needed to be patentable. Whatever could be designed after past patterns was of no use. So I learned to rejoice (literally) whenever I came across an obstacle that nothing extant could overcome – an obstacle that completely discouraged the use of past patterns of design. I knew if I could design around that obstacle I would in all likelihood have a patentable product. "Therefore," said Paul, "I take pleasure in infirmities, . . . for when I am weak then am I strong."

ROBERT DOLLING WELLS, in *The New Individualist Newsletter*, No. 22