

- ✓ Compulsory sharing of wealth for the benefit of consumers has the sorry effect of diminishing the capital and tools that provide employment opportunities p. 323
- ✓ Dr. George Roche here reviews the history of the uses and abuses of political power, and in subsequent articles will examine some modern manifestations and their effects and look to the prospects for curbing these excesses p. 326
- ✓ A low level of mediocrity is the best that can be expected, suggests Dr. Howard Kershner, from penalizing the successful p. 340
- ✓ Henry Hazlitt points out that the imitators of capitalism are unlikely to secure its blessings until they understand and respect the property rights of owners p. 342
- ✓ And that's just about what Leonard Read is saying we'll have to do if we ever hope to deliver mail in a business-like way p. 350
- ✓ Even our moral affairs, if we would heed the teachings of Erasmus of Rotterdam, depend for improvement upon the responsible behavior of individuals p. 356
- ✓ Professor D. T. Armentano offers a timely warning against the latest reformist efforts at price control p. 366
- ✓ Those who fail to understand why the same company shouldn't be allowed to sell both soap and Clorox will want to share Harold Fleming's latest look at antitrust policies p. 369
- ✓ But not Patricia Carney! She's simply grateful to the businessmen who "exploit" her out of the kitchen drudgery of the past p. 378
- ✓ John Chamberlain checks his recollections of **The First New Deal** against those recorded by Raymond Moley p. 379
- ✓ Professor Alexander Evanoff finds valuable ore and numerous nuggets as he digs **Deeper Than You Think** with Leonard Read p. 383



A MONTHLY JOURNAL OF IDEAS ON LIBERTY

JUNE 1967

Vol. 17, No. 6

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

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

Copyright, 1967, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.



Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "Private Ownership: A Must!"

Microfilm copies of current as well as back issues of **The Freeman** may be purchased from Xerox University Microfilms, 300 N. Zeeb Road, Ann Arbor, Michigan 48106.

SECURITY WITH A VENGEANCE

PAUL L. POIROT

SAFETY AND SECURITY rank high among human values, and rightly so. To risk one's life in reckless fashion shows a foolish disregard for self and dependents. Behavior that diminishes or threatens the lives of other peaceful persons is deemed irresponsible and anti-social. The case for various safety measures and security regulations would seem self-evident. But "playing safe" also may have disadvantages that ought to be considered. Lives can be wasted, if not snuffed out entirely, in the attempt to be safe and secure.

Safety and security alone will not sustain life. They may enhance food and shelter but afford no nourishment or covering as such. Nor are they tools of production that enable a worker to increase the product of his labor. Americans in the latter half of the twentieth century enjoy safety and security in large measure. But the high level of living to which we have grown accustomed

is largely attributable to two other factors: (1) Approximately half of the 200 million people in the United States work to earn a living for themselves and the other half; and (2) An average of roughly \$20,000 has been saved and invested in productive capital for each such job opportunity. Without such savings and capital investment per worker, famine would be as common in America as in any backward area. Our job opportunities — our very lives — depend upon our tools of production.

So, every additional \$20,000 saved and productively invested makes possible an acceptable level of living for two — one worker and one dependent. To take from a man the tools of his trade is to deprive two lives of their economic means of support. And it is a harsh fact that funds diverted to security programs cannot at the same time provide the tools of production and trade. Safety measures, however well-intended, have

costs that always must be counted.

Consider, for example, the proposed expansion of the Federal Social Security program to a tax of 10 per cent on the first \$10,800 of a worker's annual earnings. Now, \$1,080 saved per year and reasonably invested would build into a \$20,000 job opportunity in about 14 years. And \$1,080 added annually over a period of 40 years would cover 5 or 6 such lifetime job opportunities. Any savings bank or life insurance agent can verify that fact.

This is not to say that every worker *would* save and invest \$1,080 a year if he (and his employer) were not compelled to pay it as social security taxes. Many a worker doubtless would choose to consume rather than save any such addition to his take-home pay. But clearly, the money paid as taxes is neither saved nor invested in productive job opportunities. It is currently consumed. The \$20 billion transferred coercively from producers to consumers through the social security account in fiscal 1966 withdrew from the American economy potential investment funds equal to one million job opportunities. A million *lifetime* job opportunities precluded by just *one* year of compulsory social security! And 1967 is the 31st year of social security tax collection in the United States.

Another security measure of some import concerns the military defense of the United States of America. The total Defense Budget for fiscal 1968 calls for expenditure of \$73 billion. Whether such spending is adequate or practical or necessary or desirable is not in question here. But \$73 billion is equivalent to the capital requirement for 3,650,000 lifetime job opportunities. And please do not mistake that fact. It does not mean that defense spending in 1967-68 will create 3,650,000 lifetime job opportunities. What it means is that funds, *which might otherwise have been invested* in the tools of peaceful production and trade, *will be consumed* that year in the name of national defense.

More specifically, the Vietnam part of our national defense currently is costing American taxpayers at the rate of \$24 billion a year. Tragically, 6,400 American lives had been lost in Vietnam through 1966. And it is estimated that 5,000 more Americans will have been killed in action by the end of 1967, with more than 60,000 wounded.¹ Heartbreaking enough are the casualty lists of individuals killed or maimed on the battlefields. But their numbers scarcely

¹ *U. S. News and World Report*, January 2, 1967, p. 19. By late March, the figure had advanced to 175 killed weekly, 800 wounded.

begin to measure the costs of the Vietnam security action. The \$24 billion to be consumed for that purpose by the United States this year is equivalent to the capital investment for 1,200,000 lifetime job opportunities. That makes a civilian casualty list approximately forty times the number of Americans killed and wounded on the battlefield.

Highway and automobile safety programs are much in the news nowadays. The 50,000 deaths a year attributable to motor vehicle accidents in the United States many times exceed the number of Americans killed in Vietnam. But those who urge the expenditure of billions of dollars for various highway and auto safety features ought to understand that each billion so expended is equivalent to the capital requirement for 50,000 lifetime job opportunities. For every \$20,000 in extra safety features the law forces General Motors to add to perfectly good cars, that same law in effect withdraws one lifetime job opportunity from the American market.

The pollution of air and water is a growing threat to American lives. Recent estimates suggest that \$300 billion will be committed to that war over the next 30 years. And whether that will be too much, too little, or too late is anyone's guess. But it is reasonably

certain that the billions of dollars to be spent annually by businesses and by governments for air and water purification cannot simultaneously be used to provide tools for productive employment. Clean air to breathe and pure water to drink are important. But they are not food or shelter or all of the other things also vital to life. And \$300 billion equals the capital requirement for 15,000,000 lifetime job opportunities.

If we spend enough for such measures, perhaps we can be guaranteed a ripe old age, protected by medicare, defended against communism and automobiles, filled with fresh air and water, safe and secure. But will the productive workers of that happy day still deem the rest of us worth feeding and housing and caring for?

It behooves us to consider that other side of our various security measures. The lives we save by such measures may indeed be our own; but also, the lives saved may be more than offset by the numbers of workers and their dependents thereby denied the tools of peaceful production and trade. And our own job may be one of those at stake, jobs and lives foreshortened in the name of security. These, too, are among the fatalities of our time — the often unseen fatalities of good intentions and security with a vengeance. ♦

POWER

1. HISTORY

THE PROBLEM of power is as new as today's newspaper and as old as man's civilization. Most political thinkers and philosophers have concerned themselves with power's definition and management. Virtually all politicians and statesmen have concerned themselves with power's exercise. No man, past or present, has ever successfully evaded the long shadow which the exercise of power has cast over his life.

What is this phenomenon that leaves no man untouched, whether peasant or philosopher? If we turn to Western man's thinking on the subject for an analysis of his definitions and applications of power, a pattern emerges which offers some valuable guidelines

for our own age, a time when the shadow of power is perhaps darker and more all-pervasive than ever before.

The Greeks

Man's ideas on the subject of power have evolved only gradually. Socrates felt that he owed obedience to the power of the Athenian city-state when it unjustly and hysterically sentenced him to death. His disciple, Plato, conceived a society in *The Republic* which placed all power over everyone in society in the keeping of a "philosopher-king." But when, then as now, "philosopher-kings" proved difficult to find, Plato began to limit the power which he felt should be exer-

cized by the state. He had written *The Republic* as a young man, producing *The Statesman* in middle life and *The Laws* in his old age. In each of these works, as his maturity and experience increased, he steadily multiplied the legal and moral restrictions which he felt should be placed on the power of the ruler.

Aristotle, Plato's disciple, carried this limitation of power still further, devising the idea of constitutionalism. The basis of this constitutional fabric as devised by Aristotle was "natural justice." This Aristotelian natural justice was intended as binding upon all men, ruler as well as ruled, and exhibiting a power beyond man's control.

Although the Greeks were exhibiting a recognition that the centralization of power had to be limited in a just society, they still tended to view the city-state and its exercise of power as the keystone of society. Aristotle's assertion that man was "by nature a political animal" was typical of the Greek view that the *polis* was the chief means through which human potentiality could be developed. For this reason, the Greek concept of the distinction between society and state was faulty and partial at best. The Greek system of direct democracy, when tied to the concept that the *polis* was the cen-

ter of human life, eventually produced the downfall of the Athenian experiment.

The people of Athens themselves became the tyrant, dominating and crushing any other power or opinion, stripping their economic dependencies of all wealth until revolt cost them their maritime holdings, interfering with their military commanders till they produced disaster on the battlefield, and displaying such greed that desperate property holders plotted the overthrow of the government. When such unbridled exercise of power produced a debacle, the tyrannical majority hysterically lashed out to find a scapegoat for their own folly. The execution of Socrates stands as the final crowning viciousness of unbridled Athenian democracy.

The Greek confusion between state and society had proven fatal to both. As the historian, Herodotus, sadly remarked "... even the best of men raised to such a position [of irresponsible power] would be bound to change for the worst." Western man was already beginning to get an inkling of the dark threat posed by too great a concentration of power.

Natural Law

The Greek idea of natural justice soon grew into Western man's next great discovery concerning

power and its limitation. The idea of a "natural justice," derived from man's proper use of his capacity for rational thought, became the basis for the idea of Natural Law, based upon the idea of a Supreme Lawgiver, a Lawgiver whose perfect intelligence was reflected in man's capacity for thought: God. Thus developed the Natural Law philosophy of the Stoics and Cicero. The idea of Natural Law, of a fixed code of right and wrong binding upon ruler and ruled alike, placed power in a new perspective, since it limited the exercise of power by placing God's will above man's will. References to this concept of Natural Law fill Roman philosophy. Probably no more influential advocate of the doctrine could be found than the Roman lawyer, Cicero, writing in *De Republica*:

Right reason is indeed a true law which is in accordance with nature, applies to all men, and is unchangeable and eternal. By its commands this law summons men to the performance of their duties; by its prohibition it restrains them from doing wrong. Its commands and prohibitions always influence good men, but are without effect upon the bad. To invalidate this law by human legislation is never morally right, nor is it permissible ever to restrict its operation, and to annul it wholly is impossible. Neither the senate nor the peo-

ple can absolve us from our obligation to obey this law . . . It will not lay down one rule at Rome and another at Athens, nor will it be one rule today and another tomorrow. But there will be one law, eternal and unchangeable, binding at all times upon all peoples; and there will be, as it were, one common master and ruler of men, namely God, who is the author of this law, its interpreter, and its sponsor. The man who will not obey it will abandon his better self, and, in denying the true nature of man, will thereby suffer the severest of penalties, though he has escaped all the other consequences which men call punishment.

The Romans were told, "Because you bear yourself as less than the gods, you rule the world." Thus, as the heyday of Roman prosperity and success illuminated the ancient world, the Romans came to understand that through obedience to a higher power they had achieved power. Had a Roman chosen to speculate upon this point, he might have marveled that Rome grew powerful and prosperous while it recognized a power above that of the state, declining only when the power of the state, personified in the emperor, came to be viewed as unlimited and even divine. In both its success and its ultimate failure, Rome added another dimension to man's understanding of power.

The Romans were told, "Because you bear yourself as less than the gods, you rule the world."

Christianity

While the pagan world had been advancing in its understanding of power and its limitation, the Judeo-Christian heritage was also in process of formation. As the trials of the Hebrew nation as chronicled in the Old Testament had unfolded, certain patterns of thinking had emerged. Foremost among these was the doctrine of a higher law, centering on the principle that all political authorities were to be judged and limited in accordance with a code not relative to man and his affairs.

This was a doctrine implicit in Christianity from the beginning. The Church Fathers early recognized the perils of power, not only to the ruled, but to the ruler as well. In the words of St. Ambrose, "A wise man, though he be a slave, is at liberty, and from this it follows that though a fool rule, he is in slavery." The measure of wisdom or foolishness described here referred to man's capacity for understanding and living in conformity to a higher, God-given morality transcending the earthly exercise of power.

Unlike the Greeks, who had seen

the state as the central feature of society and a part of the "natural" order, the early Christians saw the state as an institution in and of the sinful world. While the state was needed to exercise power to protect men from other men in this flawed world, the Christian saw the state itself as a flawed, and therefore potentially dangerous, wielder of power. Christians in the early Church did not concern themselves over much with politics as such, so they developed no clear distinction between the legitimate and the illegitimate state. But they did make explicit what had already been implicit in the Roman Natural Law philosophy: God and not man was the final arbiter of justice, thus limiting *any* man's exercise of power.

St. Thomas Aquinas

Greek "natural justice" thus merged with Roman and Christian Natural Law to emphasize that the state was man's tool rather than his master. As the centuries passed by, the Christian idea of self-transcendence, of man's ability to rise above himself and above

his society, became more and more explicit. At the height of the Middle Ages, St. Thomas Aquinas wrote, "The obligation of observing justice is indeed perpetual. But the determination of those things that are just, according to human or divine institution, must needs be different, according to the different states of mankind. . . . Laws are laid down for human acts dealing with singular and contingent matters which have infinite variations. To make a rule fit every case is impossible."

If circumstances altered cases, could the state justly exercise unlimited power over the individual? The Christian answer was a resounding "No!" Thomas insisted: "Man is not ordained to the body politic according to all that he is and has." The objection to totalitarian control developed by the Greeks and furthered in Stoic and Christian thought, was now made even stronger:

Here we have the first clear and explicit challenge to totalitarianism. Although by nature part of civil society, the individual person is not to be swallowed up whole in society or state. On the contrary, by virtue of certain aspects of his being — what Kierkegaard was later to call his "God-relationship" — man as such is elevated above political society and the social order. It is man's ordina-

tion to the divine that thus raises him above everything social and political that would totally engulf him. Who denies this, denies both God and man.¹

Medieval Society

While the philosophers and theologians were making more and more specific the moral limitations surrounding the exercise of power, medieval society as a whole was also making its contribution. After the Roman Empire had collapsed in the West, society had become highly decentralized in character and had fragmented power through the institution of feudalism. All attempts to discover a unity of power within society had been discarded, since ultimate authority was felt to rest only in God. Medieval society functioned largely through semi-autonomous religious orders and independent towns and cities.

What early forms of national governments existed in the Middle Ages found their purse strings tightly controlled by semirepresentative legislatures, especially in France, England, and Spain. In practice, these bodies, representative of the social strata of the times, exercised tremendous power because they could and occasionally did withhold all finan-

¹ Will Herberg, "Christian Faith and Totalitarian Rule," *Modern Age* (Winter 1966-67), p. 67.

cial support from centralized administration when they chose to do so. Power remained diffused over a widely decentralized fabric of public, semiprivate, and private institutions, all limited by a moral order above both man and the state, a moral order placing its premium upon individual conscience.

This is not to suggest that abuses of power still did not occur. The point is, rather, that medieval man had succeeded in setting up two barriers to the exercise of unlimited power: (1) The recognition that the exercise of excessive power was in itself an immoral act; and (2) The discovery in practice that power was more safely exercised when fragmented and decentralized through a variety of separate institutions.

Machiavelli

With the Renaissance, a new view of politics, man, and power came on the scene. Machiavelli completely dismissed the idea of any superior power providing a moral order in political life. As Francis Bacon described Machiavelli's politics, the Renaissance Italian concerned himself with "what men do instead of what they ought to do." From the time of Plato and Aristotle through the time of St. Thomas Aquinas, the central question had been the legit-

imate purpose and exercise of power. Power, to the extent that it was to be used at all, was to be used only in the achievement of some higher end such as justice or freedom. But with Machiavelli, for the first time, power became an end in itself. Power was thus separated from any ethical or metaphysical limitation and the state became independent of any other value system.

It was never Machiavelli's intention to further immorality or encourage the destruction of values, but his *amorality* was based on the assumption that the acquisition of power was *an end unto itself*, having priority over ethical considerations. Once power becomes an end in itself, success in political affairs is measured by the acquisition and expansion of power, rather than by its wise use or moral limitation. In Lord Acton's phrase: "Machiavelli released government from the restraint of law. . . ."

Like other realists after him Machiavelli identifies all too readily naked power politics with the whole of political reality, and he thus fails to grasp that ideas and ideals, if properly mobilized, can become potent facts, even decisive weapons, in the struggle for political survival. History is a vast graveyard filled with the corpses of self-styled "realists" like Napoleon, William II, Hitler, and

Mussolini. They all underestimated the important imponderables in the equation of power but missed, in particular, the one component that in the end proved decisive: The will of man to be free, to put freedom above all other goods, even above life itself.²

Machiavelli and the Renaissance thus paved the way for the age of absolutism. The dynastic crime-waves which followed, during which despots ran roughshod over their subjects, over morality, and over their fellow despots in the unprincipled pursuit of power, are a demonstration of Machiavelli's system in action.

The Reformation

Even while the long shadow of unprincipled and unlimited power was spreading across the continent in the age of absolutism, another turning point in individual freedom and conscience was about to arrive: The Protestant Reformation.

In the immediate aftermath of Martin Luther's decision to challenge the authority of the Catholic Church, it appeared doubtful that his act of disobedience would go unpunished. He was confronting a powerful and entrenched authority, an authority which seemed to exercise vast social and political

power. During this time, in the period before the German princes had provided a strong political base for Luther's position, he emphasized the necessity for tolerance of differing viewpoints, insisting that political power should not be used to suppress dissent.

The rise of other Protestant sects such as Anabaptism and the Zwinglian group, coupled with the Peasants' War in Germany, soon modified Luther's position. What had begun as a theory of the right of private judgment and dissent was quickly modified when he and the German princes supporting him became the revolted-against rather than the revolutionaries. The social revolution implicit in the Peasants' War in Germany caused Luther to alter his political philosophy almost entirely. Though he had begun his departure from the church in quest of liberty for individual judgment, he was not willing to grant that same privilege to others and was perfectly willing to sanction the use of political force to enforce his view. Many aspects of the Protestant Reformation and the Catholic Counter-Reformation demonstrate the side of human nature which complains of the exercise of power in the hands of others yet remains perfectly willing to exercise that power itself.

Thus the flood tide of the Ref-

² William Ebenstein, *Great Political Thinkers*, p. 285.

ormation, which at first glance appeared directed against the unlimited power of absolutism, was soon deflected from its original course. The alliance of the powers of church and state, true throughout most of Catholic Europe, soon became equally true throughout Protestant Germany. Thus Martin Luther was at once an insurgent against power and the defender of an existing power structure.

Zwingli and Calvin

Though the Lutheran revolt did little to alter the fundamental centralization of power, only moving it from one base to another, some of the Swiss Protestants were more aggressive in combining their religious revolt with political revolt. The Swiss cantons were republican in their political sentiments, and this background tended to exercise a considerable measure of influence over both Zwingli and Calvin. Zwingli, for example, upheld the medieval doctrine that holders of political power who failed to conform to a higher law could and should be deposed. Unfortunately, Zwingli was killed too early to affect seriously the course of politics in the Protestant Reformation.

Although Calvin developed his ideas in the same Swiss republican atmosphere, he tended to make such a close connection be-

tween religion and politics that he desired a state with a means of punishing all forms of "mistaken" or "vicious" behavior. He viewed the medieval legal system as too permissive and set up in its place a theocracy in Geneva which united tremendous political and religious powers.

If Luther had done his political thinking in the framework of petty tyrannies which composed the Germany of his day, and Zwingli had reached maturity in the relatively free air of the Swiss cantons, Calvin allowed no such political side issues to influence his thought. Religious truth as he saw it was dominant and left no room for the interference of political niceties in the application of that "truth" to the pattern of society.

Though Calvin was responsible for the exercise and centralization of power, his concept of the dignity of the individual has outlasted the policy of religious persecution which he pursued during his own lifetime. While it is true that the leaders of the Protestant Reformation were not always outspoken opponents of the centralization of power, it is also true that the freedom of individual conscience which they encouraged would in the long run become a potent source of opposition to centralized power.

The Calvinistic doctrine of a flawed human nature also encouraged the limitation of power:

The vice or imperfection of man therefore renders it safer and more tolerable for the government to be in the hands of many, that they may afford each other mutual assistance and admonition and that, if anyone arrogate to himself more than is right, the others may act as censors and masters to restrain his ambition.³

Political Impact

Actually, the influence of the Reformation had less direct political impact than is often supposed. In fact, the principal immediate effect of both the Protestant Reformation and the Catholic Counter-Reformation did more to further the increase of power than to control power:

Scotland was the only kingdom in which the Reformation triumphed over the resistance of the State; and Ireland was the only instance where it failed, in spite of government support. But in almost every other case, both the princes that spread their canvas to the gale and those that faced it, employed the zeal, the alarm, the passions it aroused as instruments for the increase of power. Nations eagerly invested their rulers with every prerogative needed to preserve their faith, and all the care to

keep Church and State asunder, and to prevent the confusion of their power, which had been the work of ages, was renounced in the intensity of the crisis. Atrocious deeds were done, in which religious passion was often the instrument, but policy was the motive.⁴

The story of the crimes committed by both Protestant and Catholic rulers in pursuit of political power is a long and unsavory tale in which religious faith was all too often made the handmaiden of political ambition. Protestant and Catholic alike may have preached a religious viewpoint, but the political viewpoint of Machiavelli seems to have had the last word.

As the nation-states, Protestant and Catholic alike, evolved toward their modern form, the men of the Reformation relearned the hard lesson which has perpetually confronted all men. In the words of Milton, a man active in both the religious and political disputations of his age: ". . . long continuance of Power may corrupt sincerest Men."

The Age of Absolutism

Since the Renaissance had produced Machiavelli's theory of power unlimited by moral concerns and the Protestant Refor-

³ John Calvin, *Institutes*, IV, p. 20.

⁴ Lord Acton, *Essays on Freedom and Power*, pp. 94-95.

Many of the greatest tyrants on the records of history have begun their reigns in the fairest manner. But the truth is, this unnatural power corrupts both the heart and the understanding.

BURKE

mation and Catholic Counter-Reformation had provided the excuse for the actual application of these doctrines on the European political scene, the stage was set for the age of absolutism.

The medieval political framework was obviously dead or dying throughout Europe by the late sixteenth century. The regional and institutional pattern of cities and guilds and local controls retained its form but not its substance. A new unit of political authority was gradually gathering all power unto itself: the State. Such was the state of affairs when Bodin published his *Six Books of the Commonwealth* in 1576. In Bodin the new age of absolutism had found its theorist. Machiavelli had favored the accumulation and exercise of power for its own sake but had never developed his concept of power to include the state as a sovereign entity in its own right. Such a development awaited Bodin and the centralized, absolute French monarchy. Bodin utilized the old concept of the Natural Law, divorcing God and morality from it and substituting the state in their place. Thus

robbed of its legitimate meaning, Natural Law was perverted by Bodin into the bulwark of the new, absolute, sovereign State.

The rise of "Divine Right" and the absolute state, although beginning in France, was soon paralleled throughout Europe, even in the European nation most suspicious of power: England.

The Bourbons, who had snatched the crown from a rebellious democracy, the Stuarts, who had come in as usurpers, set up the doctrine that States are formed by the valour, the policy, and the appropriate marriages of the royal family; that the king is consequently anterior to the people, that he is its maker rather than its handiwork, and reigns independently of consent. Theology followed up divine right with passive obedience . . .

The clergy . . . were associated now with the interest of royalty . . . The absolute monarchy of France was built up in the two following centuries by twelve political cardinals. The kings of Spain obtained the same effect almost at a single stroke by reviving and appropriating to their own use the tribunal of the Inquisition, which had been growing obsolete, but now served to arm them with terrors which effectually made them

despotic. One generation beheld the change all over Europe, from the anarchy of the days of the Roses to the passionate submission, the gratified acquiescence in tyranny that marks the reign of Henry VIII and the kings of his time.⁵

Once in the seat of power, the age of absolutism became difficult to depose. Resistance to kings became a sin against religious faith. Worse yet, the political philosophers strongly supported this unholy union between religion and politics:

Bacon fixed his hopes of all human progress on the strong hand of kings. Descartes advised them to crush all those who might be able to resist their power. Hobbes taught that authority is always in the right. Pascal considered it absurd to reform laws, or to set up an ideal justice against actual force. Even Spinoza, who was a Republican and a Jew, assigned to the State the absolute control of religion.⁶

This entire generation of despots was epitomized in the reign of the "Sun-king," Louis XIV. In the France of that day the slightest disobedience to the royal will was a crime punishable by death. Even while the subjects were completely bound to the ruler, no reciprocal obligation of any kind was recognized. No guarantee of

property or person was considered defensible. The impact of such unlimited power upon the crowned heads of Europe was disastrous for the rulers as well as the ruled. Good intentions, ruling in the "interest" of the people, were much discussed and little practiced. Edmund Burke, writing his *Thoughts on the Causes of Our Present Discontents*, warned: "...many of the greatest tyrants on the records of history have begun their reigns in the fairest manner. But the truth is, this unnatural power corrupts both the heart and the understanding."

English Constitutionalism

Though the age of absolutism further darkened the shadow of centralized power spreading across Europe, there remained some encouraging exceptions. In early seventeenth century England, Sir Edward Coke, greatest of the English parliamentary lawyers, led the struggle against the absolutist pretensions of the Stuart monarchy. Coke renewed the principle that both ruler and ruled were subject to Natural Law. It was Coke who was primarily responsible for the renewed emphasis upon Magna Charta and upon traditional limitations to the exercise of royal power.

Before the end of the century, the Glorious Revolution of 1688

⁵ *Ibid.*, pp. 99, 93.

⁶ *Ibid.*, p. 99.

was to complete the rejection of unlimited royal power in England. *The perils of unlimited democratic power* remained to be faced in the modern world, but at least royal power based on Divine Right had begun its decline. That decline, which began in England in the seventeenth century, was destined to spread throughout Europe within the next one hundred years.

The American Revolution

The harbinger of the change to come first developed not in Europe, but in the New World. Even while the English had been moving toward the limitation of royal power, their colonies in North America had been making even greater strides:

No greater contrast could be noted in the position of men than that between the Englishman at home, in the early seventeenth century, and the Englishman who emigrated to America. Almost all the conditions that surrounded the former were reversed in the case of the latter. The pressure of central government was immediately and almost completely withdrawn. Many of the most urgent activities of government in England, such as the vagabondage, almost ceased in the colonies. The class of settled rural gentry from which most local officials were drawn in England did not exist in America. On the other hand, the wilderness, the Indians, the freedom from re-

straint, the religious liberty, the opportunity for economic and social rise in the New World made a set of conditions which had been quite unknown in the mother country.⁷

But by the second half of the eighteenth century the constitutional limitations of power, begun in England and implemented in the colonies, began to interfere with the ambition of King George III in his quest for "personal" rule. A number of Englishmen, most prominent among them Edmund Burke, insisted that the Americans were defending established rights and traditions with deep roots in English history and wide implementation in the American colonies. To these opponents of centralized power, the American Revolution was the next logical step in the process begun a hundred years before in the Glorious Revolution of 1688 when Stuart absolutism had been rejected by the British people.

The Americans so clearly recognized the dangers of excessively centralized power that they soon erected barriers in their new system of government to ensure that such concentrations did not again occur. The idea of separated powers and a system of checks and balances, deriving largely

⁷ Edward P. Cheyney, *European Background of American History, 1300-1600*, p. 183.

from Montesquieu's *Spirit of the Laws*, reflected that basic distrust of centralized authority. Thus, the American experiment in dealing with power presupposed the two great lessons which Western man had learned at such great cost:

- (1) Decentralize political power;
- (2) Make the exercise of any power subordinate to a Higher Law of right and wrong which no man and no government has authority to change.⁸

The French Revolution

The assault upon royal absolutism in Europe was destined to proceed along very different lines. The French Revolution, drawing heavily upon the work of the *philosophés*, adopted a completely different attitude toward the law and order necessary to the maintenance of society and substituted a faith in the "General Will" of Rousseau for the older religious ideals evidenced in the American Revolution, thus perverting Natural Law into "natural rights." The distinction was to prove crucial: If the ultimate source of authority is God, the authority of the state is limited; but if no authority is placed above the mystique of the state, the door stands open to the great excesses of power which have since occurred

in the modern world. The French Revolution thus substituted the "General Will" for "Divine Right," and in the process rejected a powerful master only to assume another master destined to prove still more powerful.

Edmund Burke

Edmund Burke was among the first to see the vital distinction between the American and French Revolution and to sense the danger to human freedom implicit in the French experiment. Grounded in the tradition of Cicero and Aquinas, Burke understood the necessity of a religious foundation for Natural Law. He drew upon the heritage of Western man's experience in the handling of power, and warned that a society which would not recognize God as its sovereign and which elevated man to a pretension as ruler of the Universe, would ultimately center such terrible power in the state that individual man would be degraded beyond recognition.

In the late eighteenth and early nineteenth century, the contrast between the American and French Revolutions was argued on both sides of the Atlantic. The American experiment generally maintained its limitation and fragmentation of power, based on the assumption of human rights exercised as the consequence of a God-

⁸ See "American Federalism: Origins" (*The Freeman*, Dec. 1966.)

given individual dignity. Europe in larger part pursued the ideas drawn from the French Revolution and Rousseau's "General Will," ultimately generating a host of socialistic theories in the works of Fourier, St. Simon, Marx, and the numerous other collective thinkers which dotted the nineteenth century European intellectual landscape. All these theorists shared a view of the world stressing collective humanity and therefore ultimately minimizing the individual.

It is one or the other of these two traditions which lies at the root of all the approaches to the

problem of power which Western civilization pursues in the mid-twentieth century. Stripped to their essentials, two choices confront modern man: (1) Acceptance of man as a unique individual with spiritual and creative capacities derived from a power above the state and protected by a fragmentation of power within society; or (2) Rejection of this traditional view of man held by Western civilization and acceptance of the "Collective We" as the supreme power in the universe, recognizing no limitation upon its authority and enshrining the state as its supremely powerful agent. ♦

Dr. Roche, who has taught history and philosophy at the Colorado School of Mines, now is a member of the staff of the Foundation for Economic Education.

Subsequent articles in this series on Power will deal with: (2) Some Modern Manifestations; (3) Social Effects; (4) Prospects.

AMERICAN FEDERALISM

Now available in an attractive 48-page reprint: all four articles by Dr. Roche on the Origins, History, Erosion, and Future of American Federalism, as concluded in the *March Freeman*.

Single copy	\$.75
3 copies for	2.00
10 copies for	6.00
50 copies for	25.00
100 copies for	45.00

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

EQUALITY: THE LEVEL OF MEDIOCRITY

HOWARD E. KERSHNER

MOST OF US are conscious of the fact that the world contains multitudes of men who are far abler than ourselves. Far from making us jealous or unhappy, we are exceedingly grateful for them. We enjoy great music, but we could not write it, as Beethoven, Bach, Brahms, Chopin, Tchaikovsky, Schubert, Mozart, Verdi, and a host of others have done. We can play a few instruments, but not like Liszt, Paderewski, Kreisler, Heifetz, Rubenstein, and many other immortals who have brought heaven down to earth with their superb excellence.

Our libraries are filled with good books, the treasuries of history, literature, and culture. We take great delight in reading Shakespeare's plays and Tennyson's poetry, but we could not have written such marvelous works. We

are fortunate that they could. Suppose we had no great minds such as these! How fortunate that we can ride along with them, enjoying their creations as if they were our own. Why should we be jealous of them? Rather we should be thankful and pay tribute to them.

Our devotion and spiritual perception is vastly inferior to that of a Saint Paul, a Saint Francis of Assisi, a Saint Augustine, or a Saint Thomas Aquinas, but we can soar up into the heavens on the spiritual power generated by a host of saints and prophets.

We enjoy our automobile, riding about the world in jet planes, our radio, television, and stereophonic music. We could not have developed the great industrial giants of our country that have lifted the burden of toil from our backs and emancipated us from the handicraft age into a degree of luxury unknown by kings a few centuries ago, but we can enjoy the results

Dr. Kershner is President of the Christian Freedom Foundation. This article is from his weekly column, "It's Up to You," March 27, 1967.

of the efforts of the great men who created these things for our enjoyment.

When taking a loved one to the hospital, who wants a common, average surgeon? We all want a doctor, not only with superior skill, but a conscientious, honorable man whom we know has spent many long years developing the knowledge and skill required to save the life of the dear one we entrust to his care.

We don't want equality. If there were no men in this world superior to ourselves, no men capable of earning more than we earn, no men capable of preaching

finer sermons, organizing greater businesses, developing greater skill in medicine, in the arts, and in literature, and no men of great devotion or spiritual insight, it would be a poor, drab world in which to live. Let us have done with the cult of the common man and begin to recognize and appreciate worth, talent, ability, and devotion wherever we find it. Gifted men have carried the world forward on their shoulders. Whatever progress we have made, we owe to them. Let us acknowledge it and be grateful for it, and not try to clip their wings and reduce them to the level of mediocrity. ♦

IDEAS ON LIBERTY

Changes in England

A SUBSTANTIAL CHANGE in public opinion is taking place here — and it is largely education by events. The Government is finding that it cannot do certain things without also adopting policies which are at least uncomfortable. We have reached the zenith of trade union power and from now on it will decline.

This week on the television we have even had a Socialist Member of Parliament advocating freeing imports so as to help so-called underdeveloped countries and as a substitute for aid.

We have also had the socialist National Union of Teachers urging that free meals to school children should be abandoned and that parents should accept that responsibility. Free meals have been costing the budget something well over £100,000,000 a year.

It looks as if we are going to get out of Aden and let the Russians in — the consequences of which may be very serious — but I imagine that your people can see what ought to be done.

From a letter by S. W. ALEXANDER (London) March 31, 1967

Private Ownership

..... A MUST!

HENRY HAZLITT

EDITOR'S NOTE: Henry Hazlitt, well-known economic journalist and scholar, has written many books, including a novel about the rediscovery of capitalism by a young Russian after all the economic and political writing of the past, except that of the Marxists, has been wiped out. The hero, Peter Uldanov, performs the prodigious feat of recreating by his own mental effort ideas that it has in fact taken generations of great economists to develop and refine.

This novel, originally appearing in 1951 as *The Great Idea*, was revised and republished in 1966 as *Time Will Run Back* with a new Preface from which this article is drawn by permission of the publisher.

Time Will Run Back may be obtained from Arlington House, 81 Centre Avenue, New Rochelle, N. Y. 10801. 368 pp., \$6.00.

IF CAPITALISM did not exist, it would be necessary to invent it — and its discovery would be rightly regarded as one of the great triumphs of the human mind. But as “capitalism” is merely a name for freedom in the economic sphere, the theme might be stated more broadly: The will to freedom can never be permanently stamped out.

Under complete world totalitarianism (in which there was no free area left from which the totalitarian area could appropriate the fruits of previous or current discovery and invention, or in which its own plans could no longer be parasitic on knowledge of prices and costs as determined by capitalistic free markets) the world would in the long run not only stop progressing but actually go backward technically as well as economically and morally — as the world went backward and remained backward for centuries after the collapse of Roman civilization.

A centrally directed economy cannot solve the problem of economic calculation, and without private property, free markets, and freedom of consumer choice, no organizational solution of this problem is possible. If all economic life is directed from a single center, solution of the problem of the exact amounts that should be pro-

duced of thousands of different commodities, and of the exact amount of capital goods, raw materials, transport, etc. needed to produce the optimum volume of goods in the proper proportion, and the solution of the problem of the *coordination and synchronization* of all this diverse production, becomes impossible. No single person or board can possibly know what is going on everywhere at the same time. It cannot know what real costs are. It has no way of measuring the extent of waste. It has no real way of knowing how inefficient any particular plant is, or how inefficient the whole system is. It has no way of knowing just what goods consumers would want if they were produced and made available at their real costs.

The System Breaks Down

So the system leads to wastes, stoppages, and breakdowns at innumerable points. And some of these become obvious even to the most casual observer. In the summer of 1961, for example, a party of American newspapermen made an 8,000-mile conducted tour of the Soviet Union. They told of visiting collective farms where seventeen men did the work of two; of seeing scores of buildings unfinished “for want of the proverbial nail”; of traveling in a land virtually without roads.

In the same year even Premier Khrushchev complained that as of January 1 there were many millions of square feet of completed factory space that could not be used because the machinery required for them just wasn't available, while at the same time in other parts of the country there were the equivalent of hundreds of millions of dollars worth of machinery of various kinds standing idle because the factories and mines for which this machine was designed were not yet ready.

At about the same time G. I. Voronov, a Communist party Presidium member, said: "Who does not know that the national economy suffers great difficulties with the supply of metals, that the supply of pipes is inadequate, that insufficient supplies of new machinery and mineral fertilizers for the countryside are produced, that hundreds of thousands of motor vehicles stand idle without tires, and that the production of paper lags?"¹

In 1964 *Izvestia* itself was complaining that the small town of Lide, close to the Polish border, had first been inundated with boots, and then with caramels — both products of state factories. Complaints by local shopkeepers that they were unable to sell all these goods were brushed aside on

the ground that the factories' production schedules had to be kept.

Such examples could be cited endlessly, year by year, down to the month that I write this. They are all the result of centralized planning.

The most tragic results have been in agriculture. The outstanding example is the famine of 1921-22 when, directly as a result of collectivization, controls, and the ruthless requisitioning of grain and cattle, millions of peasants and city inhabitants died of disease and starvation. Revolts forced Lenin to adopt the "New Economic Policy." But once more in 1928 more "planning" and enforced collections of all the peasants' "surpluses" led to the famine of 1932-33, when more millions died from hunger and related diseases. These conditions, in varying degree, come down to the present moment. In 1963 Russia again suffered a disastrous crop failure. And in 1965, this agrarian nation, one of whose chief economic problems in Tzarist days was how to dispose of its grain surplus, was once more forced to buy millions of tons of grains from the Western capitalist world.

Problems in Industry

The industrial disorganization has been less spectacular, or better concealed—at least if we pass over

¹ See *New York Times*, Oct. 29, 1961.

that in the initial phase between 1918 and 1921. But in spite of extravagant claims of unparalleled "economic growth," Russia's problems of industrial production have been chronic. Since factory output goals are either laid down in weight or quota by the planners, a knitwear plant recently ordered to produce 80,000 caps and sweaters produced only caps, because they were smaller and cheaper to make. A factory commanded to make lampshades made them all orange, because sticking to one color was quicker and less trouble. Because of the use of tonnage norms, machine builders used eight-inch plates when four-inch plates would easily have done the job. In a chandelier factory, in which the workers were paid bonuses based on the tonnage of chandeliers produced, the chandeliers grew heavier and heavier until they started pulling ceilings down.

The system is marked by conflicting orders and mountains of paperwork. In 1964 a Supreme Soviet Deputy cited the example of the Izhora factory, which received no fewer than 70 different official instructions from nine state committees, four economic councils, and two state planning committees — all of them authorized to issue production orders to that plant. The plans for the Novo-Lipetsk steel mill took up 91 volumes com-

prising 70,000 pages, specifying precisely the location of each nail, lamp, and washstand.

Yet in 1964, in Russia's largest republic alone, deliveries of 257 factories had to be suspended because their goods were not bought. As a result of the consumer's stiffening standards and increased inclination to complain, \$3 billion worth of unsellable junk accumulated in Soviet inventories.²

Remedial Measures

Such conditions have led to desperate remedial measures. In the last couple of years, not only from Russia but from the communist satellite countries, we get reports of massive decentralization programs, of flirtations with market mechanisms, or more flexible pricing based on "actual costs of production" or even on "supply and demand." Most startling, we hear that "profits" is no longer a dirty word. The eminent Russian economist, Liberman, has even argued that profit be made the foremost economic test. "The higher the profits," he has said, "the greater the incentive" to quality and efficiency. And equally if not more miraculous, the Marxian idea that interest represents mere exploitation is being quietly set aside, and in an effort to produce

² For the foregoing and other examples, see *Time*, Feb. 12, 1965.

and consume in accordance with real costs, interest (usually at some conventional rate like 5 per cent) is being charged not only on the use of government money by shops and factories, but against the construction costs of plants.

On the surface all this looks indeed revolutionary (or "counter-revolutionary"); and naturally I am tempted to hope that the communist world is on the verge of rediscovering and adopting a complete capitalism. But several weighty considerations should warn us against setting our hopes too high, at least for the immediate future.

The "New Economic Policy"

First, there is the historical record. This is not the first time that the Russian communists have veered toward capitalism. In 1921, when mass starvation threatened Russia and revolt broke out, Lenin was forced to retreat into his "New Economic Policy," or NEP, which allowed the peasants to sell their surplus in the open market, made other concessions to private enterprise, and brought a general reversion to an economy based on money and partly on exchange. The NEP was actually far more "capitalistic," for the most part, than recent reforms. It lasted till 1927. Then a rigidly planned economy was re-imposed for almost

forty years. But even within this period, before the recent dramatic change, there were violent zigs and zags of policy. Khrushchev announced major reorganizations no fewer than six times in ten years, veering from decentralization back to recentralization in the vain hope of finding the magic balance.

He failed, as the present Russian imitation of market mechanisms is likely to fail, because the heart of capitalism is private property, particularly private property in the means of production. Without private property, "free" markets, "free" wages, "free" prices are meaningless concepts, and "profits" are artificial. If I am a commissar in charge of an automobile factory, and do not own the money I pay out, and you are a commissar in charge of a steel plant, and do not own the steel you sell or get the money you sell it for, then neither of us really cares about the price of steel except as a bookkeeping fiction. As an automobile commissar I will want the price of the cars I sell to be set high and the price of the steel I buy to be set low so that my own "profit" record will look good or my bonus will be fixed high. As a steel commissar you will want the price of your steel to be fixed high and your cost prices to be fixed low, for the same reason. But with all means of production

owned by the state, how can there be anything but artificial competition determining these artificial prices in such "markets"?

In fact, the "price" system in the USSR has always been chaotic. The bases on which prices are determined by the planners seem to be both arbitrary and haphazard. Some Western experts have told us (e.g., in 1962) that there were no fewer than five different price levels or price-fixing systems in the Soviet Union, while others were putting the number at nine. But if the Soviet planners are forced to fix prices on some purely arbitrary basis, they cannot know what the real "profits" or losses are of any individual enterprise. Where there is no private ownership of the means of production there can be no true economic calculation.

Elusive Costs of Production

It is no solution to say that prices can be "based on actual costs of production." This overlooks that costs of production are themselves prices—the prices of raw materials, the wages of labor, etc. It also overlooks that it is precisely the *differences* between prices and costs of production that are constantly, in a free market regime, redirecting and changing the balance of production as among thousands of different com-

modities and services. In industries where prices are well above marginal costs of production, there will be a great incentive to increase output, as well as increased means to do it. In industries where prices fall below marginal costs of production, output must shrink. Everywhere supply will keep adjusting itself to demand.

But in a system only half free — that is, in a system in which every factory was free to decide how much to produce of what, but in which the basic prices, wages, rents, and interest rates were fixed or guessed at by the sole ultimate owner and producer of the means of production, the state — a decentralized system could quickly become even more chaotic than a centralized one. If finished products M, N, O, P, etc. are made from raw materials A, B, C, D, etc. in various combinations and proportions, how can the individual producers of the raw materials know how much of each to produce, and at what rate, unless they know how much the producers of finished products plan to produce of the latter, how much raw materials they are going to need, and just *when* they are going to need them? And how can the individual producer of raw material A or of finished product M know how much of it to produce unless he knows how much of that

raw material or finished product others in his line are planning to produce, as well as relatively how much ultimate consumers are going to want or demand? In a communistic system, centralized or decentralized, there will always be unbalanced and unmatched production, shortages of this and unusable surpluses of that, duplications, time lags, inefficiency, and appalling waste.

Private Property the Key

It is only with private property in the means of production that the problem of production becomes solvable. It is only with private property in the means of production that free markets, with consumer freedom of choice and producer freedom of choice, become meaningful and workable. With a private price system and a private profit-seeking system, private actions and decisions determine prices, and prices determine new actions and decisions; and the problem of efficient, balanced, coordinated, and synchronized production of the goods and services that consumers really want is solved.

Yet it is precisely private property in the means of production that communist governments cannot allow. They are aware of this, and that is why all hopes that the Russian communists and their

satellites are about to revert to capitalism are premature. Only a few months ago the Soviet leader, Kosygin, told Lord Thomson, the British newspaper publisher: "We have never rejected the great role of profits as a mechanism in economic life. . . [But] our underlying principle is inviolate. There are no means of production in private hands."³

The communist rulers cannot permit private ownership of the means of production not merely because this would mean the surrender of the central principle of their system, but because it would mean the restoration of individual liberty and the end of their despotic power. So I confess that the hope that some day an idealistic Peter Uldanov, miraculously finding himself at the pinnacle of power, will voluntarily restore the right of property, is a dream likely to be fulfilled only in fiction. But it is certainly not altogether idle to hope that, with a growth of economic understanding among their own people, the hands of the communist dictators may some day be forced, more violently than Lenin's were when the mutiny at Kronstadt, though suppressed, forced him to adopt the New Economic Policy.

Yet any attempt to decentralize

³ *New York Herald-Tribune*, Sept. 27, 1965.

planning while retaining centralized ownership or control is doomed to failure. As a recent writer explains it:

If the state owns or controls the major resources of the economy, to allow for local autonomy in their utilization invites utter chaos. The Soviet planners, then, are caught on the horns of a serious dilemma. They

find that their economy is becoming too complex and diverse to control minutely from above; yet they cannot really achieve the tremendous productiveness of a decentralized economy without relinquishing complete ownership or control of the nation's resources.⁴ ♦

⁴ G. William Trivoli in *National Review*, March 22, 1966.

IDEAS ON LIBERTY

Inflation Erodes Investment

INFLATION reduces the value of financial assets such as savings accounts, bonds, pension plans and insurance policies. These investments have a constant face value, and rising prices mean the dollars a person gets back will buy less than the ones he put in. Inflation, therefore, tends to shift purchasing power from these investors, who are essentially lenders, to borrowers.

The notion once was popular that lenders were usually rich and borrowers often poor. If this idea ever were true, it is no longer valid in these affluent times. Surveys show that every income grouping of individuals — even the lowest — now has more financial assets than indebtedness. Put another way, every income group is a net lender, on the average, and thereby stands to lose purchasing power through inflation. Who are the “poor” debtors who stand to gain? All levels of government rank high among them.

It would be disastrous if inflation caused a reduction in the amount of money saved and invested in new or expanded factories, offices, farms, and stores. This process is the mainspring of economic growth and, because of modern technology, requires huge amounts of extra funds every year.

From *Inflation and/or Unemployment* by Lawrence C. Murdoch, Jr., Federal Reserve Bank of Philadelphia.



Mr. Kappel's Dilemma

LEONARD E. READ

ON APRIL 3, 1967, Postmaster General Lawrence O'Brien told a gathering of magazine publishers and editors that the Post Office Department should be turned over to a nonprofit government corporation. He eloquently conceded the failure of government mail delivery:

Had the A T & T been operated as has the Post Office Department, the carrier pigeon business would have a bright future.

A few days later President Johnson named Mr. Frederick Kappel, the recently retired head of A T & T, as chairman of a 10-man Commission to report within one year what should be done about mail delivery.

Here is the dilemma of Mr. Kappel and his Commission:

1. To recommend a modified form of state ownership and operation, such as a nonprofit government corporation, would simply postpone any correction of the present inefficiency and waste.

2. To recommend what *should be done*, that is, let anyone deliver mail for whatever rates users will pay, would appear too incredible to the President, the Congress, and the people for the proposal to be accepted.

In a word, Mr. Kappel's Commission will be damned if it does and damned if it doesn't!

Thus, the Commission may decide not to disregard the Postmaster General's suggestion of a nonprofit government corporation. This, of course, is still the state ownership and operation of the industry: socialism. Nor will it be

looked upon as a fruitless venture by anyone convinced of his own ability to make socialism work. Most people seem to think that the failure of socialized mail delivery to date has not been in the principle of socialization but, rather, in the faulty organization of the socialized structure.

Observe the failure of one "5-year plan" after another in Russia, India, or wherever. Then note that the planners invariably ascribe the failure to an error in the planning rather than to the master-planning system itself.

The long and the short of it is that these people do not know how to make socialism work; no one ever has; no one ever will. All the evidence confirms the failure.

It Would Still Be Socialized

A nonprofit government corporation, however ingeniously devised, is no less a political agency than is the present Post Office Department. The stern discipline of earning a profit or losing the invested capital is wholly absent from such agencies. Sloppy management, instead of being penalized through personal losses, is subsidized at taxpayer expense. There is neither penalty for failure nor reward for success under a government-type corporation.

Note the incongruity: During the period of years when A T & T

was earning profits of \$25,000,000,000 the Post Office Department piled up deficits of \$12,000,000,000. The former is organized for profit; its services continually improve as its rates decrease — a colossal success. The latter is organized for nonprofit; its services continually deteriorate as its rates increase — a colossal failure. The Postmaster General suggests a new nonprofit, government corporation to remedy the mail fiasco and the President asks the retired head of the private A T & T, organized for profit, to recommend how to do it!

Why do so many people believe that a nonprofit corporation is better than one organized for profit? They think this way because they naively believe that the \$25,000,000,000 earned by A T & T, for instance, would have gone to workers in higher wages and/or to consumers in lower prices had the Company been nonprofit. They overlook the likelihood that there would have been something less than nothing had the telephone business been organized along nonprofit lines. *Profit is not a cost of doing business, but the reward for having done it more efficiently than competitors do.*

Most people like to make money. It is the hope of so doing — the profit motive — that makes for competition. The fact that each

is trying to outdo the others improves services and brings prices down.¹ The record speaks eloquently for itself on this point.

The Postmaster General sees that the carrier pigeon business would have a bright future had A T & T been organized as has the Post Office Department. Yet, he recommends another government monopoly to displace the one that has failed! Does he not understand the vital distinction between the two? One is private, competitive, and for profit, while the other is political, monopolistic, and not for profit.

Collectivizing the Problem

And now to the heart of "the problem." Why is mail delivery a national problem, whereas no such problems arise in the delivery of the human voice, or of human beings, or of drugs and groceries, or of gas and oil? It is because mail delivery, as distinguished from the others, has been nationalized. In other words, this activity has been collectivized. Were we to break the monopoly of mail delivery, "the problem" would

¹ Some will argue that A T & T has little if any competition. True, it has about 88 per cent of the business, but we must not overlook the fact that there are 2,500 independent telephone companies in the U.S.A. A T & T has to operate as if there were enormous competition—"run scared," as we say—or there will be!

vanish, disintegrate; it would shatter into 200,000,000 fragments.²

Nationalize or collectivize verbal communication, that is, consolidate into a single system the 200,000,000 individual desires to transmit the spoken word, and immediately we would have "a problem" incapable of solution. Suppose it were up to you to coordinate 200,000,000 desires to talk! What to do? Just as the Post Office Department does, you'd doubtless lump these millions of requirements into a few dozen divisions or categories. But even these you could not manage to the satisfaction of the customers. You would have "a problem"!

Our nationalized mail delivery is lumped into categories. There is the personal message called first-class mail, 5¢ for the first ounce if by surface, 8¢ if by air. There is the no-charge or franked mail, billions of envelopes containing everything from subsidy checks to political propaganda. There is Rural Free Delivery. And library literature that goes across the nation for one-fifteenth of a cent an ounce! And highly subsidized delivery of magazines, newspaper, catalogues! And then there is below-cost freight delivery lumped under the heading of "parcel post." There are other

² Approximate population of U.S.A.

categories; but when all is said and done, the Post Office Department has a daily deficit of \$3,000,000 and several million dissatisfied customers. This is indeed "a problem," primarily because the industry is collectivized.

Free the Market

How is the national problem of mail delivery to be de-collectivized? The solution is simple enough to outline but difficult to implement within the prevailing political climate. Only two steps are necessary:

1. Repeal all laws that prohibit anyone from delivering mail for pay.

2. Let the Congress appropriate no more funds to defray Postal deficits, forcing the Department either to close down or to charge rates sufficient to cover costs.

Should the Post Office Department elect to stay in business, the rates would zoom. Rural Free Delivery might have to be discontinued. But, what's wrong with a rural resident picking up his mail in town as he does his groceries? No more franked mail! Politicians and bureaucrats would be obliged to include postage in their budgets. And the mail order houses with their subsidized delivery of catalogues and merchandise! Are they to go out of business? Perish the thought! These ingenious folks

will discover how to handle their own delivery problems, better and at lower cost.

Gone would be "the problem." In its place would be 200,000,000 individuals each with his delivery requirements and with numerous competing services trying to please. One might even expect postal services to advertise for customers, just as the privately operated telephone companies offer attractive suggestions that more people make greater use of the telephone. No "problem"—just millions of requirements and business opportunities.

There are two major stumbling blocks to free market mail delivery.

First, governmental mail handling is a habit of long-standing. We inherited the practice from the Old World where it was instituted more as a system of censorship and snooping than as a means of efficient delivery. Without giving the matter a second thought, our forefathers wrote into Article I of our Constitution, "To establish post offices and post roads." The practice is surrounded by an aura of sanctity—however irrational.

Second, neither Mr. Kappel, nor any other man, can possibly envision how people acting freely, independently, privately, voluntarily, cooperatively could deliver mail

to the American millions. Hence, most people, if they cannot think how to do it themselves, are at a loss to think of how anyone can. Thus, they mistakenly conclude that it is a task not for free men but for government.

Of course, no human being can hit upon how to do this. The head of A T & T, had he lived a century ago and been asked to tell how to deliver the human voice all over the world at the speed of light, would have been stumped. Indeed, he doesn't know how to do it in 1967 after the miracle is a *fait accompli*. He no more knows how to deliver the human voice than the head of General Motors knows how to make an automobile, or the head of Boeing knows how to make a jet, or the head of Eberhard Faber knows how to make a pencil!³

The Uses of Knowledge

To rid ourselves of "the problem," we must understand the sum and substance of the knowledge that accounts for voice delivery, automobiles, jets, pencils, the only aggregation of knowledge that can deliver mail with increasing efficiency and decreasing costs.

This knowledge is not the frag-

ment that exists or can be assimilated in any single mind. It is, instead, a coming together of literally trillions of tiny bits of know-how, infinitesimal wisdoms, ideas, creativities, inventions, discoveries, think-of-thats, flowing in complex interchange since the dawn of human consciousness.⁴ These discrete bits naturally form to accomplish this or that — mail delivery or whatever — provided they are free to flow. This phenomenon is comparable to and just as miraculous as the invisible molecules that show forth as a cloud, a tree, a vein of gold.

Small wonder that no person knows how to deliver mail to millions of people, or ever will! Anyone who attempts to mastermind the activity is doomed to failure.

Some ask, why not turn mail delivery over to the successful A T & T? This company knows about voice delivery, not mail delivery and is no more prepared to take over the postal business than is General Electric or Piggly Wiggly.

The knowledge required for successful mail delivery is not only unknown but utterly unpredictable. No one understood the fundamentals of voice delivery a cen-

³ See the chapter, "Only God can Make A Tree—Or A Pencil" in my *Anything That's Peaceful* (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1964) pp. 136-43.

⁴ See the chapter, "The Miraculous Market" in *The Free Market and Its Enemy* (Irvington, N. Y.: The Foundation for Economic Education, Inc., 1965) pp. 6-21.

ture ago! We only know that the successful delivery of mail requires a wholly new arrangement and assembly of knowledge — existing knowledge extending back to harnessing fire and the invention of zero, plus many undreamed of cost-saving, service-bettering inventions, creativities, discoveries.

This new assembly of knowledge will emerge when free entry is permitted in the mail business, that is, when it is on a private property, competitive, profit and loss, willing exchange basis. And what shape or form or size the business will take cannot even be guessed.

***If the Answer Were Known,
a Committee Might Find It***

A century ago the human voice could be delivered no farther than two shouters could effectively communicate — less than 50 yards! But bear in mind that today's fantastic attainment was not brought about by some nineteenth century commission formulating an A T & T to solve a problem that no one knew existed.

Successful voice delivery is the flower of the freest market ever experienced by man. Freedom is responsible for the attainment, and also explains why A T & T exists. This corporation, as well as the 2,500 independents, are

merely formal and legal assemblies of existing expertise, knowledge, persons. These structures are not the cause of the creativities; it is the creativities, stimulated when men are free to try, that account for the structures.

We should appreciate, in light of all the evidence, that the postal problem — and it is a real one — cannot be resolved by simply restructuring the business. One doesn't start there.

The sole answer lies in freeing the market. For the best service and the lowest rates, let anyone deliver mail at whatever price he can obtain! At the moment, this seems to be out of the question because there is so little faith in private property, willing exchange procedures. What is required, then, is a deeper and broader grasp of these phenomenal, miraculous processes.

If we wish efficient mail delivery, we must first recognize the root of the trouble: a lack of faith in what men can accomplish when free. The revival of this faith rests on an improved understanding of the phenomena which flow from the practice of liberty. It begins with your and my enlightenment. If we are successful enough, others also will behold the light. There isn't any answer, at this time, short of free market education. ♦

ERASMUS, REFORM, AND THE REMNANT

ROBERT M. THORNTON

EDITOR'S NOTE: *While it is not a major function of THE FREEMAN to argue theological matters or to reprint sermons as such, it seems appropriate that we explore the methods of freedom as set forth by businessman Robert Thornton in an address at St. John's Congregational Church, Covington, Kentucky, March 12, 1967.*

LAST YEAR was the 500th anniversary of the birth of Erasmus of Rotterdam. How much public mention was made of the great Christian scholar I do not know, but the occasion was acknowledged from one pulpit — that, appropriately, of the Rev. Angus MacDonald, minister of First Congregational Church in Hutchinson, Kansas.

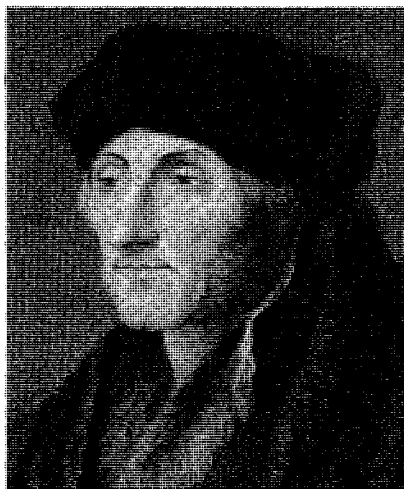
Erasmus is, of course, not so well known as the other great figures of the Reformation. But even before Martin Luther burst on the scene in the early sixteenth century, Erasmus had for some years been speaking out plainly about the shortcomings of the church and the decline in true Christian living among both lay folk and the clergy. However, when both sides in the Reformation vainly sought his favor and open support, he refused to come out unequivocally for either party. Consequently, one denounced him as a heretic, the other as a coward. But after his death in 1536, when strong feelings had subsided, he once again was embraced by Protestants and Roman Catholics alike. But Erasmus is not the kind of man who may be claimed as the exclusive property of any organization. "I tried to find out," wrote one of his contemporaries, "whether Erasmus of Rotterdam was an adherent of that party,

but a certain merchant said to me: 'Erasmus stands alone.'

Erasmus believed his vocation to be the advancement of learning and of the Christian religion. His office was that of the thinker and expositor and persuader whose opportunity of influencing men lies in his gifts of lucidity and eloquence. He worked incessantly, producing dozens of volumes, many of which were useful or popular or both, for generations. Erasmus' goal was, then, to employ humanism in the service of religion, that is, to apply the new scholarship of the Renaissance to the study and understanding of Holy Scriptures and thereby to restore theology and revive religious life. Scholarship was not to be an end in itself, but was to conduct men to a better life. Though aware of the limitations of human learning, he understood it is knowledge, not ignorance, that will reveal God's truth and God's way.

An Inner Grace

Erasmus' dream was a return to the early Christianity of practice, not of opinion, where the church would no longer insist on particular forms of belief and hence mankind would cease to hate and slaughter each other because they differed on points of theology. To Erasmus, religion meant purity



Bettmann Archive

and justice and mercy, with the keeping of moral commandments, and to him these Graces were not the privilege of any peculiar creed.

Erasmus helped to produce a new birth in the life of Europe for he had a kindling power which set alight persons who were to become saints and transmitters of new life. Although himself neither mystic nor saint, his greatest influence was on the lives and writings of that remarkable group of sixteenth and seventeenth century men called Spiritual Reformers. These men scorned the emphasis on ritual and dogma to the exclusion of true religion. Wrote one of them, Hans Denck: "There is no salvation to be found which

does not involve a change in heart, a new attitude of will, an awakened and purified inner self."

This echoes Erasmus' insistence that in the Christian experience something had to happen to a man's heart and mind. Another member of this group, Sebastian Franck, declared that "the true Church is not a separate mass of people, not a particular sect to be pointed out with the finger, not confined to one time or one place. It is rather a spiritual and invisible body of all members of Christ, born of God, of one mind, spirit, and faith, but not gathered (i.e., organized) in any one external city. It is a Fellowship which only a spiritual eye would see. It is the assembly and communion of all truly God-fearing, good-hearted, new-born persons in the world, bound together by the Holy Spirit in the peace of God and the bonds of love."

Erasmus had the vision of an inward religion and he wanted to offer a corrective for what he had come to see as the common error of all those who were turning religion into an empty ceremonialism. He believed that religion consists primarily not of outward signs and devotions but of the inward love of God and neighbor. He urged that the essential dogmas of Christianity be reduced to as few as possible, leaving opinion

free on the rest. If we want truth, he said, every man ought to be free to say what he thinks without fear; and wherever you encounter truth, look upon it as Christianity. If Protestantism may be defined as a claim to liberty for the individual to reach his own conclusions about religion in his own way and express them freely without interference, Erasmus was in this sense closer to Protestantism than many who are now assigned the mantle.

Quiet Reasoning

Erasmus realized that waging the Christian battle required vigor of mind more than intensity of feeling. Detesting fanaticism and bigotry, as do reasonable and cultivated men of all ages, he rejected the either/or zealotry and passion, and in his work there is an awareness that truth must be sought in humility. While so many men of his time were concerned with proving their adversaries wrong or wicked or heretical, Erasmus, ever sensitive to the human situation, was concerned with *winning* others to piety and to Christ. He was convinced that neither side in an argument can completely express the truth, and he did not suffer the delusion which makes a man feel he can at one blow destroy all that is bad upon this earth. "Old institutions,"

he said, "cannot be rooted up in an instant, and quiet argument may do more than wholesale condemnation."

Erasmus practiced what has been called a kind of low-tension Christianity. Unfortunately, there are relatively few who can understand a person whose faith may indeed be so real, so present, and so homely, that one jests with and about it, as if it were a friend or a brother. Erasmus, writes H. H. Hudson, "bids us hold our convictions with some lightness, and to add grace to life. Our best work will be done in a critical spirit, which turns upon ourselves and itself the same keen gaze and feasting irony with which it views the world."

What Can I Be?

The Erasmian concept of reform as a matter of individual change is unpopular in our age of political action and mass movements. The interest today is not changing ourselves but other people, preferably in great numbers. Our method is not persuasion, as was Erasmus', but coercion. There is a demand for *action now* with concrete results. Life itself, as Joseph Wood Krutch has remarked, is looked upon as a collection of problems, and we are constantly badgered to *do* something about them.

But some persons do *not* look upon life as merely a collection of problems. Rather they would say with Edmund Opitz that "life is not a problem to be solved, but a reality to be lived." The question they ask is not "What can I do?" but "What can I *be*?"

Christians, wrote the authors of *Understanding the New Testament*, believe that "the new life is not to be measured primarily by what the Christian does, but by what he *hopes, believes, and loves* — in brief, then, by what he *is* instead of what he *does*. But it should be understood that "the Christian's primary concern with faith does not free him from responsibility for his actions." Rather, "the God who has called them out of their aimless ignorance is holy, and he demands that Christians be holy in all their conduct as he is holy."

Perhaps this point will be made clear by considering the nature of sin. Mary Ellen Chase writes that "sin is far more than only the performance of wrong acts. It is a condition of moral and ethical blindness; it is indifference to the things of the spirit and, therefore, spiritual death. In other words, right and wrong are more than behavior; they are states of the human mind and soul." Or, in the words of William Barclay, "Sin is the failure to be

what we ought to be." To Jesus, writes Barclay, "sin is *an attitude of the heart.*" Outward actions may be beyond reproach but the deciding factor is that attitude of the heart. "The differences in human life depend, for the most part," says Elton Trueblood, "not on what men *do*, but upon the meaning and purpose of their acts." "What we are," writes Dean Inge, "matters much more than what we do or say."

To Be a Better Self

We should, I think, concentrate on efforts to *be* good instead of seeking first to *do* good. Follow the latter course and the temptation is to reform our fellows instead of trying to improve ourselves. Norman Ream expressed it this way: "The proper question, however, is not what you can *do*, but what you can *become*. It's a lot easier to do something than to be something. When you are tempted to ask if there isn't something you can do, remember there is always something you need to be, namely a better self."

"What God cares about," said C. S. Lewis, "is not exactly our actions. What he cares about is that we should be creatures of a certain kind or quality—the kind of creatures He intended us to be." There are some persons, writes William Barclay, "who help us,

not by anything they say or write, but by simply being what they are, men whom to meet is to meet God."

The teaching of Jesus, wrote Albert Jay Nock, "appears to have been purely individualistic. In a word, it came to this: That if every *one* would reform *one* (that is to say, oneself) and keep *one* steadfastly following the way of life which he recommended, the Kingdom of Heaven would be co-extensive with human society. The teaching of Jesus, simple as it was, was brand-new to those who listened to it."

There is, wrote Hanford Henderson, only *one* major problem in the whole world "and that is the salvation of the individual soul. Our own personal problem is quite the same as that of every other sane, red-blooded, earnest man or woman in the whole world. It is to make ourselves as big and fine and useful and human as we possibly can and, were we so fortunate as to have well-born sons and daughters, to help them to be bigger and finer and more useful and more human than we are. It is a much less spectacular job than the artificial problems of government, dynasty, empire, ecclesiasticism, trade unionism, socialism, communism, commercial supremacy, dictatorship, and all the other aggressive mass movements; but it

is the one real and important problem whose solution will bring peace and tranquillity and worth to a world now very much distraught."

The Salt of the Earth

But, some may complain, even if a few individuals do reform themselves, what good will it be when the great majority fail to do so? What possible difference can a handful of reformed persons make in a society of millions? But these complainers are judging by "the wisdom of the world instead of a higher sort of wisdom which," explains H. H. Hudson, "reveals to every man who has it that whatever he may do is in itself vain and dispensable yet the soul which he throws into it and the life he builds through it are not necessarily so. Put into other terms, except God build the house, they labor in vain that build it."

"Even that which in the concrete world can never be victorious remains in that other as a dynamic force," wrote Stefan Zweig, "and unfulfilled ideals often prove the most unconquerable. Those ideals only which have failed to put on concrete form are capable of everlasting resurrection."

In his Sermon on the Mount, Jesus said to his disciples: "Blessed are you, when men shall revile you, and persecute you, and

shall say all manner of evil against you falsely, for my sake. Rejoice, and be exceeding glad: for great is your reward in heaven: for so persecuted they the prophets which were before you. Ye are the salt of the earth."

The *salt of the earth* was no mean title for the disciples because salt was greatly valued in the time of Christ, being indispensable for the preservation of food. The meaning, in part, of the parable is that society easily becomes corrupt and the forces of death are not stayed unless some folks are salt. It makes no difference that the group is small because a pinch of salt is effective out of proportion to its amount. Nor is their call to sensational witness because salt is inconspicuous, ordinary, and mixed with common things.

The method Jesus suggested to his disciples has been called by Lao-Tze "creative quietism." The object, writes Leonard Read, is "to work privately as extensively as possible but shy away from becoming a public spectacle. Instead of seeking publicity, creative quietism suggests concentration on the perfecting of thought to which others will be drawn. Have no fear that one's light will be hidden; be confident, rather, that any light, if strong enough, will penetrate the darkness."

This echoes the words of Tolstoy

on the power of truth: "No feats of heroism are needed to achieve the greatest and most important changes in the existence of humanity; neither the armament of millions of soldiers, nor the construction of new roads and machines, nor the arrangement of exhibitions, nor the organization of workmen's unions, nor revolutions, nor barricades, nor explosions, nor the perfection of aerial navigation; but a change in public opinion. And to accomplish this change it is only needful that each individual should say what he really feels or thinks, or at least that he should not say what he does not think."

A New Public Opinion — Private and Unobtrusive

A new public opinion will be created privately and unobtrusively. "The existing one," continues Albert Schweitzer, "is maintained by the press, by propaganda, and by financial and other influences which are at its disposal. The unnatural way of spreading ideas must be opposed by the natural one, which goes from man to man and relies solely on the truth of the thoughts and the hearer's receptiveness for new truth."

Those called by Jesus the salt of the earth were in the Old Testament called The Remnant, a leaven

that would transform the loaf of mankind. "If we belong in the remnant," wrote Albert Jay Nock, "we will proceed on our own way, first with the more obscure and extremely difficult work of clearing and illuminating our own minds, and second, with what occasional help we may offer to others whose faith, like our own, is set more on the regenerative power of thought than on the uncertain achievements of premature action." Such persons have the power "to see things as they are, to survey them and one's own relations to them with objective disinterestedness. Those who have this power are everywhere; everywhere they are not so much resisting as quietly eluding and disregarding all social pressure which tends to mechanize their processes of observation and thought."

"It was not an accident," wrote Rufus Jones, "that the two greatest prophets of the ancient world — Plato and Isaiah — made so much of the 'remnant' in the formulation of their hope for the better world of the future." Ideally, a remnant is comprised of a "small, outstanding group of persons who have vision of the true line of march for their age and people, clear insight into the underlying principle of life and action, and a faith that ventures everything to achieve what ought to be." These

spiritual rebels care more for truth than for mere unity.

The first Christians, wrote Jones, "who in the early chapters of Luke's second book, *The Acts*, are called 'those of the way,' felt themselves to be 'a peculiar people,' a 'remnant,' 'a true Israel within Israel.'" While there are different interpretations of the "beloved community," they all agree that "this inner, intimate beloved community is a spiritual remnant, living and fulfilling its mission within a wider world of men unilluminated and unsaved." That is, it must "mature and ripen its *idea* and finally carry it into the the life of the wider circle out of which it came." The great historical importance of remnant groups is that "over and over again" they "have discovered, preserved, and passed on some of the most precious truths and ideals of our noblest faith of today." The true *remnant-idea*, then, is "the formation of a small prepared group of persons awakened, quickened, vitalized and so made the bearers of spiritual life to the wider world, the 'seed' of an immense harvest."

"Books and articles and public addresses," notes Rufus Jones, "except in the rare cases where they come from the pen or lips of a genius, leave the world pretty much unmoved and undisturbed." But, on the other hand, "the for-

mation of a remnant brings a vigorous challenge. It puts the issue sharply. It breaks the existing lethargy. It disturbs the even tenor of life." Under usual conditions "there is no way forward except by the way of the remnant. The truth must now be matured and tested in a group of persons who accept it with conviction and are ready to suffer for it or stake life on it."

Preserving the Faith

The remnant, says Jones, "possess consciences that are more acute than those of their fellows. They are more detached from the world and more ready than most people to forego the advantages of a successful career and the rewards which go with conformity to prevailing customs, in order to champion the cause of truth and light, and to work for *what ought to be*. They preserve a fundamental faith in the conquering power of truth, and they believe all things, hope all things, and are ready to endure all things, in the great business of making others see what they see."

The individual, continues Jones, "has creative work to do and he has his spiritual additions to make to the score of truth and life. He must, above everything else and as a sacred duty, insist upon his personal freedom as a man, whom

God has made in His own image and likeness. There are occasions when an individual can serve society best and most fittingly, not by yielding to its conventions nor to its historic customs and estimates but by standing out under the compulsion of some vision of advance in the championship of an ideal which ought to prevail but does not yet prevail. If there is vitality to this vision of advance and if it is grounded in eternal reality, it will awaken a response in the souls of others and gather a group of loyal supporters, and thus produce a remnant." The real mission and service of the remnant, concludes Rufus Jones, is to "go forward with a venture of faith and to put its vision of advance, its ideals of what ought to be, into practice here and now. It often means moving along the line of greatest resistance. And it is likely to entail much suffering."

A Responsible Remnant

The true remnant does not seek privileges but rather is completely willing, even eager, to accept responsibilities. Nor does it wish to withdraw from the world, however unpleasant it may appear to be. A true remnant, if it is to live, must embrace the world, must ever go out into the world performing its rightful mission, working as a leaven in the lump.

A true remnant must do its work with joy. Yes, even in an age such as ours when things seem to be getting worse, not better — "a time of turmoil, war, economic catastrophe, cynicism, lawlessness, and distress," writes R. J. Rushdoony. But, he continues, "it is also an era of heightened challenge and creativity, and of intense vitality. And because of the intensification of issues, and their world-wide scope, never has an era faced a more demanding and exciting crisis. This then above all else is the great and glorious era to live in, a time of opportunity, one requiring fresh and vigorous thinking, indeed a glorious time to be alive."

Shouldn't we reflect, wrote John Bright, "that times that seem evil to us may serve a better purpose than times that are good? This may seem a strange thing to say, but there is much truth in it. The good times that we desire are times of freedom from disturbing bother. But perhaps from the divine point of view they are not. For the purpose of God for us is not the comfort of our bodies or the preservation of our interests, but the discipline of our spirits that we may become truly his people. Let it never be forgotten it is precisely in suffering that the people of God are selected; in suffering they are *known*. The tragedy

of the times, therefore, becomes to us a personal summons to decide for the calling of God and, in tragedy, to serve him. And though we may not see how that Kingdom could come soon, or prove that it will come at all, we will face the dark future with faith and pray for its coming. And we

will take courage. As civilization and material property, nations and churches, are tossed into the caldron of history and seemingly destroyed, we will reflect upon Isaiah's words: "There is always a Remnant, a people of God, a true church. And with these God works his will." ♦

BIBLIOGRAPHY

- BARCLAY, WILLIAM, *The Mind of Jesus*, New York: Harper & Bros., 1961.
- BRIGHT, JOHN, *The Kingdom of God*, Nashville, Tennessee: Abingdon Press, 1953.
- CHASE, MARY ELLEN, *The Bible and the Common Reader*, New York: Macmillan Company, 1955.
- DOLAN, JOHN P., Ed., *The Essential Erasmus*, New York: New American Library, 1964.
- ERASMUS, *The Praise of Folly*, Hoyt Hopewell Hudson, Translator, Princeton, N. J.: Princeton University Press, 1941.
- ERASMUS, *The Enchiridion of Erasmus*, Raymond Himelick, Translator, University of Indiana Press, 1963.
- ERASMUS, *The Colloquies of Erasmus*, Craig R. Thompson, Ed., Chicago: University of Chicago Press, 1965.
- FROUDE, J. A., *Life and Letters of Erasmus*, New York: Charles Scribner's Sons, 1894.
- HUIZINGA, JOHAN, *Erasmus and the Age of Reformation*, New York: Harper & Row, 1957.
- JONES, RUFUS, *The Luminous Trail*, New York: Macmillan Company, 1947.
- JONES, RUFUS, *The Remnant*, The Swarthmore Press, Ltd., 1920.
- KEE, HOWARD CLARK and YOUNG, FRANKLIN W., *Understanding the New Testament*, Englewood Cliffs, N. J.: Prentice-Hall, Inc., 1957.
- NOCK, ALBERT JAY, *The Memoirs of a Superfluous Man*, 1943; Chicago: Henry Regnery Company, 1965.
- OLIN, JOHN C., Ed., *Christian Humanism and the Reformation*, New York: Harper & Row, 1965.
- RUSHDOONY, R. J., *Intellectual Schizophrenia*, Nutley, N. J.: The Presbyterian and Reformed Publishing Company, 1961.
- SMITH, PRESERVED, *Erasmus: A Study of His Life, Ideals, and Place in History*, New York: Dover Publications, Inc., 1923, 1962.
- ZWEIG, STEFAN, *Erasmus of Rotterdam*, New York: The Viking Press, 1934, 1956.



THE ECONOMICS OF
**PRICE
FIXING**

D. T. ARMENTANO

ALMOST EVERY PIECE of price-fixing legislation produces results opposite to those intended. Whether one examines the outcome of interest rate regulation or minimum wage legislation, the lesson repeats itself; interferences with the price system lead to unintended and unexpected consequences. And more, the consequences aggravate the original situation the legislation had meant to ameliorate. Finally, the aggravation caused by the initial legislation generates further clamor for bigger governmental programs and stiffer Federal controls.

At this point even the most informed citizen loses the ability to differentiate sense from nonsense. Thoroughly confused, he resigns

himself to the fact that free enterprise has obviously failed, and that like it or not, it's time that the government "did" something. He is usually completely unaware that it is the government intervention which has failed, and not the free market. The following analysis will attempt to highlight the evidence for this contention.

The most important function of a free price (a price not fixed or regulated by the state) is its ability to serve as an indication of the relative scarcity of a commodity, and automatically ration that scarce commodity to the highest demander. As long as the price of an article is allowed to fluctuate and match the supply with demand, there will be neither surpluses nor shortages, i.e., the market will be cleared at some equilibrium price.

Dr. Armentano is Assistant Professor of Economics at the University of Connecticut in Hartford.

Government price-fixing destroys the clearing and allocating function of prices. By permanently fixing prices above or below their equilibrium values, the regulation prevents the equating of the available supply to the demand. Thus, short-run surpluses or shortages become inevitable. Even worse, the signals sent out by the fixed prices to the respective consumers and producers encourage inappropriate economic activity which tends to aggravate the original situation.

As an example, when copper prices are pegged below their equilibrium level, a short-run shortage is likely. What is worse, low prices encourage an increase in the demand for copper, as potential users switch away from relatively higher priced substitutes. Likewise, low copper prices discourage the production of copper — already in short supply — since the low prices fail to cover the expected costs of copper production. In a double edge fashion, therefore, the future shortages of copper are exaggerated. Still worse, the excess demand created by the artificially fixed price of copper spills over into other commodity markets where it tends to push up the prices of other commodities or, if these prices are also fixed, cause additional shortages.

Shortages and Surpluses

The confusing consequence of selected price fixing is a combination of shortages on the one hand and price increases on the other. Although ration cards may be used to link available supply to demand, they neither eliminate the excess demand nor increase the deficient supply. Only a freeing of the fixed price can induce the proper economic responses from both buyer and seller. Whether the subject is a water shortage (the price has been fixed at zero for decades), an apparent shortage of city apartments (rent controls), or a money shortage (interest rate regulation), the consequence of fixing prices below their equilibrium values is only too obvious.

Similarly, prices fixed above equilibrium generate surpluses. The inescapable consequences of a farm program or a minimum wage bill are farm surpluses and labor surpluses. Nor is this the end of the mischief; there are deeper and more intangible economic consequences beneath the surface. Unwanted farm surpluses are composed of scarce economic resources or factors of production, and these could have gone into the production of something that consumers really wanted. Likewise, unemployed labor is totally unproductive; if employed, no matter

what its wage or productivity, it could have contributed to the production of needed output. Both artificial surpluses are an economic waste; in a world of unlimited human wants and limited factors of production, they are an economic tragedy of the first order.

Making Crooks of Those Who Serve

As a final point, price-fixing induces economic and political behavior which attempts to circumvent or exploit the consequences of the artificial price. Black markets develop and substitute for "free" markets; consumers and producers who wish to buy and sell on mutually agreeable terms become lawbreakers. Those sellers of goods or factors with artificially high prices seek to extend their advantage through addition-

al legislation. With premiums on pressure-group tactics, and penalties on legitimate enterprise, a deterioration of the proper atmosphere for economic activity is inevitable. In addition, the public becomes confused, and the confusion mistakenly ferments into a distrust of capitalism. The rest of the story is the economic history of the last seventy years.

To a careful observer, the facts are clear. Fixing prices of particular products or factors can only serve to generate surpluses or shortages, trigger price increases in selected markets, and continue to misallocate scarce economic resources. It is time that students of society concerned with wealth and welfare placed the responsibility for these evils where they rightfully belong. ◆

IDEAS ON LIBERTY

The Law of Duty

NO MAN, I affirm, will serve his fellow-beings so effectually, so fervently, as he who is not their slave; as he who, casting off every other yoke, subjects himself to the law of duty in his own mind.... Individuality or moral self-subsistence is the surest foundation of an all-comprehending love. No man so multiplies his bonds with the community as he who watches most jealously over his own perfection.

WILLIAM ELLERY CHANNING, May 26, 1830

Antitrust and the Fear of BIGNESS

HAROLD M. FLEMING

IN THE LENGTHENING annals of the antitrust laws, the present decade, their seventh, may well go down as the "era of merger-busting."

The Supreme Court has given the government lawyers an unbroken series of victories over mergers, so decisive that today a brief note from the Antitrust Division is enough to block any merger; no large company would think of buying any but a bankrupt competitor; and the legal prospects for any merger or acquisition by any of the nearly 100 companies with 1966 sales of a billion dollars or over are a hazardous guess.

The basic trouble with mergers

is that they make big ones out of little ones, whereas antitrust enthusiasts would rather see a lot of little ones, of what might be called "polyopolies" (many sellers) where there are now what are fashionably called "oligopolies" (few sellers).

Among the more important of this decade's high court anti-merger decisions was that of last April 12, requiring the big soap-and-detergent company, Procter & Gamble, to disgorge its acquisition, nearly ten years ago, of the Clorox Chemical Company, largest maker of household liquid bleach.

That the opinion was written by Justice Douglas was no surprise. The Justice is strenuously on record as against the "curse of bigness" (Columbia Steel dissent) and the "virulent growth of mo-

Mr. Fleming, for many years New York Business Correspondent of the *Christian Science Monitor*, is a prominent free-lance writer on business and economics.

nopoly" (Standard Stations dissent), and candidly revealed his view of mergers in general three years ago. In reviewing a new biography of Louis D. Brandeis, he wrote that Justice Brandeis had:

proved over and over again the truth about mergers — that economy in operations was a false purpose, that the growth of power and strengthening of monopoly were the real purposes.

New York Times Book Magazine,
July 5, 1964

In the face of such ardor, the acquisition by the biggest company, in a big industry, of the biggest company in a small industry, didn't stand much chance.

However, the decision was not just Douglas speaking. The opinion was 7 to 0. Nor was it just another merger case. This was a major decision in the burgeoning field of "conglomerate" mergers. Habit and history lead the layman to think of mergers as between competitors — that is, "horizontal." This was a "product-extension" merger. And sheer size was an important consideration.

Story of a "Product-Extension" Merger

Liquid household bleach, which is easy to make, sells mostly on advertising. The Clorox people, after building their company up to doing nearly half the nation's business in this item, proposed a

merger to P & G. The latter's research people figured the acquisition was a natural. Clorox bleaches sit on the same grocery shelves with Procter's goods, and could be economically handled by its marketing people. Even more important, Clorox could be advertised, especially on TV, at the exceedingly low quantity rates enjoyed by P & G as the biggest TV advertiser in the country.

The researchers reported that P & G *could* invade the bleach market *by itself* but that acquiring Clorox would make entrance vastly cheaper. In August, 1957, the merger was made. In September, 1957, the Federal Trade Commission issued a complaint against Procter & Gamble, charging that the merger had violated Section 7 of the Clayton Act as amended by Congress in 1950.

The F.T.C.'s final order (Docket No. 6901, November 26, 1963) written by Commissioner Philip Elman, was thorough and scholarly, and in effect "threw the book at" P & G, including the doctrines of oligopoly, incipency, potential competition, internal expansion, and social purpose.

The opinion spelled out the cost advantages of the merger, particularly in advertising, but then said that these were "offensive to the spirit . . . of the antitrust laws" because they were "achievable

only by firms of very large absolute size," and "more important . . . there does come a point at which . . . mass advertising loses its informative aspect and merely entrenches market leaders. . . ."

But the gist of the objection appeared to be that, by such acquisition, a giant company had taken over nearly half a pigmy industry.

The Supreme Court went even further. It ruled that the acquisition was illegal because of P & G's "huge assets and advertising advantages," and that "possible economies" from the merger "cannot be used as a defense."

(As did the F.T.C., the high court based its finding on the allegedly *anticompetitive* effect of the merger; it found that it tended to "substantially lessen competition." This is a quirk in antitrust interpretation which may, but shouldn't, confuse the layman. By it, a big-company action that, it is feared, will *aggravate* competition, is condemned for threatening to *lessen* it. This is a dialectic device, built on the "oligopoly" theory, that the fewer and bigger the sellers, the more sluggish the competition.)

The Will of Congress

But whatever one may think of the views expressed in this case by the F.T.C., and the Supreme

Court, it would be hard to argue that they stretch the letter or the spirit of the law on mergers since Congress drastically rewrote it in 1950. The debates and reports on the Celler-Kefauver Anti-Merger Act of 1950 made it explicit, not only that all kinds of mergers were affected, but also that relative size was an important Congressional concern.

Thus, for instance, the House Report listed as among the results it wanted to prevent, an "increase in the relative size of the enterprise making the acquisition to such a point that its advantage over its competitors threatens to be decisive."

(And, perhaps odd to relate, both the F.T.C. and Justice Douglas may deserve some of the credit [or blame] for this. The Commission's 1948 "Report on Mergers," which was grist to the legislative mill, said, "There are few greater dangers to small business [sic] than the continued growth of the conglomerate corporation." And the Supreme Court's 1948 approval, in the Columbia Steel case [334 U.S. 495] of "Big Steel's" acquisition of a West Coast steel fabricator — including Justice Douglas' fiery dissent—is widely thought to have added to the steam under the antimerger bill.)

But antibigness, in some form,

has built the steam under all the antitrust laws. They were designed to cope with the supposedly dangerous powers of big companies. Thus, Congressman Wright Patman once testified of the 1936 Act that bears his name, "One certain big concern really caused the passage of this Act — the A & P Company." The 1914 debates over the Clayton bill were studded with references to Standard Oil. And of the original 1890 Sherman Act itself, Supreme Court Justice O. W. Holmes dryly remarked in his 1904 Northern Securities dissent:

There is a natural feeling that somehow or other the statute meant to strike at combinations great enough to cause just anxiety on the part of those who love their country more than money, while it viewed such little ones as I have supposed with just indifference.

This notion, it may be said, somehow breathes from the pores of the Act, although it seems to be contradicted in every way by the words in detail.

Business Morals and Business Size

This size-consciousness causes many of the paradoxes and contradictions in antitrust. For in practice it applies different standards of conduct depending on business size — on the principle, once stated by Justice Brandeis, that "a method of competition fair

among equals may be very unfair if applied where there is inequality of resources." To fit this concept into Anglo-Saxon legal traditions is not easy. In previous decades this antitrust double standard has involved all kinds of issues, from "share-of-market" to "predatory pricing," plaguing legislators and the courts with the problem of how to write and interpret laws that will allow some businessmen to do things that others may not do. In the recent Clorox case Justice Harlan, in a long concurring opinion, asked for some standards "for application to mergers that . . . previously haven't been considered in depth by this Court."

The perennial problem was put in perhaps its sharpest focus over 50 years ago, in 1914. Speaking for the Conference Report on the Clayton bill, Senator Walsh said:

. . . it was found no easy task to frame a statute which would reach the case of a plundering monopolist . . . but not be oppressive to a struggling industry contending for trade against a competitor enjoying a practical monopoly . . . and supported by unlimited capital.

The problem, in essence, is to determine how far a firm's competitive success may be due to its sheer size and resources, rather than to its managerial skills, low operating costs, far-sighted planning, and use of ingenuity, imagi-

nation, innovation, and improvement. For a reasonable businessman, even after he dismisses from the subject the unrealistic notions, the emotionalism, and the political maneuvers, may yet wonder whether size alone doesn't somehow give some "unfair" competitive advantage which deserves to be prevented by law.

The Standard Oil Legend

The primal source of such misgivings lies in the legend of the Standard Oil Company. The mythology of that company's rapid growth from the late 1860's to the achievement of a near monopoly of refining in the late 1870's, and of how it held most of that position for over a quarter century in the fiercely competitive oil business, has heavily influenced anti-trust thinking for 70 years.

It may seem strange that impressions so misleading could have developed in so few decades. The Rockefeller combination was exhaustively investigated and reported on around 1900. And the hearings and briefs which led to the 1911 dissolution filled 21 volumes of over 12,000 printed pages. Yet the folklore of Standard Oil varies widely from the facts.

The principal item in the legend is that the Rockefeller group rose to power by "predatory" price cutting. The story is that Standard

used its "monopoly power" to invade areas it wanted to do business in; that it then cut prices low enough to ruin those already there; and then moved in.

The main facts in the story are as follows. Rockefeller and his early associates aimed at a monopoly in *refining*. And, in a single decade, the 1870's, they nearly achieved it. In doing so they took in the heads of most of the larger refineries they acquired, as partners, associates, or fellow shareholders — a policy unlikely to work if preceded by one of forcing them into bankruptcy. Competitors joined Standard partly because they were impressed by the Rockefeller group's business abilities, and partly because of a general feeling that some such combination was the only escape from the ruinous ups and downs of the oil industry at that time. A large number came in, for instance, in 1875, after the wholesale price of kerosene had dropped 50 per cent between 1872 and 1874.

Standard never tried for a monopoly or anything near it in *marketing*. Nor, with a near monopoly in refining, would this have made business sense, any more than for a toll-road company to build two toll-houses only a mile apart. Standard Oil, and John D. Rockefeller personally, favored large volume at a narrow margin of

profit — just as, 50 years later, the Great Atlantic & Pacific Tea Company, and John Hartford personally, favored large volume at a narrow margin of profit.

Standard's low-markup retail policy, nearly a century ago, turned out to be as provocative of political repercussions as A & P's turned out to be, in recent memory. Half the testimony in the 12,000 printed pages of the 1907-08 hearings concerned Standard's marketing.

Genesis and Growth of the Legend

With its 80-odd per cent of the country's refining capacity, Standard automatically became much the largest buyer of crude oil in the early fields. This was a politically hazardous position in itself. When, for instance, the Bradford (Pennsylvania) field, huge for those days, was brought in, in 1877, the unprecedented flood of oil drowned prices; and Standard became very unpopular in the oil fields.

Thus, by the 1890's, Standard had highly vocal enemies at both ends of the business — producing and marketing — just as now, though in much milder degree, do the present-day oil-industry "majors."

In 1894 Henry Demarest Lloyd published *Wealth Against Commonwealth*, and gathered into it

every allegation he could find against Standard, observing that "they made oil poor and scarce and dear.... The unfittest, economically, survives. . . ."

Standard also fell afoul of the newspapers. This was the dawning age of sensational journalism. In its issue of May 16, 1897, the *New York World* printed a feature article which said of the company in part:

There has been no outrage too colossal, no petty meanness too contemptible for these freebooters to engage in. From hounding and driving prosperous businessmen to beggary and suicide, to holding up and plundering widows and orphans, the little dealer in the country and the crippled peddler on the highway — all this has entered into the exploits of this organized gang of commercial bandits.

In 1902 Miss Ida M. Tarbell, sister of an executive of the Pure Oil group, one of Standard's rising competitors, started a serialized history of Standard Oil in *McClure's*, the best-known muckraking magazine of the day; the history was published in book form in 1904. It was full of contradictions and errors of omission but tremendously popular. It had a chapter headed "Cutting to Kill," which probably had more effect on public opinion than all the articles written on antitrust before or since.

The Court Decision

The Department of Justice brought suit in November, 1906. Hearings went on for 15 months. The government lawyers contended chiefly that:

1. Standard's kerosene prices varied widely from one area to another, and were lower where competition was strong and higher where it was weak.

2. Standard sometimes cut prices below cost.

3. In many cases Standard's methods limited independent marketers' territories, or even destroyed their businesses, after which prices were promptly raised.

4. By such tactics all over the United States, competition had been substantially destroyed or limited.

To the price-cutting charges the Standard lawyers in most cases replied with evidence that Standard had not cut until competitors did. (If so, this has a parallel in modern gasoline markets. The largest marketer may often move first in a rising market, but seldom, if ever, in a declining one.) They also pointed out that the government lawyers had been able to allege such charges in only 37 towns, while the Standard companies had been selling in 37,000.

On November 20, 1909, a bench of four Federal judges in St. Louis unanimously found Stand-

ard guilty, on the uncontroverted fact that in 1899 nineteen competing or potentially competing companies had been put together into the Standard Oil Company of New Jersey. This was combining and conspiring to achieve an unlawful monopoly — an open-and-shut case.

As for the thousands of pages of testimony, running back 30 and more years, on unfair competition and predatory practices, the judges simply skipped them, making no specific finding of intent to defraud or to compete unlawfully.

Eighteen months later, in May, 1911, the U.S. Supreme Court trod unanimously the same judicial path. Justice White's opinion showed particular interest in how the combination had been put and held together; and found that the company had both intended and achieved monopoly and restraint of trade. But this opinion also walked right around what it referred to as the "jungle of conflicting testimony covering a period of 40 years."

Some 47 years later, a University of Chicago professor actually *did* read through the "jungle of conflicting testimony," and summarized his findings in a 30-page article in the *Journal of Law and Economics* (Vol. 1, 1958: John S. McGee, "Predatory Price Cutting: The Standard Oil [N.J.] Case.")

In marketing, he found less than a dozen small oil dealers whose exit from the business appeared to have had anything to do with local price cutting. In refining, he found "no evidence that predatory price cutting was used to depress asset value of the more than 120 competitive refineries that Standard bought." He concluded:

Anyone who has relied upon price discrimination to explain Standard's dominance would do well to start looking for something else. The place to start is merger . . . What this study says is that Standard did not achieve or maintain a monopoly position through price discrimination. The issue of whether the monopoly should have been dissolved is something else.

"Cutting to Kill"

No one in 1911 seemed to notice the high Court's studied disregard of the market strong-arming charges against Standard. They had already passed into legend. In 1912 a prominent economist, John Bates Clark, in a book, *The Control of Trusts*, listed some of the alleged obnoxious practices of large firms, including "...the familiar (sic) practice of cutting prices locally . . . (or) the cutting of the price of some one variety of goods which a rival makes, in order to ruin him." He said that "the suppression of these policies would go far toward rescuing competition,

protecting the public, and insuring to it a large share of the benefit that comes from economy in production."

Congress tried it. The overwhelming part of the 1914 Congressional debate on the Clayton bill concerned "predatory price cutting," and resulted in Section 2, making it unlawful to discriminate in price between customers "where the effect may be to substantially lessen competition."

But in the next 24 years, that is, until Section 2 was rewritten by the Patman Act, the number of such cases brought under Section 2 was negligible.

Price cutting, for any purpose, costs money. To consider its profitability, apart from its morals, the simplest way is to look at it as though through a banker's eyes. How much will it cost? and just how are you going to profit from it?

Like a military war, no one knows how severe a commercial price war may become. But one thing is pretty certain; while it lasts, the big company on the offensive will be losing more money than the little one on the defense. Meantime, the small competitor, instead of scaring, may close down for a while and let Mr. Big go on losing money. And even if the small firm goes broke, there's only a slim chance that the

big one can take over its business for nickels. If the big firm is shooting for a monopoly, somebody may buy up the bankrupt property for its scarcity value; but if the big competitor is just one of many, it may shoot its deer but then see one of its competitors get the carcass.

But just suppose the big competitor *does* win. Then how does he recoup his losses? By raising prices to a normal level? That will take a long time. By raising them to abnormal, above-market levels? That is an invitation to outsiders to come and join the fun.

Of price wars today, the most conspicuous and colorful are those in gasoline. They do not fit the predatory-pricing legend at all. They are started by sellers of all sizes, whose calculations have but one thing in common — a belief that they have some advantage, innovation, improvement, or low-cost supply source that will enable them to come out ahead. Of the predatory-pricing notion, a gasoline marketer some years ago made the classic comment:

One of the fallacies often advanced is that so-called leading marketers reduce prices to drive out competition so that they may later enjoy a monopoly.

That is like trying to sweep back the ocean to get a dry place to sit down. Competition is impelled by im-

personal forces that never scare, and never hesitate for long, and would move in immediately when prices were restored — offering little opportunity for a single marketer to recoup his losses.

As a practical matter, selling below cost to drive out a competitor is a sure road to bankruptcy.

The notion of long-time gains to be made by short-time price raids in geographic markets has numerous variations in other kinds of markets. One was quoted above — “the cutting of the price of *some one variety of goods* which a rival makes, in order to ruin him.” There are many others. Any company making diversified goods, selling to diversified customers, or having some vertical diversification, may be charged, at some point in its business, with using its “power” to sell at “unfairly low” prices with competitive malice aforethought.

Such allegations are frequently compounded with the even more fanciful notion that losses in one product line, customer category, market division, or vertical stage of a business may or will be indefinitely “subsidized” from the others. The preposterous findings against A & P in the 1940’s were a striking instance; but such thinking now permeates the F.T.C.’s antimerger cases (though not present in the Clorox case).

The fact is that no well-run profit-seeking management maintains any marketing operation, product line, customer classification, or vertical stage of output any longer than it holds out a reasonable prospect of yielding a worthwhile profit.

In sum, the "unfair" or "uneconomic" advantages of size in business have been greatly overrated. Antitrust is sometimes called a form of "social engineering." If so, its theories about big-versus-little competition are in much need of clarification. ◆

IDEAS ON LIBERTY

A Thank-You Note

TO ALL BUSINESSMEN, much maligned for your exploitation, my thanks for the exploiting you have done to me. Without you I would still be doing my laundry in the stream and drying my clothes on a rock. Without you I would still be walking, or traveling astride a horse at best. I would still be weaving my own clothes, and never dreaming of "wash and wear." I would have to cook over an open fire in shells or some other natural substance.

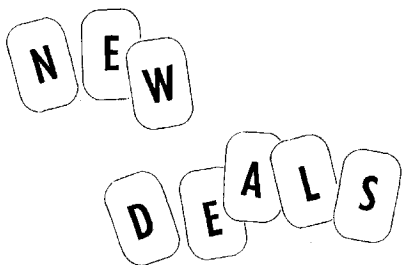
Thank you for making possible the hospitals that have saved my life; the operating rooms and the anesthetic that make surgery possible.

Thank you for so many things: my television, my radio, my lawn mower, and the ability to own a house because you gave me a job. I sit here at the typewriter you

made available and look around me at all the things that would be missing if you had not been motivated by profits or a problem to solve; my lights, gas, and indoor plumbing; my electric blanket, waffle iron, and dishwasher; my electric toothbrush, watch, and vacuum cleaner. Thank you advertising men for telling me of all the new products available.

Dear businessmen, I thank you from the bottom of my heart for making my life easier and giving me the time to write notes like this. I could not have done all this alone; bless you for doing it. The books I read, my piano, my tape recorder were priced low enough because you were able to mass-produce them. The money you have made, my friends, you earned. ◆

PATRICIA CARNEY,
a free-lance writer in California



NEVER END

RAYMOND MOLEY, who recruited the original Brains Trust for Franklin D. Roosevelt, broke with his boss in 1936 "without rancor or incident" because he feared the "hobgoblin atmosphere" that had developed in New Deal circles. He had learned much, and changed many of his own opinions, in the course of serving a consummate politician who, as he thought, had come to enjoy power too much for its own sake. Now, after thirty years, he tells the story of his four years with FDR in a fascinating and somewhat ambivalent book called *The First New Deal* (Harcourt, Brace and World, \$12.50).

The implication of the title is that there were many subsequent New Deals, most of them come-downs from the one which, as Moley puts it, "saved capitalism

in eight days." The Moley history of the first of the Rooseveltian adventures in quarterbacking is marked with what Professor Frank Freidel describes in a foreword as "respect for the facts and . . . precision in handling details." Moley himself pays tribute to his assistant, Elliot A. Rosen, who spent five years examining Moley's own papers and those of "many contemporaries in various depositories." After Rosen had completed his work, Moley spent "nearly three years" on his own written account, doing a good deal of additional research. The result, as he says, is a "story," meaning that it is history as it appears to one who played an intimate part in the unfolding of great events.

Ray Moley's character is complex, and his long life has been

spent in the pursuit of truth. To quote Lytton Strachey, he is "no striped frieze, he is shot silk." He grew up in the Western Reserve area of Ohio in the years following the big depression of the nineties, when the ideas of Henry George were percolating in the minds of Moley's fellow Ohioans, Mayor Tom Johnson of Cleveland, Brand Whitlock, and Newton D. Baker. As part of the Progressive Movement, Moley shared some of its mixed motives, wishing to combine free enterprise with surveillance and control by the state. No trust-buster, Moley was impressed by the thinking in Charles Van Hise's *Concentration and Control*, which argued that large corporations were inevitable and "should be controlled at the national level of government." This put him at odds with Justice Brandeis and Felix Frankfurter, and his departure from the Roosevelt entourage in 1936 came at a time when the Frankfurter influence was in the ascendant. The "second New Deal," which featured the TNEC investigations, the attempt to pack the Supreme Court, and the witty fulminations of Thurman Arnold against monopoly, was certainly not to Moley's taste.

Moderation in All Things

However, as his reflections on the "first New Deal" make plain,

he now thinks that the attempt to "control" business at the "national level" can be as pernicious as Brandeisian trust-busting. Moley still defends the early Rooseveltian measures on the pragmatic ground that something had to be done quickly to revive the confidence of a badly shaken nation. Since the object was achieved, the impact of the so-called "hundred days" that followed Roosevelt's first inauguration was in his opinion good. The trouble, as he now sees it, is that Roosevelt didn't know when to relax. Politics led FDR to make a whipping boy out of the "economic royalists" during that 1936 campaign. But there was little need for the superheated rhetoric; Roosevelt had his victory in the bag anyway.

Moley denies that the early New Deal was "homogeneous." The idea was to push action "on many fronts" in order to gain a "psychological effect." Some of the measures were designed for relief, some for recovery, and only one or two, such as the TVA, were for reform. The hope was that a climate would be created "in which natural forces would assert themselves." A passive Administration, says Moley, never would have succeeded.

In short, as Thurman Arnold put it in his cynical *Folklore of Capitalism*, any action was better

than no action. Hoover had failed to comprehend this, and so the country turned on him.

To Whom Credit Is Due

Moley's book is wholly objective when it comes to distributing the credit for the "first New Deal." The closing and opening of the banks was carried out in accordance with a script written by Herbert Hoover's own Treasury officials, Secretary Ogden Mills, Undersecretary Arthur Ballantine, and acting Comptroller Francis Gloyd Awalt. It was Awalt who determined which banks were solvent, which were insolvent, and which reflected doubt. If Hoover hadn't waited on Roosevelt to move in the banking crisis, he might have gotten credit for saving the day, for his own officials had shaped all the tools which Roosevelt and his first Secretary of the Treasury William Woodin promptly put into use.

Moley was a Roosevelt agent and emissary in London at the great international economic conference that flopped so badly. His account of the failure shows Roosevelt at his worst. The American delegation was supposed to work out a compromise on international stabilization that would give something to the "gold" countries yet permit American domestic price levels to rise to a point that would

save the nation's debt structure. But, after letting Secretary of State Cordell Hull and British Prime Minister Ramsay MacDonald labor under the illusion that something might come out of the conference, Roosevelt finally decided to throw the "bombshell" that wrecked the whole affair. Roosevelt, says Moley, was in pursuit of "that old phantom, a commodity dollar." While Moley believed, with Roosevelt, that domestic recovery was the more important issue in 1933, he considers that the President's rejection of a compromise declaration on international monetary stabilization was "unwise, capricious, and, in form and substance, economic nonsense." Ray Moley was not for the commodity dollar.

Nor, as it turns out, was he for a permanent NRA, or for permanent involvement in central planning for agriculture. In the NRA, Administrator Hugh ("Iron Pants") Johnson fell victim of his own optimism. Moley argues that "Roosevelt might best have terminated NRA" and permitted the "old forces of competition," which "despite their often ugly mien are the lifeblood of progress," to take over. Similarly, the AAA idea of crop limitation was not designed for the ages. It had a short-term practical validity in the depressed years of the early

thirties. But modern agricultural practices, with new fertilizers, new insecticides, and new machinery, make voluntary crop limitation a will-o'-the-wisp. For that matter, if there had not been the Dust Bowl conditions in the middle thirties, even temporary crop limitation would probably have failed.

The Parting of the Ways

Moley came to reject Roosevelt because he felt the Democratic Party was changing to become an instrument of class war. "I was a conservative by instinct," says Moley. In his early days as a college teacher he believed that the two political parties should represent sharply different philosophies. But after his Washington experience he decided that a blurring of lines could help keep the nation from being torn apart. Originally he had accepted Charles Beard's theory that the Constitution had been made by and for a selfish propertied class. But after working with congressmen and with departmental administrators he "rediscovered the Constitution as its makers had designed it." He went back to James Madison, who knew that "ambition must be made to counteract ambition." With war brewing in Europe, Moley thought that Roosevelt's revival of "internationalism"

would "shake our constitutional fabric at home and imperil the liberties of our people." This hasn't happened as yet, but if the cycle of wars continues the U.S. may yet be bled white. Finally, Ray Moley decided that there must be "freedom" for billions of individual decisions in the marketplace. Roosevelt, he came to realize, just didn't understand modern industry's need for a "diffusion of decision-making."

So Moley, who had believed in Van Hise's *Concentration and Control*, bowed out of the Roosevelt party. The party, as he says, had left him. But there is more to it than that. The truth is that Ray Moley had really learned something by his experiences. The centralizer had become something of a libertarian. FREEMAN readers should arm themselves by taking note of Ray Moley's intellectual odyssey. ◆

► **DEEPER THAN YOU THINK** by Leonard E. Read (Irvington-on-Hudson, New York: Foundation for Economic Education, Inc., 1967, 208 pp., \$2.00 paper; \$3.00 cloth).

Reviewed by Alexander Evanoff, Professor of American Studies, Department of English, Indiana State University.

MOST LIBERTARIANS are political economists. Leonard Read has a

third interest — Religious Philosophy. *Deeper Than You Think* opens with a "Prologue" and closes with an "Epilogue" and both are invocations and pleas to Self-Action, Self-Direction. Between the Epilogue and Prologue is a treatment of macro and micro economics, a formula for happiness, a delightful exposition of economics for boys and girls (as useful for me as for the young); a moving exposition on pride. He treats of the origins of power, the origins of knowledge; the limits of political action; the limitations as well as the possibilities of men (Utopia can never come Now because the perfectibility of Men can never come Now); the source of ideas; altruism, self-interest; poverty and impoverishment of the soul; giving and owning (nothing can be given which is not first of all acquired); and the Myth of Federal Aid. His subject is Freedom, Man, God, Government, Politics, Economics, and Teaching. And he is not abashed by the word God and not ashamed to use it. The impetus and drive of the book is to inspire and to motivate others to self-discovery; there is no propensity to make carbon copy Leonard Read's.

Mr. Read's expositions possess both simplicity and profundity. And each exposition is carried down (or up) to first causes. His

treatment of economic problems is lucid and uncompromising: "I honestly believe that TVA and mail delivery, for instance, should be turned over to private ownership and operation, that labor unions should be divested of the right to use coercion in any form, that medicare, compulsory social security, and a host of other socialistic programs should be abolished forthwith."

Deeper Than You Think is an impressive collection of ideas which I assume may often be as mystifying to some libertarians as to the occasional welfare-statist who may accidentally encounter them. Leonard Read's pronouncement that "regardless of pretensions to the contrary, only now and then can a person be found who does not advocate some coercion for a laudable end" is most discreetly and politely intended to apply to libertarians as well as to the something-for-nothing "liberal." The tendency to coercion, though perhaps weaker among libertarians, is surely not entirely absent, and this tendency Leonard Read links to pride and the Golden Intellectual Calf of one's own creation. Read is attempting to teach the most difficult of all things to teach: the methods of self-growth, self-development, self-evolvement, and many of the corollaries requisite to that end, e.g.: (1) A

free market. (2) The freedom of choice on which all growth depends, and the blessed privilege of blundering from which a paternalistic government would altruistically deprive us. (3) The existence of a Divine Source which we must seek to understand and unite with more fully, and on which all depends.

The author understands and would seek to make understandable that all beliefs and all ideas which one may hold are only a measure of one's own growth and development. "As the Eye is formed so it sees." And a pint measure will never hold a quart no matter how much one pours into it. And it is as useless a proceeding to berate a pint measure for being a pint measure as it is to glory in one's own capacity for a greater measure, because all "measures" are, in the nature of things, abysmally limited. To glory in one's own possession of Absolute Truth and the superiority of one's own Vision is as if the Finite and Limited were to assume it could encompass the Infinite and the Unlimited. The Incomplete is incapable of Ultimates and Absolutes; it is not itself an Absolute or an Ultimate. All men are Incomplete and on their Way, and all their institutions are impermanent and incomplete scaffolding toward greater and more

perfect achievements. Eternal growth, evolution, and development are posited.

In almost a hundred different changes and variations, Leonard Read affirms: (1) That the truth a man holds is a measure of his development. (2) That one can not insert truths where the requisite development does not exist. (3) That if the requisite development does exist one cannot give anything to anyone which the individual does not already possess in some degree. It would appear that the "truth" need only to be spoken to be believed. If the "truth" is not believed or not accepted, then either such a truth is not a truth or a "truth" not presently intended for the individual or nation to whom it is offered. Everything awaits ripeness. Nothing of value can be enforced.

Leonard Read would probably agree with William Blake that it is impossible to the thought of man to conceive a thing greater than itself; and if a man aspires, he aspires to a more perfect realization of the highest in him, and the highest in him is Divine. William Blake has said that "God becomes as Man is in order that Man may become as God is." *Deeper Than You Think* is a good book; but extremely difficult to review in a short space. ♦