the Freeman in this issue

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the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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the TASK confronting LIBERTARIANS

HENRY HAZLITT

FROM TIME to time over the last thirty years, after I have talked or written about some new restriction on human liberty in the economic field, some new attack on private enterprise, I have been asked in person or received a letter asking, "What can *I* do" – to fight the inflationist or socialist trend? Other writers or lecturers, I find, are often asked the same question.

The answer is seldom an easy one. For it depends on the circumstances and ability of the questioner – who may be a businessman, a housewife, a student, informed or not, intelligent or not, articulate or not. And the answer must vary with these presumed circumstances.

The general answer is easier than the particular answer. So here I want to write about the task now confronting all libertarians considered collectively.

This task has become tremendous, and seems to grow greater every day. A few nations that have already gone completely communist, like Soviet Russia and its satellites, try, as a result of sad experience, to draw back a little from complete centralization, and experiment with one or two quasi-capitalistic techniques; but the world's prevailing drift – in more than 100 out of the 107 nations and mini-nations that are now members of the International Monetary Fund – is in the direction of increasing socialism and controls.

The task of the tiny minority that is trying to combat this socialistic drift seems nearly hope-

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less. The war must be fought on a thousand fronts, and the true libertarians are grossly outnumbered on practically all these fronts.

In a thousand fields the welfarists, statists, socialists, and interventionists are daily driving for more restrictions on individual liberty; and the libertarians must combat them. But few of us individually have the time, energy, and special knowledge to be able to do this in more than a handful of subjects.

One of our gravest problems is that we find ourselves confronting armies of bureaucrats already controlling us, and with a vested interest in keeping and expanding the controls they were hired to enforce.

A Growing Bureaucracy

Let me try to give you some idea of the size and extent of this bureaucracy in the United States. The Hoover Commission found in 1954 that the Federal government embraced no fewer than 2,133 different functioning agencies, bureaus, departments, and divisions. I do not know what the exact count would be today, but the known multiplicity of Great Society agencies would justify our rounding out that figure at least to 2,200.

We do know that the full-time permanent employees in the Federal government now number about 2,615,000.

And we know, to take a few specific examples, that of these bureaucrats 15,400 administer the programs of the Department of Housing and Urban Development, 100,000 the programs (including Social Security) of the Department of Health, Education, and Welfare, and 154,000 the programs of the Veterans Administration.

If we want to look at the rate at which parts of this bureaucracy have been growing, let us take the Department of Agriculture. In 1929, before the U. S. government started crop controls and price supports on an extensive scale, there were 24,000 employees in that Department. Today, counting part-time workers, there are 120,000, five times as many, all of them with a vital economic interest – to wit, their own jobs – in proving that the particular controls they were hired to formulate and enforce should be continued and expanded.

What chance does the individual businessman, the occasional disinterested professor of economics, or columnist or editorial writer, have in arguing against the policies and actions of this 120,000-man army, even if he has had time to learn the detailed facts of a particular issue? His criticisms

are either ignored or drowned out in the organized counterstatements.

This is only one example out of scores. A few of us may suspect that there is much unjustified or foolish expenditure in the U. S. Social Security program, or that the unfunded liabilities already undertaken by the program (one authoritative estimate of these exceeds a *trillion* dollars) may prove to be unpayable without a gross monetary inflation. A handful of us may suspect that the whole principle of compulsory government old age and survivor's insurance is open to question. But there are nearly 100,000 full-time permanent employees in the Department of Health, Education, and Welfare to dismiss all such fears as foolish, and to insist that we are still not doing nearly enough for our older citizens, our sick, and our widows and orphans.

And then there are the millions of those who are already on the receiving end of these payments, who have come to consider them as an earned right, who of course find them inadequate, and who are outraged at the slightest suggestion of a critical re-examination of the subject. The political pressure for constant extension and increase of these benefits is almost irresistible.

And even if there weren't whole armies of government economists, statisticians, and administrators to answer him, the lone disinterested critic, who hopes to have his criticism heard and respected by other disinterested and thoughtful people, finds himself compelled to keep up with appalling mountains of detail.

Too Many Cases to Follow

The National Labor Relations Board, for example, hands down hundreds of decisions every year in passing on "unfair" labor practices. In the fiscal year 1967 it passed on 803 cases "contested as to the law and the facts." Most of these decisions are strongly biased in favor of the labor unions; many of them pervert the intention of the Taft-Hartley Act that they ostensibly enforce; and in some of them the board arrogates to itself powers that go far beyond those granted by the act. The texts of many of these decisions are very long in their statement of facts or alleged facts and of the Board's conclusions. Yet how is the individual economist or editor to keep abreast of the decisions and to comment informedly and intelligently on those that involve an important principle or public interest?

Or take again such major agencies as the Federal Trade Commission, the Securities and Ex-

change Commission, the Internal Revenue Service, the Interstate Commerce Commission, the Food and Drug Administration, the Federal Communications Commission. All these agencies engage in quasi-legislative, quasi-judicial, and administrative functions. They issue rules and regulations, grant licenses, issue cease-and-desist orders, award damages, and compel individuals and corporations to do or refrain from many things. They often combine the functions of legislators, prosecutors, judges, juries, and bureaucrats. Their decisions are not always based solely on existing law; and yet when they inflict injury on corporations or individuals, or deprive them of constitutional liberties and legal rights, appeal to the courts is often difficult, costly, or impossible.

Once again, how can the individual economist, student of government, journalist, or anyone interested in defending or preserving liberty, hope to keep abreast of this Niagara of decisions, regulations, and administrative laws? He may sometimes consider himself lucky to be able to master in many months the facts concerning even one of these decisions.

Professor Sylvester Petro of New York University has written a full book on the Kohler strike and another full book on the Kingsport strike, and the public lessons to be learned from them. Professor Martin Anderson has specialized in the follies of urban renewal programs. But how many are there among us libertarians who are willing to – or have the time to – do this specialized and microscopic but indispensable research?

In July, 1967, the Federal Communications Commission handed down an extremely harmful decision ordering the American Telephone & Telegraph Company to lower its interstate rates – which were already 20 per cent lower than in 1940, though the general price level since that time had gone up 163 per cent. In order to write a single editorial or column on this (and to feel confident he had his facts straight), a conscientious journalist had to study, among other material, the text of the decision. That decision consisted of 114 single-spaced typewritten pages.

. . . and Schemes for Reform

We libertarians have our work cut out for us.

In order to indicate further the dimensions of this work, it is not merely the organized bureaucracy that the libertarian has to answer; it is the individual private zealots. A day never passes without some ardent reformer or

group of reformers suggesting some new government intervention, some new statist scheme to fill some alleged "need" or relieve some alleged distress. They accompany their scheme by citing statistics that supposedly prove the need or the distress that they want the taxpayers to relieve. So it comes about that the reputed "experts" on relief, unemployment insurance, social security, medicare, subsidized housing, foreign aid, and the like are precisely the people who are advocating more relief, unemployment insurance, social security, medicare, subsidized housing, foreign aid, and all the rest.

Let us come to some of the lessons we must draw from all this.

Specialists for the Defense

We libertarians cannot content ourselves merely with repeating pious generalities about liberty, free enterprise, and limited government. To assert and repeat these general principles is absolutely necessary, of course, either as prologue or conclusion. But if we hope to be individually or collectively effective, we must individually master a great deal of detailed knowledge, and make ourselves specialists in one or two lines, so that we can show how our libertarian principles apply in special fields, and so that we can convincingly dispute the proponents of statist schemes for public housing, farm subsidies, increased relief, bigger social security benefits, bigger medicare, guaranteed incomes, bigger government spending, bigger taxation, especially more progressive income taxation, higher tariffs or import quotas, restrictions or penalties on foreign investment and foreign travel, price controls, wage controls, rent controls, interest rate controls, more laws for so-called "consumer protection," and still tighter regulations and restrictions on business everywhere.

This means, among other things, that libertarians must form and maintain organizations not only to promote their broad principles – as does, for example, the Foundation for Economic Education – but to promote these principles in special fields. I am thinking, for example, of such excellent existing specialized organizations as the Citizens Foreign Aid Committee, the Economists' National Committee on Monetary Policy, the Tax Foundation, and so on. I am happy to report the very recent formation of Americans for Effective Law Enforcement.

We need not fear that too many of these specialized organizations will be formed. The real danger is the opposite. The private libertarian organizations in the United

States are probably outnumbered ten to one by communist, socialist, statist, and other left-wing organizations that have shown themselves to be only too effective.

And I am sorry to report that almost none of the old-line business associations that I am acquainted with are as effective as they could be. It is not merely that they have been timorous or silent where they should have spoken out, or even that they have unwisely compromised. Recently, for fear of being called ultraconservative or reactionary, they have been supporting measures harmful to the very interests they were formed to protect. Several of them, for example, have come out in favor of the Administration's proposed tax increase on corporations, because they were afraid to say that the Administration ought rather to slash its profligate welfare spending.

The sad fact is that today most of the heads of big businesses in America have become so confused or intimidated that, so far from carrying the argument to the enemy, they fail to defend themselves adequately even when attacked. The pharmaceutical industry, subjected since 1962 to a discriminatory law that applies questionable and dangerous legal principles that the government has not yet dared to apply in other fields, has been too timid to state its own case effectively. And the automobile makers, attacked by a single zealot for turning out cars "Unsafe at Any Speed," handled the matter with an incredible combination of neglect and ineptitude that brought down on their heads legislation harmful not only to the industry but to the driving public.

The Timidity of Businessmen

It is impossible to tell today where the growing anti-business sentiment in Washington, plus the itch for more government control, is going to strike next. Only within the last few months Congress, with little debate, allowed itself to be stampeded into a dubious extension of Federal power over intrastate meat sales. When this article appears, or shortly after, Congress may have passed a Federal "truth-in-lending" law, forcing lenders to calculate and state interest rates the way Federal bureaucrats want them calculated and stated. There is also pending an Administration bill in which government bureaucrats are to prescribe "standards" telling just how surgical devices like bone pins and catheters and even artificial eyes are to be made.

And a few weeks ago the President suddenly announced that he was prohibiting American business from making further direct

investments in Europe, that he was restricting them elsewhere, and that he would ask Congress to pass some law restricting Americans from traveling to Europe. Instead of raising a storm of protest against these unprecedented invasions of our liberties, most newspapers and businessmen deplored their "necessity" and hoped they would be only "temporary."

The very existence of the business timidity that allows these things to happen is evidence that government controls and power are already excessive.

Why are the heads of big business in America so timid? That is a long story, but I will suggest a few reasons: (1) They may be entirely or largely dependent on government war contracts. (2) They never know when or on what grounds they will be held guilty of violating the antitrust laws. (3) They never know when or on what grounds the National Labor Relations Board will hold them guilty of unfair labor practices. (4) They never know when their personal income tax returns will be hostilely examined, and they are certainly not confident that such an examination, and its findings, will be entirely independent of whether they have been personally friendly or hostile to the Administration in power.

It will be noticed that the governmental actions or laws of which businessmen stand in fear are actions or laws that leave a great deal to administrative discretion. Discretionary administrative law should be reduced to a minimum; it breeds bribery and corruption, and is always potentially blackmail or blackjack law.

A Confusion of Interests

Libertarians are learning to their sorrow that big businessmen cannot necessarily be relied upon to be their allies in the battle against extension of governmental encroachments. The reasons are many. Sometimes businessmen will advocate tariffs, import quotas, subsidies, and restrictions of competition, because they think, rightly or wrongly, that these government interventions will be in their personal interest, or in the interest of their companies, and are not concerned whether or not they may be at the expense of the general public. More often, I think, businessmen advocate these interventions because they are honestly confused, because they just don't realize what the actual consequences will be of the particular measures they propose, or perceive the cumulative debilitating effects of growing restrictions of human liberty.

Perhaps most often of all, however, businessmen today acquiesce

in new government controls out of sheer timidity.

A generation ago, in his pessimistic book, *Capitalism, Socialism and Democracy* (1942), the late Joseph A. Schumpeter maintained the thesis that "in the capitalistic system there is a tendency toward self-destruction." And as one evidence of this he cited the "cowardice" of big businessmen when facing direct attack:

> They talk and plead – or hire people to do it for them; they snatch at every chance of compromise; they are ever ready to give in; they never put up a fight under the flag of their own ideals and interests – in this country there was no real resistance anywhere against the imposition of crushing financial burdens during the last decade or against labor legislation incompatible with the effective management of industry.

So much for the formidable problems facing dedicated libertarians. They find it extremely difficult to defend particular firms and industries from harassment or persecution when those industries will not adequately or competently defend themselves. Yet division of labor is both possible and desirable in the defense of liberty as it is in other fields. And many of us, who have neither the time nor the specialized knowledge to analyze particular industries or special complex problems, can be nonetheless effective in the libertarian cause by hammering incessantly on some single principle or point until it is driven home.

Basic Principles upon Which Libertarians May Rely

Is there any single principle or point on which libertarians could most effectively concentrate? Let us look, and we may end by finding several.

One simple truth that could be endlessly reiterated, and effectively applied to nine-tenths of the statist proposals now being put forward or enacted in such profusion, is that the government has nothing to give to anybody that it doesn't first take from somebody else. In other words, all its relief and subsidy schemes are merely ways of robbing Peter to support Paul.

Thus, it can be pointed out that the modern welfare state is merely a complicated arrangement by which nobody pays for the education of his own children, but everybody pays for the education of everybody else's children; by which nobody pays his own medical bills, but everybody pays everybody else's medical bills; by which nobody provides for his own old-age security, but everybody pays for everybody else's old-age security; and so on. Bastiat, with

uncanny clairvoyance, exposed the illusive character of all these welfare schemes more than a century ago in his aphorism: "The State is the great fiction by which everybody tries to live at the expense of everybody else."

Another way of showing what is wrong with all the state handout schemes is to keep pointing out that you can't get a quart out of a pint jug. Or, as the state giveaway programs must all be paid for out of taxation, with each new scheme proposed the libertarian can ask, *"Instead of what?"* Thus, if it is proposed to spend another $1 billion on getting a man to the moon or developing a supersonic commercial plane, it may be pointed out that this $1 billion, taken in taxation, will not then be able to meet a million personal needs or wants of the millions of taxpayers from whom it is to be taken.

Of course, some champions of ever-greater governmental power and spending recognize this very well, and like Prof. J. K. Galbraith, for instance, they invent the theory that the taxpayers, left to themselves, spend the money they have earned very foolishly, on all sorts of trivialities and rubbish, and that only the bureaucrats, by first seizing it from them, will know how to spend it wisely.

Knowing the Consequences

Another very important principle to which the libertarian can constantly appeal is to ask the statists to consider the secondary and long-run consequences of their proposals as well as merely their intended direct and immediate consequences. The statists will sometimes admit quite freely, for example, that they have nothing to give to anybody that they must not first take from somebody else. They will admit that they must rob Peter to pay Paul. But their argument is that they are seizing only from rich Peter to support poor Paul. As President Johnson once put it quite frankly in a speech on January 15, 1964: "We are going to try to take all of the money that we think is unnecessarily being spent and take it from the 'haves' and give it to the 'have nots' that need it so much."

Those who have the habit of considering long-run consequences will recognize that all these programs for sharing-the-wealth and guaranteeing incomes must reduce incentives at both ends of the economic scale. They must reduce the incentives both of those who are capable of earning a high income, but find it taken away from them, and those who are capable of earning at least a moderate income, but find themselves supplied

with the necessities of life without working.

This vital consideration of incentives is almost systematically overlooked in the proposals of agitators for more and bigger government welfare schemes. We should all rightly be concerned with the plight of the poor and unfortunate. But the hard two-part question that any plan for relieving poverty must answer is: How can we mitigate the penalties of failure and misfortune *without undermining the incentives to effort and success?* Most of our would-be reformers and humanitarians simply ignore the second half of this problem. And when those of us who advocate freedom of enterprise are compelled to reject one of these specious "antipoverty" schemes after another on the ground that it will undermine these incentives and in the long run produce more evil than good, we are accused by the demagogues and the thoughtless of being "negative" and stony-hearted obstructionists. But the libertarian must have the strength not to be intimidated by this.

Finally, the libertarian who wishes to hammer in a few general principles can repeatedly appeal to the enormous advantages of liberty as compared with coercion. But he, too, will have influence and perform his duty properly only if he has arrived at his principles through careful study and thought. "The common people of England," once wrote Adam Smith, "are very jealous of their liberty, but like the common people of most other countries have never rightly understood in what it consists." To arrive at the proper concept and definition of liberty is difficult, not easy. But this is a subject too big to be developed further here.

Legal and Political Aspects

So far, I have talked as if the libertarian's study, thought, and argument need be confined solely to the field of economics. But, of course, liberty cannot be enlarged or preserved unless its necessity is understood in many other fields – and most notably in law and in politics.

We have to ask, for example, whether liberty, economic progress, and political stability can be preserved if we continue to allow the people on relief – the people who are mainly or solely supported by the government and who live at the expense of the taxpayers – to exercise the franchise. The great liberals of the nineteenth and early twentieth centuries expressed the most serious misgivings on this point. John Stuart Mill, writing in his *Representative Government* in 1861, did not equiv-

ocate: "I regard it as required by first principles that the receipt of parish relief should be a preemptory disqualification for the franchise. He who cannot by his labor suffice for his own support has no claim to the privilege of helping himself to the money of others." And A. V. Dicey, the eminent British jurist, writing in 1914, also raised the question whether it is wise to allow the recipients of poor relief to retain the right to join in the election of a member of Parliament.

An Honest Currency and an End to Inflation

This brings me, finally, to one more single issue on which all those libertarians who lack the time or background for specialized study can effectively concentrate. This is in demanding that the government provide an honest currency, and that it stop inflating.

This issue has the inherent advantage that it can be made clear and simple because fundamentally it *is* clear and simple. All inflation is government-made. All inflation is the result of increasing the quantity of money and credit; and the cure is simply to halt the increase.

If libertarians lose on the inflation issue, they are threatened with the loss of every other issue. If libertarians could win the inflation issue, they could come close to winning everything else. If they could succeed in halting the increase in the quantity of money, it would be because they could halt the chronic deficits that force this increase. If they could halt these chronic deficits, it would be because they had halted the rapid increase in welfare spending and all the socialistic schemes that are dependent on welfare spending. If they could halt the constant increase in spending, they could halt the constant increase in government power.

The devaluation of the British pound a few months ago, though it may shake the whole world currency system to its foundations, may as an offset have the longer effect of helping the libertarian cause. It exposes as never before the bankruptcy of the Welfare State. It exposes the fragility and complete undependability of the paper-gold international monetary system under which the world has been operating for the last twenty years. There is hardly one of the hundred or more currencies in the International Monetary Fund, with the exception of the dollar, that has not been devalued at least once since the I.M.F. opened its doors for business. There is not a single currency unit – and there is no exception to this statement –

that does not buy less today than when the Fund started.

The dollar, to which practically every other currency is tied in the present system, is now in the gravest peril. If liberty is to be preserved, the world must eventually get back to a full gold standard system in which each major country's currency unit must be convertible into gold on demand, by anybody who holds it, without discrimination. I am aware that some technical defects can be pointed out in the gold standard, but it has one virtue that more than outweighs them all. It is not, like paper money, subject to the day-to-day whims of the politicians; it cannot be printed or otherwise manipulated by the politicians; it frees the individual holder from that form of swindling or expropriation by the politicians; it is an essential safeguard for the preservation, not only of the value of the currency unit itself, but of human liberty. Every libertarian should support it.

I have one last word. In whatever field he specializes, or on whatever principle or issue he elects to take his stand, the libertarian *must* take a stand. He cannot afford to do or say nothing. I have only to remind you of the eloquent call to battle on the final page of Ludwig von Mises's great book on *Socialism* written 35 years ago:

> Everyone carries a part of society on his shoulders; no one is relieved of his share of responsibility by others. And no one can find a safe way out for himself if society is sweeping toward destruction. Therefore everyone, in his own interests, must thrust himself vigorously into the intellectual battle. None can stand aside with unconcern; the interests of everyone hang on the result. Whether he chooses or not, every man is drawn into the great historical struggle, the decisive battle into which our epoch has plunged us. ◈

IDEAS ON LIBERTY

A Complex Problem

WHEN STUDIED with any degree of thoroughness, the economic problem will be found to run into the political problem, the political problem in turn into the philosophical problem, and the philosophical problem itself to be almost indissolubly bound up at last with the religious problem.

IRVING BABBITT, *Democracy and Leadership*

As Far As Possible

THE DISCOVERER of Australia, Captain James Cook, said: "I had ambition not only to go farther than any man had ever been before, but as far as it was possible for a man to go."

". . . as far as it was possible for a man to go." There could hardly be a better text. We should all aim to achieve in life as much as it is possible for us to achieve, to stretch ourselves to the limit of our capabilities. That is much further than most of us realize. Few people make the best of themselves. Few use to the full the gifts they are fortunate to possess. The most tragic of all wastes is the under-use of human talent.

This is not just a matter of achieving success in our chosen vocation or in the eyes of the world. It is the more difficult task of making a success of ourselves, of developing to the utmost our powers and capacities. One may achieve outstanding success in one's career and yet still fall far short of one's full potential as a human being.

Too many people set their sights too low. Their range of vision is limited. They can see only what is in their immediate vicinity. They have no far horizons or hope or ambition. They go through life unaware of the magic and poetry of existence, untouched by inspiration or imagination. To find, one must seek: to see, one must lift up one's eyes to the hills.

It does not matter that the goals we set ourselves are unattainable—all the better. The great tragedy is never to have felt the urge to rise above oneself, to be satisfied to go through life at ground level, to have no purpose beyond the satisfaction of everyday needs.

"Ah! but a man's reach should exceed his grasp.
Or what's a Heaven for?" ◈

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The REAL Price Wars

LEONARD E. READ

EVERYBODY favors freedom, but...! Countless minds are filled with "buts" of every description and variety. So numerous are freedom's "shortcomings" that in most company it hasn't a leg to stand on. State interventionism, socialism, thus engulfs those who favor freedom, but . . . !

For instance, over and over again we hear, "I believe in freedom *but* in a free and unrestricted market we have price wars; the big fellows cut prices below cost to run the little fellows out of business after which monopoly prices may be charged."[1]

Such so-called price wars are the minor competitive pricing flurries between bakers, filling station operators, and the like. Recently, consumers in the New York area enjoyed a "coffee war." But these bids for more business are nonviolent and, thus, are not wars at all. They are nothing more than intensified, competitive pricing, offers to serve mass markets.

Actually, competitive pricing is a device for cooperating; as consumers, we look not only at quality but *at price* to determine with which supplier we shall cooperate in trade. How else are we to decide what bread to buy, with which baker we shall cooperate? Many men may cooperate to produce an item, but their customers are co-*operators* of the business, too.

True, some businesses fall by the wayside as have some 1,600 different automobile manufactur-

[1] Regardless of all the restrictions against competitive pricing in the U.S.A., in no other place or time in history has it been so much practiced. And history has no record of little-to-bigness growth so prevalent as in our country.

ers in the history of that industry in the United States. Intensive competitive pricing only steps up the rate of the dropouts; it does not alter the final decision. It simply lets all producers know sooner than otherwise how they rate in the struggle to serve self and others. And this is the way it should be. The alternative would be for consumers to subsidize every incompetent person or group in every enterprise ventured. Unthinkable!

These so-called price wars and the monetary benefits they confer on consumers are not a social problem and do not merit special attention by the student of political economy. They are mere ripples in the mainstream of open competition.

Violent Methods of Pricing Mark the Real Wars

There are, however, mighty, economy-wrecking price wars – real ones – that are rarely thought of as such and seldom diagnosed with accuracy. As a consequence, remedial efforts often tend to aggravate the conflicts and to make peaceful cooperation and trade more difficult.

We should bear in mind that violence is the distinguishing feature of war. We can infer from this that *any pricing that rests on the use or the threat of force–violence–must be defined as a price war.*

What, then, are the real price wars? Rent control qualifies, for it rests on coercive pricing. So does the minimum wage law; if anyone doubts it, let him absolutely disobey and observe the consequences.[2] The prices of wheat, cotton, peanuts, tobacco, and so on are fixed by force. Every form of price control forces either buyer or seller, or both, to deal at prices not mutually acceptable.

The strike is the perfect example of a real price war. Why? The strike is a method of pricing; strikes rest on violence or the threat thereof; thus, *all strikes are price wars.*

The strike is the markup device used by trade unions, organizations of otherwise independent sellers of labor having among their purposes the coercive manipulation of market price to their own advantage.

The striker is not content just to withhold his own services from the market; he is determined that no one else shall enter the market he has closed. Any trading must be at his price or not at all; and he will deal violently with any buyer or seller of services

[2] See Chapter III, "Strife As a Way of Life," in *Anything That's Peaceful* (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1964).

who crosses his picket line. Governments often sanction, encourage, and uphold such violence – in effect, forcing taxpayers to subsidize (employ) the strikers.

Unwilling Exchange

Violence as a method of pricing is intimidation, not cooperation. Violence or its threat at best results in unwilling as distinguished from willing exchange. For varying periods the consequence is no exchange at all, and often exchange between combatants is brought to a permanent standstill. Strikes are price wars; indeed, *they are no less than civil wars.* The object in war is not to serve the opponent but to injure him– to gain at his expense. The grave risk is that both sides may lose.

To observe which side comes out on top in warfare is not to be sure of a winner. The side on top may be as permanently fastened in that position as is the side being held down. Both sides lose in these unfree positions. Contrast this with the mutual gain derived from the peaceful voluntary exchange of goods and services.

We should assess all violence as it affects the quality of the ideas men hold. Evaluated in this manner, it is easy to see that violence not only destroys material wealth but also downgrades man intellectually, morally, spiritually, and ideologically. Reflect on the prospects for cooperation, for instance, when one slaps a spouse in the face! Each shot fired at a human being and each threat of violence, whether in shooting or price wars, is a step away from the ideal, a blow to the creative process.

The cure for wars – including price wars – is an intelligent interpretation of self-interest. How can I realize my creative potentialities except as I be free? And I cannot be free if I am holding you down. Or vice versa! My freedom depends on yours and yours on mine.[3] This is so simple and self-evident that one wonders why it is ever questioned.

As to the price of labor – yours or mine – simply free the market by removing every trace of violence or the threats thereof. Let competition be open and unlimited. Maximize, rather than minimize, the prospects for mutual gain through cooperation. And be not misled by the claims that trade unions or governments raise the wage level.[4]

In any event, let us confine the term "price wars" to those pricing activities resting on force, coercion, violence. ◈

[3] See "My Freedom Depends on Yours" by Dean Russell. THE FREEMAN, December, 1967.

[4] See *Why Wages Rise* by F. A. Harper. (Irvington, N.Y.: The Foundation for Economic Education, Inc., 1957).

CLARENCE B. CARSON

The Rise and Fall of England

1. THIS SCEPTERED ISLE

This royal throne of kings, this scepter'd isle,
This earth of majesty, this seat of Mars,
This other Eden, demi-paradise,
This fortress built by Nature for herself
Against infection and the hand of war,
This happy breed of men, this little world,
This precious stone set in the silver sea,
Which serves it in the office of a wall
Or as a moat defensive to a house,
This blessed plot, this earth, this realm, this England.

WILLIAM SHAKESPEARE

IT IS NOT for historians to pronounce sentence upon nations and civilizations; they are neither judges nor juries. It is proper for them only to record the fact of the rise, the decline, and the fall of nations and civilizations. It may be premature to speak of the fall of England. No conquering hordes have as yet crossed the English Channel, swept over her shores, and engulfed her in that night of disruption and chaos which can accompany conquest. No Barbarians have descended from the North to drive the natives to the mountains for a retreat to repeat an old historical process.

Yet England has fallen from its former high estate, fallen as surely as if Claudius, the Roman Emperor, had directed a new conquest, or as if some new Barbarians—in the manner of the An-

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glo-Saxons or Vikings – had descended upon her. However, "the fortress built by Nature for herself" has not fallen to some conqueror from without this time; it has crumbled and is falling from within. It may well be that this inward decay will offer the opportunity for conquest by some foreign power, but it has not happened yet.

As is usually the case, England's decline or fall did not occur overnight. The disintegration has been going on for many years. The devaluation of the pound in 1967 was only one more in a long chain of events that signalize decline. Though the yielding up or cutting loose of England's empire is the most obvious and impressive sign of decline, it is not as important as it appears to be. Actually, the acquisition and formalizing of the imperial structure in the latter part of the nineteenth century was a sign that decline had already set in. The evidence of decline can be seen in the abandonment of free trade, the erection of trade barriers, the successive declines in the exchange value of the pound, in England's inferior trade position, in the inability to carry out obligations abroad, in the drop to status as a minor power after World War II. Underlying these outward developments can be found the loss of confidence, the failure of nerve, the abandonment of principle, the moral decay of which the Profumo Affair and mini-skirts are signs but not the substance.

Future Unknown

Whether England will continue her current fall into historical oblivion is not known as yet. It is not for historians to predict the future; they have a massive enough task in reporting the past. It is in the realm of possibility that England could become the center of a new renaissance in the future, that revival might come and a new era of greatness proceed from the British Isles. It is possible, though not likely. At any rate, a people do not necessarily disappear because they have fallen from the pinnacle of greatness. There is still a Greek people in our day, as there is a Greece; but their greatness is now more than two millennia in the past. The Byzantine Empire continued to exist for a thousand years as a civilization that was a faded reflection of Rome. Dictators in the twentieth century—Mussolini and Nasser, for example—have attempted to awaken their people from the somnolence into which they have sunk to a new effort at gaining a place in the sun; but thus far they have had little success. In short, there is no way of know-

ing what the future place or direction will be of a people who have fallen. For now, however, England's fall is a fact or, if that is too precise, a trend that has been going on for a sufficient time that its character is apparent.

Historians have been understandably reluctant to record the judgment. For Americans, anyway, England is too much a part of our own background for us to welcome or even to recognize her fall. Besides, it is ungracious and probably impolite to call attention to the loss of station of another. Even so, the rise and fall of nations is of moment to peoples other than those most directly involved. If there is something to be learned from it, we would want to know it, though that learning be contingent upon calling attention to unpleasant facts. Moreover, this investigation and report is not made in the spirit of the Pharisee. We in America can hardly afford to rejoice and be thankful that we are not as the English. What has happened to them should be an object lesson having the most direct bearing for us. In many respects, these United States have followed the lead, though somewhat more slowly, of the English in the policies which have signaled and perhaps caused their decline. Their travail should be an occasion for our awakening. But for it to work in this fashion we must confront the story and its implications.

Progress through Liberty

The story of England's rise and fall is particularly appropriate for those who are interested in the effect of liberty and order in the affairs of man. The greatness of England was not simply in the far-flung Empire which she once ruled, not only in that her navy ruled the seas, never in such armies as she managed to muster, not in the pomp and ceremony of an apparently enduring monarchy, nor even finally in the vaunted stoicism and tenacity of the English character alone. England's greatness, in that nineteenth century moment of her glory, derived from the stability of her institutions, from the superiority of her product, from the confidence in the rectitude of the professed moral values, and in England's grasping and applying the idea of liberty when its time had come. For much of the nineteenth century, England was the leading nation in the world. That portion of an island known as England was the workshop of the world, the financial center for the world, the world's great market and trading center, and the nation whose political institutions were most imitated and copied. This is a part of

the story to be told here, along with its background, before going into England's fall and what occasioned it.

That England should have occupied such a place of leadership and dominance in the world for the better part of a century is amazing in itself. Moreover, it should be made clear that the period of England's leadership was more or less coincident with the flowering of modern Western Civilization. It was a feat on a par with or greater than that of Athens in Greece in the fifth century before Christ, of republican Rome in the second and first century before Christ, of France at the height of the Middle Ages, and of Italy at the time of the Renaissance. It is even more amazing when we look at the physical basis of this rise and review the usual place of England in the scheme of things.

Civilization came late to Britain and had a most tenuous hold there for more than a thousand years after its tentative coming. There is no literary record of who was there or what went on before 55 B.C., when Julius Caesar put in a brief appearance on the island and made an account of his expedition. When the Code of Hammurabi was issued, Britain had probably not been heard of in the Mediterranean. When Egyptian civilization was at its peak, the inhabitants of Britain were still in the Stone Age. When Plato wrote his famous dialogues, illiterate Celtic farmers occupied parts of the island. Following the 400-year occupation by Rome, the Dark Ages descended upon Britain once again with the coming of the Angles and Saxons, at a time when the Byzantine Empire was the far-off center of civilization.

The Mediterranean was the center of Western Civilization for several thousand years before Christ, roughly speaking, until around 1500 of our era. Britain was far removed from and, at best, on the periphery of that civilization. She was usually at the very end of the trade routes; artistic and intellectual developments reached her shores very late, if at all. Usually, Britain followed rather than led in European developments. To Shakespeare, England was a "precious stone set in the silver sea," but to the rest of the world for most of history it was a remote island with backward inhabitants and unattractive resources.

The Geography of England

Geography tells us little enough about why civilization emerges or is centered at a particular place. Historians must still ponder why Greece, with its hilly topography and meager soil, should have been

the center of a civilization. Even more favorable locations do not explain why civilization develops there at particular times. Geography provides opportunities to a people, offers advantages as well as disadvantages for them, and helps to explain somewhat the particular course their development takes. Still, it is important to know a little of the physical features of that land whose history we are to examine briefly. For there was and is a physical base of England's development, and what was developed was made from these materials in large part.

Geographically, England is a part of the continent of Europe, though it is now separated from the continental land mass by water which is at its narrowest over twenty miles across. It is generally believed that Britain was joined by land to the continent until eight or ten thousand years ago. England is, of course, on an island. The name of the island is Great Britain. Present-day England occupies the southern and eastern part of the island; to the west lies Wales and to the north is Scotland. (England, Scotland, and Wales now comprise the United Kingdom.) Great Britain is the largest of a chain of islands which, taken together, are known as the British Isles. Before the fifth century A.D. what is now England was known, roughly, as Britain; after the coming of the Anglo-Saxons it became known as England (Angle land).

Access to the Sea

Generally speaking, England has the most favorable location on Great Britain. Wales and Scotland are hilly and mountainous; most of the arable land lies in England. The climate of England is usually mild the year around, warmed and cooled by the sea and the land mass to the east. Most of the level and rolling land on the island is in England. In the north and west of England are found the hills which contain the valuable minerals; hence, this area became the great manufacturing region. To the south and east lie the fertile lands for farming.

The coast line is broken and heavily indented, an indication of the access of the country to the sea. As one historian says, "The many indentations in the coast provide harbors which facilitate communication with the outside world. The harbors, moreover, are readily accessible to the people of the interior, for numerous rivers flow down to the sea, and no place in Great Britain is more than seventy miles from the coast."[1] Small wonder, then, that when England's

[1] W. E. Lunt, *History of England* (New York: Harper, 1956, 4th ed.), p. 6.

time of greatness came, it should be in terms of trade, the sea, and the navy. Once England began to engage in foreign trade on a large scale, she had a decided advantage in transportation costs over most countries, and it should be kept in mind that transportation by boat along natural water lanes has ever been the cheapest mode for the carrying of goods.

A Backward People

But for most of history Britain had little impact on the rest of the world. The impact was usually exerted upon her, not from her. Whatever natural advantages the island enjoyed, they did not suffice to make the people there much of a positive force or influence in world affairs. As has been pointed out, for most of history the island was at the periphery of civilization. The peoples there were subjected to a succession of invasions from other peoples and empires, invasions that go back long before written records. There have been four successful invasions since recorded history began. Shakespeare might think of England as an impregnable fortress, but for much of history it was quite pregnable.

It is easy to understand why this was so. The island is not far from the mainland; its numerous rivers flowing into the sea afford places to land for those who come from the continent. At the same time the number of landings make defense most difficult. So long as the peoples were not unified politically, so long as no central force dominated the most accessible areas, just so long could invaders come with relative ease. To turn the proposition around, once England was organized into an effective kingdom, it became a formidable task to invade her. This occurred in the eleventh century of our era, and since that time there has been no successful invasion. The impregnable fortress, then, was not a product of environment but of human effort and organization.

Often Invaded

The first of the four invasions of recorded times was that of the Romans. In 43 A.D., the Emperor Claudius sent forces to Britain which were to succeed before the end of the century in conquering most of that territory now known as England. The Romans occupied Britain for the better part of four centuries, beginning their withdrawal in the early part of the fifth century. They brought the appurtenances of Roman civilization: the town or city, the aqueduct, the road, literacy and the Latin languages, effective political organization, and, even, Chris-

tianity, for it is known that there were Christian churches in Britain during the time of the Roman occupation.

The Romans began to withdraw from the island and eventually abandoned it in the face of a new horde of invaders in the fifth century. This was the Germanic invasion, one which swept over most of Europe and brought to Britain, according to legend, the Angles, Saxons, and Jutes. There have been efforts from time to time to brighten the traditional gloomy picture painted of this wave of invaders, to call them Germans rather than barbarians, to say that the age that followed was not as Dark as it has been made to appear. Be that as it may, the new invaders were illiterate pagans who swept all before them. They drove most of the native population out of the lowlands of Britain, or so it is believed, allowed the towns and other appurtenances of the Romans to decay and all but disappear, and the country reverted to a rather primitive agricultural condition. There was a Celtic Christian church which made some impact upon these barbarians, but not much.

Actually, literary knowledge of what was going on in England comes mainly after the late sixth century when Pope Gregory the Great sent missionaries of the Roman church to England. These succeeded in converting the Anglo-Saxons to Christianity in the course of the seventh century, by and large, anyhow. At this time in history, the Roman Catholic church was the main preserver and carrier of the remains and relics of Roman civilization in Western Europe. By its work, peoples were made familiar with the Latin language and some of the literature, with the idea of large-scale imperial organization, and with a written and codified law.

Many Small Kingdoms

In the seventh century, England was divided into a number of small kingdoms. From time to time, one or another of these dominated the others. Not much headway was made toward uniting these into a single kingdom until England was faced once again with a new wave of invaders from the north. This invasion is known as the Viking invasion, and it went on sporadically for nearly two centuries. The Danes began to arrive in England in considerable numbers around 839. For most of the rest of the ninth century warfare continued between the occupying Danes and English kings, the most notable of whom was Alfred the Great. The Danish invaders were a new onslaught of pagans, no better than pirates and raiders, creating

destruction in their wake, exacting regular payments from those whom they conquered.

England was quite often divided between territory controlled by the Danes and that by the English kings. The situation improved in the late ninth century and for much of the tenth, but in the late tenth century, there was a new onslaught of Scandinavians. For a time in the early eleventh century, all England was ruled by the Scandinavian King Canute, the first time it had been politically united since the withdrawal of the Romans. (It should be kept in mind that England is not very large, having slightly less territory than the state of Alabama; hence, to be divided into many kingdoms would mean that each one would be quite small.)

United England had enjoyed the rule of only one native king (Edward the Confessor) when it was subjected to yet another invasion—that of the Normans of William the Conqueror. This time there was nothing gradual, imprecise, or vague about the invasion. William made claim to the throne of England upon the death of Edward, invaded with his Norman soldiers in 1066, defeated Harold Godwin at the Battle of Hastings, and got the Witan to proclaim him king. He proceeded to remove the basis of all resistance to him and to organize the whole kingdom under his great tenants-in-chief (barons). For the next 150 years or so, England was little more than a fief of a line of Norman and Angevin nobles, and the sway of France became in some ways more decisive from the early thirteenth century onward.

The Norman Invasion

The point of this brief review of the history of England is to emphasize the obscurity, backwardness, and impotence of Britain through most of history. It is a history filled with subjection to foreign invaders, of a people with a tenuous and unsure hold on civilization, of a people being civilized (sometimes) rather than engaging in the work of civilization.

Matters did improve somewhat after the Norman invasion. Since that time, there has never been another successful foreign invasion. Continuing political unity was established for England by the Normans and their successors. England even began to contribute to civilization; there were many famous English scholars and thinkers of the High Middle Ages: Anselm of Canterbury, John of Salisbury, Roger Bacon, Robert Grosseteste, Duns Scotus, William of Ockham, among others. France, however, exerted the dominant influence in the High Mid-

dle Ages; England was still at the edge of civilization, though no longer at the outer edge. At any rate, Medieval civilization disintegrated in the fourteenth and fifteenth centuries. England was finally disentangled from France by the middle of the fifteenth century, but the Hundred Year's War which had this result was followed by a civil war in England for most of the latter part of the fifteenth century, a war which signalized the breakdown of the old lines of political authority. England's influence upon Europe and the rest of the world at this point was almost nonexistent.

England's Gradual Emergence during the Sixteenth Century

Looking back from our vantage point, we can see that by the early sixteenth century the stage was being set for England's emergence, if not to greatness at this point, at least to be a nation on a par with other nations. The reign of the Tudor monarchs was marked by many momentous developments: the Northern Renaissance, the Protestant and Catholic Reformations, the rise of nation-states, and, of equal importance, it was the Age of Discovery. The strategic location of the British Isles was greatly altered by the discovery of America. The *Encyclopaedia Britannica* notes that the "Age of Discovery changed England from a land at the edge of the known world to a collection of harbours in the centre of the land hemisphere and at a prime focus of maritime routes." Thereafter, England was no longer on the edge of developments. The Tudor monarchs established the monarchy at a new peak of power, brought comparative political stability to England, separated the English church from Rome, and began to assert English power upon Europe. During the reign of Elizabeth I (1558-1603), England emerged as a sea power and was the scene of a considerable literary outpouring (the Age of Shakespeare). English was made into a powerful and effective literary language during this period.

Even so, England was still a long way from the greatness which influences and dominates a civilization. Spain was the dominant power of Europe for most of the sixteenth century. Probably, there was no one dominant power for the first half of the seventeenth century; much of Europe was immersed in the wars of religion. France would emerge once more in the latter part of the seventeenth century as *the* great power of Europe, and her influence was prevalent during the Age of Louis XIV. England's rise to power and influence would come in the eight-

eenth century and reach its culmination in the nineteenth.

Degrees of Civilization, Power, and Influence

But before detailing that story some premises need to be stated and the situation just prior to England's rise needs to be examined. I have spoken of civilization, of power, and of influence; they have been treated implicitly as values. There are, however, civilizations and civilizations; there is, in like manner, power and power, influence and influence. Civilization, any civilization, is, I think, preferable to an absence of civilization, if such a choice were to be made. Civilization implies order, stability, and shared values over a broad geographic area. It provides conditions within which trade and exchange can take place among peoples, peaceably and profitably. There are, of course, degrees of civilization, and the benefits of it may be reserved to a few. Thus, Medieval civilization was exclusive, and many of the opportunities and benefits were monopolized by a few. Great works of art may be produced as a result of the scantily rewarded toil of the many.

In like manner, the power of a nation may be used to subdue peoples and subject them to the whims of a ruling class. Influence may be disintegrative as well as integrative or helpful. As such, power and influence have little or no positive value. They are valuable only when they are put to constructive use and when they are inhibited as to harmful uses. A truly great civilization is one in which the powers of governments are limited and the energies of people—as many people as possible— are released to constructive uses.

This was hardly the case in sixteenth and seventeenth century Europe. Power was increasingly concentrated in the hands of monarchs who frequently employed it quite arbitrarily. The actions of people were often little more than the reflection of the will of the monarch. "I am the State," proclaimed Louis XIV, and the Stuart monarchs of England failed to echo the sentiment only because they did not dare. Civilization, such as it was, existed mainly for a very few people. People all over Europe lay under a heavy burden of restrictions, oppressive impositions, and persecution. Their energies were channeled and inhibited by the state. England was little, if any, better than other lands. If she had been powerful and influential, it would probably have been little more than the power and influence of a royal court upon privileged classes. England would

become more civilized before she would be worthy of imitation.

There is another matter that needs to be dealt with before taking up the foundations of the rise of England. Ever since the latter part of the nineteenth century there have been a considerable number of intellectuals who have romanticized the supposed idyllic rural life of an earlier England and heaped scorn and blame upon industrialization for hardships which occurred and poverty which existed. There is no better way to set the record straight in this regard than to expose conditions as they were in pre-industrial England. Along with that, it will be valuable to look at the state of freedom, or lack of it, in pre-industrial England. As should be well known, the amazing emergence of England to world leadership occurred after the release of the energies of the people of England by providing substantial liberty and in conjunction with England's industrialization. The point needs to be placed in relief by contrast with despotic and rural England. ◈

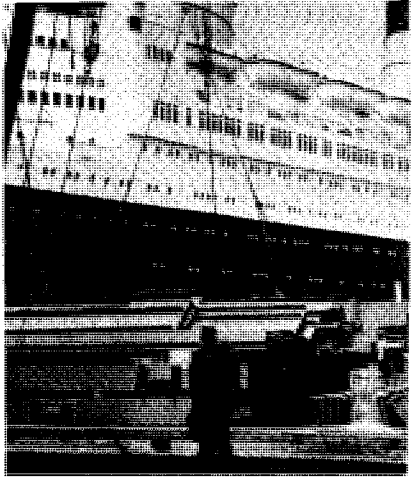
The next article in this series will relate to "pre-industrial England."

IDEAS ON LIBERTY

The Pursuit of Knowledge

WHENEVER a new property of any substance is discovered, it appears to have connections with other properties, and other things, of which we could have no idea at all before; and which are, by this means, but imperfectly announced to us. Indeed, every *doubt* implies some degree of *knowledge;* and while nature is a field of such amazing, perhaps boundless extent, it may be expected that the more knowledge we gain, the more doubts and difficulties we shall have; but still, since every advance in knowledge is a real and valuable acquisition to mankind, in consequence of its enabling us to apply the powers of nature to render our situation in life more happy, we have reason to rejoice at every new difficulty that is started; because it informs us that more knowledge, and more advantage are yet unattained, and should serve to quicken our diligence in the pursuit of them. Every *desideratum* is an imperfect *discovery.*

JOSEPH PRIESTLEY, *The History and Present State of Discoveries Relating to Vision, Light, and Colours,* London, 1772



A. Devaney, Inc., New York.

Steel Imports AND Basic Principles

WILLIAM B. BOYD

OF COURSE, I am as vitally concerned as anyone in the import troubles of the steel industry, but these troubles are only a part of a much greater problem and I think we must lift our gaze above the morass of statistics and political maneuverings – above and beyond the steel industry itself – to see what is really happening here. We must take a look at the basic principles involved.

I know we can all agree that the proper way to solve a problem is first to find its cause and then to remove that cause. The people of the American Iron and Steel Institute assume that their troubles come from foreign governments and producers, low foreign wage rates, and our State Department. Certainly these are contributing factors, but I believe that by far the most important cause is the actions and interventions of our own government – all departments and all levels – and of the labor unions to which government has given such great powers and privileges. Consider how our costs are skyrocketing because of high taxes, depreciation of our money, harassments, controls, regulations, strikes, union-imposed uneconomic wage levels, and inefficient work practices. These are the results of government actions, and they are forcing us to price ourselves right out of the market.

If you don't believe it is our own government that is at fault, consider an industry which is little if at all affected by foreign governments, foreign producers, and foreign wage scales. Take the railroads – the New York, New Haven & Hartford in particular.

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This road has been murdered by our own government and its creatures, the railway unions. It has been heavily taxed by all levels of government, its rates have been controlled, its operations have been regulated, it has suffered from strikes, featherbedding, and uneconomic wage rates, and on top of this, government has built competing highways along its tracks and subsidized competing modes of transportation. It has been ruined by its own government without the aid of foreigners and now, no doubt, will be completely taken over by government. And this will be the fate of many more industries if the present trend is not reversed.

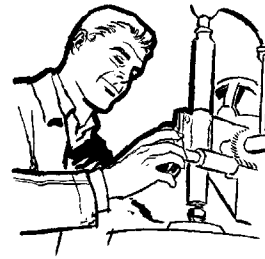
Why is government doing these things? The people in government are taking these actions because they believe the proper function of government is to guide and control our economy for "our own good" – that we are too stupid and greedy to run our own affairs. And we have such a government because the overwhelming majority of the people in this country have accepted and believe in statist ideas.

If this is so, then it would be futile to run to government – the very perpetrator of our troubles – and ask for yet another political intervention to compensate for uneconomic practices already in effect. It would also be inconsistent with belief in the free market which we profess.

So what we need is not *positive* government "help" (tariffs, quotas, embargoes, subsidies) but *negative* government help (revision of the labor laws to strip the unions of special privilege and power, reduction of taxes, a balanced budget, sound money, abolition of government controls and intervention in business) – in other words, a move to the free market and a constitutionally limited government.

Ideas must be fought with ideas, not with force. What we should do is demolish the prevalent ideas of statism and then win acceptance of the sound ideas of the free market, private property, limited government system.

This is a tall order and not something to be done overnight, but it seems to me the only sound way. It is a matter of enlightenment and education because ideas precede and determine actions; people act in accordance with their beliefs. Good politics will follow good thinking. First, then, we must develop our own understanding; for light attracts, and thus the ideas of freedom will spread. ◈



TOOLS

JASPER E. CRANE

A PROMINENT AMERICAN industrialist made a trip through the Orient recently, and in every country he visited from Russia to Hong Kong and Japan he met and talked with the ruler of that country. In every one of these conversations he would ask what he called the "$64 question"—"You have heard of the high standard of living in the United States. What do you believe to be the cause of America's prosperity?" Most of those interviewed replied that it was our abundant natural resources with plentiful raw materials. The industrialist would then state that this was quite untrue, that some of these countries had more natural resources per capita than we did in America. The ruler of the country would then flounder about, but not one gave a reasonable reply. For instance, Nehru of India, a great man with complete authority over more than four hundred million people, thoughtfully considered the question and finally came out with the reply, "You're lucky."

Yet, the true answer to the $64 question is simple – the provision of tools in a free country.

That answer is clearly manifested in our own country's history as well as in other past and contemporary events. At the end of the eighteenth century, immediately after Independence, Americans turned to making things which the British, with their policy of mercantilism, had not permitted the colonials to do. There developed a great center of industry on the little Brandywine River, with 120 mills on the last twenty miles of that stream. Elsewhere, the growth of manufactur-

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ing industry throughout the country was prodigious. The tremendous release of energy among free men was the potent factor in manufacturing enterprises throughout the new nation. "Yankee ingenuity" was often spoken of, but the outburst of energy and the reasons for it have seldom been explained. It proceeded at an accelerating pace.

Throughout human history there have been occasional occurrences of increased freedom in various places, always accompanied by increased production and a better standard of living. The correct answer to the $64 question explains why this is always so.

We have recently witnessed the phenomenal progress of Western Germany. Prostrated by military defeat and in dire trouble in 1948, its situation seemed hopeless. Vice Chancellor Erhard consulted W. Röpke, the great economist at Geneva, and he advised, "Try freedom." Thereupon, despite the remonstrance of American officials in Germany, controls were taken off of wages and prices. In this climate of freer enterprise, the rebound of the German economy was theatrical. West Germany soon became the most prosperous country in Europe, with a much higher standard of living for themselves and for over six million refugees from communist countries. Moreover, they brought into their country great numbers of workers, particularly from Greece and Italy.

All goods and services are produced by changing the form, condition, and place of raw materials with the aid of human energy and tools. These are the three factors of production – human energy, raw materials, tools.

About 78 per cent of all private goods and services produced in the United States in 1965 came from firms using the corporate form of organization. The remaining 22 per cent of production covered the output of nonincorporated agriculture, shopkeepers, professions, personal and business service industries, and other unincorporated enterprises.

The relative importance of the three basic factors of production in noncorporate enterprises is difficult to judge, for lack of statistics, but some figures are available for corporate industry.

What Are Tools?

Tools are instruments of production (in addition to natural resources and human energy, mental and physical) – cultivated land, mechanical power, buildings, machinery, equipment, and apparatus of all sorts.

The use of tools by all animals other than man is practically nil.

They use unchanged the raw materials presented by nature. Charles Kettering told the story of travelers in Africa who would sit around a bonfire to counteract the chill of the evening. When they retired to their tents, monkeys would come down from the trees to warm themselves by the fire. And, he added, no monkey was ever known to put a piece of wood on the fire!

One of Aesop's fables tells of the quarrel between the organs of digestion, each claiming that it did the major part of digestion and was not properly rewarded for its work. Their proper proportions of the digestive process can hardly be determined. However, the factors or elements of production of goods and services can be approximated by considering that a worker in the highly industrialized United States produces at least twenty times as much as a coolie laborer with only a tool such as a basket or other simple instrument. The toolless coolie is paid a few cents a day; the average American factory worker received $20.88 for an eight-hour day in 1965.

A prominent clergyman visiting Egypt found his sense of justice and decency offended by the fact that the "fellah" was paid only twelve cents a day. Yet, examination of the total income of Egypt showed that if it were divided equally to all the people, the daily wage would be thirteen cents a day. It wasn't a question of distribution of income to be corrected by a sense of charity; for that was all the "fellah" could earn in the Egyptian economy. What they needed was more tools.

In America, the corporate investment in tools averaged over $12,000 per worker last year, and in some industries, such as petroleum, it ran as high as $97,000 per worker.

Analysis of the facts of private production in the United States indicates that raw materials – the value of ore, oil, and minerals in the ground; uncultivated land; standing timber in the forests; naturally occurring raw foodstuffs; and the like – account for about 2 per cent of the final price paid for goods and services in a free market. In some products, such as textiles, raw materials may constitute as much as 6 per cent of this final value; but the average for all goods and services seems to be approximately 2 per cent. About 4 per cent of end values may be ascribed to unassisted human energy, physical and mental. About 94 per cent of the value of private goods and services produced in the United States, therefore, may be attributed to the use of tools. This high figure at-

tributable to tools may surprise those who have not studied this matter; but it will be realized that production in other times and, sadly, even today in some places, depends on slave labor and crude tools.

Today in the United States, every worker has sixty "slaves" working for him in the form of mechanical power. Several times more power is released by the automobile than by all other mechanical energy and only a small portion of this motor car energy is used for production purposes. So we modify the statement above, the correct figure being close to twenty mechanical slaves for each worker, and that worker is paid seven to ten times as much as is paid out in dividends.

The truth of this is evident when we consider how much useful work a man can do on a farm or garden with only his bare hands as tools, and how dependent we are upon even the simple farm tools for winning livelihood from the land. It is clearly revealed when one sees in backward lands farmers plowing with a wooden plow or sharpened stick. One must realize that the amount of a farmer's production has been multiplied many times by the complicated and efficient farm machinery available today in the United States.

The proof of these assertions is clearly shown by the fact that when the white man came to America the estimated Indian population was two hundred thousand — all the country could support in their practically toolless economy. Today, there are two hundred million inhabitants (including almost four hundred thousand Indians) with a per capita income twenty-five times that of the Indian before the white man came.

The production of automobiles is truly marvelous. The assembly line was one of man's greatest inventions. A leading automobile manufacturer some years ago experimentally constructed an ordinary car by bringing simple tools to the point of manufacture, similar to the way in which a house is built. The result was a cost of $10,000 for that car, whereas his company was selling the model at the time for less than $2,000.

Another instance of the value of the best tools was given to me while visiting one of the largest motor car manufacturers in a foreign country a few years ago. The manager of the plant, and a great admirer of American methods, said that it cost them eighteen cents a pound to produce a car of the Chevrolet type; whereas, in Michigan the cost was ten cents a pound for the same type. Yet, the American worker received

three times the daily wage of the worker in the plant abroad. They still had a long way to go in reducing manual operations and using better tools.

How Are Tools Supplied?

In a free country, investors in companies supply tools for use by the worker who has not sufficient capital to buy them himself. Such companies are in competition with other corporations in the same line of business. The payment investors receive for the use of tools they supply for manufacturing purposes averaged about 4.8 per cent of the market price of the goods produced over the past decade.

In a socialist country, government supplies the tools, but at a high cost. For instance, according to figures for Russia released some twenty years ago, the government in effect owned all tools and supplied them to the worker at markups averaging over 15 per cent of sales. Thus, the Russian worker at that time, although he did not realize it, was paying three times as much for his tools as did the American.

"Surplus Income"

So-called "surplus income," both private and corporate, is not only a mighty force in helping to finance charitable, community, educational, and religious organizations, but is the principal source of the funds for providing tools.

Socialists claim that they will finance their services by appropriating "surplus income," by which they mean corporation profits and private income beyond the necessities of life. Every such effort has failed. Bismarck, taking over the Sozial Politik from the socialists, thought to finance it by seizing the railroads and employing their income for the government's social services. Soon, railroad income turned into deficits. Heavier taxation followed and, finally, war and disaster.

Britain employed the Marxian formula of heavy and steeply graduated income taxes. This destroyed private fortunes. Clement Atlee boasted that while there once had been several thousand personal incomes of $16,000 or more per year after taxes, now there were only sixteen such fortunes left in the country. The deficits of British socialism have outrun the loans and gifts from America. Now the "luxuries" of the people – "beer, baccy, and bedding"– are taxed to fuel the socialist state. The resulting poverty, particularly in formerly thrifty Scotland, is appalling. But it is the consequence of government ownership and control of industry. And in Britain, as in other

welfare states, what cannot be taxed directly is confiscated through inflation.

Industrial Development

So-called "surplus income" is important in an economy, for out of corporate profits and the savings of the people comes the money needed to buy the tools. In fact, successful corporations and other cooperative enterprises retain much of their income for the renewal, improvement, and expansion of tools. This vital point is often ignored, people imagining that once an industry is fully operating, it needs no further supply of tools. The success of any industry depends on keeping its tools up-to-date by repairs, replacement, and improvement. This vital supply of equipment comes from adequate charges for depreciation and obsolescence, from income retained and invested in business, and from additional capital supplied by investors. Corporation dividends, along with personal savings such as are invested in savings banks and life insurance, are important phases in the process of providing tools.

The most valuable public-service income in any country is the part of savings used for buying tools. Capital formation in plant and properties is the life blood of a successful corporation, enabling it to continue and increase its services to customers. If earnings and savings are insufficient to meet the needs and growth of the business, the corporation goes downhill or succumbs. And a nation that thus cuts off the source of tools is destined to lose position in the world and dwell in poverty.

Those of socialistic philosophy object that the use of tools is at the expense of employment, that it throws people out of work. Historically, in England, the early use of labor-saving machinery was violently fought and the new equipment often destroyed on the ground that men were losing their jobs. The record shows, however, that labor-saving machinery not only lifted drudgery from men's backs but also greatly increased the production of goods and services, creating new jobs and greater income for all.

That the process of industrialization, the saving and investing in tools, is further advanced in the United States than elsewhere explains our high and rising wage rates and level of living. And of total corporate income in the country, 85 per cent goes to employees – the users of tools – and 15 per cent to the suppliers.

So, let us beware of foolish talk about the evils of this tool-using age! Let us not kill the goose that lays the golden eggs! ◈

OLD AND NEW INTERVENTION

HANS F. SENNHOLZ

MUCH confusion and controversy flow from the difference between old and new government intervention. Some people look only at old intervention, some only at new, each unaware of the other phase of intervention. In debating the desirability of certain policies, many disagreements spring from the fact that different people see different phases of intervention.

The distinction between the two rests on strict theoretical analysis and can be defined precisely. Old intervention is that government restriction or interposition to which the economy has fully adjusted. And we speak of new intervention when the economy has not yet adjusted to the new data, or is in the process of adjustment. The difference is crucial in any appraisal of the effects of government intervention.

Take, for instance, a corporate income tax, which is a popular form of intervention. A tax newly imposed, a new surcharge or a rate increase, immediately reduces the profitability of business. Companies earning high profits must curtail their expansion or modernization projects or reduce dividends. Those companies that had barely earned interest on the capital invested, or had just broken even, will be made "submarginal" by the tax. Their yields will fall below the minimum level needed to attract and preserve the necessary capital. The new tax causes these companies to curtail their operations, close plants and other facilities, and lay off some workers. Output declines and the supply of goods and services is diminished. There is business stagnation – a short-run effect of the new tax.

Wages now tend to decline, or at least stay lower than they otherwise would have been. Other business costs, too, are reduced gradually until various enterprises become profitable again and capi-

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tal once more is lured back into investment and production. In fact, gross yields return not just to the pre-tax level, but rise above it to cover both the new taxes and the net yield of capital. Inasmuch as the government consumes some capital in the process of intervention, the yield per unit of capital tends to rise even higher while that of labor declines.

The new tax levy also causes a shift of production factors from employment for the people to that for the government. Capital goods industries and consumer goods industries tend to shrink while the "government sector" expands. This shift is facilitated and guided by price changes that point up the change in purchasing power.

All these are short-term effects. The economy gradually adjusts toward a new equilibrium that takes the new tax into full account. The long-term effects include the shift of production factors, the reduction of marginal labor productivity, and the rise in marginal capital productivity. They are less conspicuous than the short-term effects and difficult to demonstrate. After all, who can perceive what would have been in absence of the tax? This is why interventionists often deny that there is any undesirable effect of a new tax, a new surcharge, or a rate increase. They point at old taxes imposed ten or twenty years ago and at the new equilibrium, and fail to see any ill effects of rising taxation. They have forgotten the months and years of stagnation.

Deficits, Old and New

Or, take a government deficit as a new datum with many-sided effects. In the short run, the deficit burdens the capital market, drains it of loan funds, and causes interest rates to rise. Businessmen must curtail their borrowing because many projects no longer are profitable at high interest costs. Business stagnates insofar as it had been relying on the capital market. This is a short-run effect.

The stagnation bears all the symptoms mentioned above. Of course, the immediate beneficiaries of the deficit gain temporarily. When the budget is finally balanced, or the drain of loan funds ceases to strain the market, economic conditions achieve a more normal pattern.

In the long run, when all adjustments have taken place, there remains only the hole in capital reserves torn by the deficit. Economic development is retarded permanently.

In recent decades Federal deficits were often financed by inflation. Weak administrations lacked the courage to boost taxes that

would cover the growing government outlays. And the capital markets could not absorb the extraordinary demands of the U. S. Treasury. Therefore the Federal Reserve System, which is the ultimate source of paper money, the U.S. engine of inflation, was called upon to "assist" the Treasury operations. It created the money to cover the budget deficits.

Inflation is a short-run policy. It raises the prices of goods at the point where the new money enters the market. Business becomes more profitable when sales increase and prices rise. This is what makes inflation so popular in the short run.

But after the pleasant boom effects, a recession usually follows. The previous maladjustments become apparent through soaring business costs, declining profit margins, and cancellations of orders. Some businesses suffer losses. The recession is also a short-run effect, although this particular effect or reaction may develop several years after the initial inflation.

The long-run effects of inflation are those that remain after all economic adjustments have taken place. The purchasing power of the money unit is reduced permanently; goods prices stay higher. Some people, especially the creditors, have suffered permanent losses in income and wealth; others have reaped permanent gains. Many years later, when the economic adjustment has run its course, it is impossible to ascertain the precise effects of the inflation. After all, who can calculate what economic reality would have been in a myriad of aspects without the inflation of 1914 to 1920? The short-run effects are forgotten, and the long-term effects are open to academic speculation only.

Government Regulation and Control

When a government resorts to legislation or regulation that aims to benefit some people at the expense of others, it effects changes that are short-term and long-term. Whether it aims to alleviate poverty, eliminate slums, improve transportation or communication or labor relations, or give tariff protection to industry, government intervention bears consequences that deserve economic analysis.

Urban renewal, for instance, is very popular with government planners because of some long-run effects. Planners are animated by the visible changes — new expensive buildings, broad boulevards and large plazas, museums and libraries, theaters and operas, public parks and, of course, the new Federal building and city hall.

But the planners usually fail to perceive the invisible effects which are very real and permanent. After all, urban renewal consumes vast quantities of resources and human labor. It tears down and lays waste old housing, in order to erect the new. And all expenses, whether covered by Federal grants, state aid, or local levies, are borne by taxpayers. These people are forced to forego enjoyment of countless goods and services so that the Federal building and city hall may be constructed.

The short-run effects are twofold: curtailment and recession of all those industries that must forego the capital, labor, and resources now put into urban renewal; and temporary prosperity and expansion of those construction industries engaged in the renewal. When the renewal is completed, all affected industries must adjust anew.

Or take the case of industrial protection by tariff. In the short run, an industry receiving such government favors may benefit. The new tariff reduces the available supply of competing goods and raises prices. Profit margins improve, employment expands, and wages may rise. But behind the new tariff wall the profitable conditions now invite expansion of domestic competition. New capital and labor enter that line of production until its attractive profit margins are erased. A few years later, when all necessary short-term adjustments are completed, the protected industry once again faces the very conditions that caused it to plead for protection.

The foreign industries discriminated against by the new tariff levies suffer lower sales, business losses, and unemployment. Similarly, the export industries in the country imposing the tariff face losses and depression because exports tend to fall when imports are restricted. After all, foreigners need to earn foreign exchange through exports in order to import.

The long-run effects remain when all production factors have fully adjusted to the tariff levy. The international division of labor is disrupted and trade is diminished. In all countries affected, the factors of production have been channeled into less useful employment. Goods prices are higher and standards of living lower.

Whether government intervention is old or new, it reflects the substitution of political action for economic choice, the rule of politicians over consumers. And the result is bound to be a net reduction in the satisfaction of human wants. ◈

The Moral Premise and the Decline of the American Heritage

PAUL L. ADAMS

MAN in his very nature has need of a major premise – a philosophical starting point or Prime Mover, as it were, to give reason for his being, direction and order to his thinking, and initiative and impetus to his actions. With the Christian, this basic assumption stems from the belief that God, by Divine fiat, created man as a moral, rational being with freedom of choice, and that exercise of will and choice in both the moral and physical frames of reference is an awesome but unavoidable fact of existence.

Man's choice to partake of the "forbidden fruit" provided him with the promised knowledge of good and evil, but along with it came an incalculable complication of his circumstances. Nature became a challenge to his physical existence. Other people constituted to him a confused complex of variant relationships that ranged from love on one hand to virulent hatred on the other. God faded from his consciousness, and with that loss went also the meaning of man's struggle. Man was thus lost in the only sense in which he could be really lost, and the need was therefore critical for a major premise which promulgates for man a supreme purpose for life, a purpose which justifies the physical hardship, the social conflicts, the spiritual struggle, and the disappointments with which life is filled. Only such a premise delivers life from the insanity it sometimes appears to be – struggle without hope, achievement without happiness, victory without exaltation, death without resurrection.

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Man, himself, throughout the concourse of his history has given ample evidence of his longing and need for an all-embracing purpose. He knows so little that is perfect, yet he always looks for perfection — a seminal response which derives from the moral image in which he was originally created and the perfection of the environment in which he found himself. Though corrupt by his own choice, he still yearns for the ideal, like some earthling wandering in a cosmic wasteland dreaming of the green hills of earth. Basically, he seeks a society which will fulfill his demands on nature, ameliorate his relationship with his fellow man, and provide the ultimate reason for existence. In the search, man's thinking has led him, inevitably, into metaphysical and ontological problems, to a consideration of the first principles of all existence.

It would be presumptuous, indeed, for me to attempt a definitive statement of the major premise with its detailed ramifications, and presumption is, among college professors, a sin of great magnitude. Perhaps, however, one might conclude that within such a premise are these parts: Man is a spiritual being, created by God and endowed with the freedom and responsibility of moral choice; his purpose in living is to glorify God by exercising his reason toward those ends that his highest moral nature urges, and his task is to refine his intelligence, develop his creativity, discipline his conscience, and clothe himself in robes of righteousness.

The Moral Premise — Like a Golden Thread

Man has never been without some first principle, some major premise, sometimes consciously, more frequently unconsciously, held up before him. It runs in some form like golden thread through man's history, and it may be noted in various efforts and forms that mark man's societal action. The Israelites had in Jehovah God the source of law in the observance of which was life. The Greeks promulgated *Natural Law* as an absolute reference point for man's excursions into lawmaking. The Romans embraced Stoicism and with it the Natural Law concept which, in the Western world, yielded place to the Divine law of Christianity. This is clearly seen in the Gelasian theory which placed absolute value on the sword of spiritual power.

All of these systems with their varied premises failed to produce the ideal society. The Hebrew system ended, oppressed by evil and corrupt kings. The Greek system, even in the Golden Age of Pericles,

was marked by corruption, vice, weakness, and personal lust for power. The Roman could observe the cruelty and injustice of his state, and he suffered from tyrants who plundered the poor to lavish wealth on the idle, sensual, and effete nobility. The slight amelioration that feudalism supplied was due chiefly to the fact that there was less economic distance between master and serf – for goods were fewer, even in this paternalistic social order, and pillaged more frequently by incessant warring. Certainly, there was little understanding of nature, no mastery of production, and a very low level of social justice. Seemingly, man was destined to a perpetual slavery only thinly disguised in an embracing paternalism that left him without hope.

Christian Europe was not without hope, however, for the sixteenth century saw a rebirth of the idea that man was free, must be free. Dramatically stated first in theological terms, the fuller implications in nontheological terms were soon asserted, and Europe began a long and costly march toward freedom. Costly, for human liberty has never been secured or maintained without sacrifice, and it was our own Jefferson who said, "Every so often the tree of liberty must be watered by the blood of patriots—and of tyrants."

The American Foundation

With all of the foregoing in mind, it can be assumed that those who raised a new nation on this continent had a wealth of history on which to draw. The responses of our forefathers were partly the product of a vicarious intellectual empiricism and partly the intuitive conclusions of liberty-loving men playing it by ear. What these men gave to America and the world was the moral premise embedded in a philosophy of moral absolutes. It was shaped and nurtured in the minds and hearts of people who recognized in it the last, best hope of man. These forebears of ours were of the breed of men who count not their own lives dear unto themselves; they were prepared to die for America and for freedom. Need I remind you that it was a young man not yet twenty-two who said in a last magnificent moment of life, "I only regret that I have but one life to give to my country"?

These great men espoused a moral absolute which accepted God as creator, as ultimate Truth, and they believed man to be a moral creature, responsible to God, and capable of discharging that responsibility only through freedom of choice. It logically follows, then, that freedom is more than just another attribute. It is so essential that life without it loses signifi-

cance. These Founding Fathers saw in freedom and liberty the only perfection a human society can know, for in freedom's house the individual can shape his own perfections and follow his noblest aspirations. The exercise of freedom, then, is for man the perfecting of his humanity – not that the exercise will ever be perfect, but the continuing exercise represents a constant affirmation of the eternal principle that man can find himself only in God.

Limited Government

These men of great vision clearly understood that the only real threat to liberty and freedom is government, for men assign a sanctity to government not accorded to individuals and groups. But government is a faceless thing and can hide the predators who lurk behind its façade and exercise its function; and governments assume, quite naturally it seems, government's right to a monopoly of physical force. Fearing government, and the natural tendency of power to beget power, these men established a constitution which attempted to assure man's freedom by limiting the sphere of government to a workable minimum. The clear intent was to magnify the responsibility of the individual and subordinate government to its primary function of serving freedom's cause.

Even among its most ardent devotees, there was never any suggestion that this Constitution was a panacea for all the social ills to which man is heir. There was no guarantee of identical status for individuals or groups. There was no promise of material rewards. There was only the implicit assumption that freedom and liberty were their own rewards and worth any sacrifice. The Constitution promised only the system itself, but under it liberty and freedom were to be nurtured. It was Benjamin Franklin who saw the only flaw, and he stated it in simple terms when he suggested that perhaps the people might not keep what they had acquired. It was George Washington who stated in eloquent prose that liberty is guaranteed only by the eternal vigilance of those who share its vision.

These architects of nation were men of great faith – faith in the substance of things hoped for, the evidence of things not seen – faith in their vision of a vast land and great people – faith in the triumph of truth over error, of justice over injustice, of right over tyranny, of knowledge over ignorance, of reason over prejudice, and the ultimate triumph of eternal values over the temporal. Faith in such a vision together with commitment to the program for its

fulfillment constituted in their thinking an irresistible force that would shake the world — and it did. In addition, it gave rise to a compelling spirit of national mission.

Eternal Vigilance

It is a truism that tragedy lurks close to the surface of all enterprises of great pith and moment. George Bernard Shaw suggested that there are two great tragedies in life. One is to not get your heart's desire; the other is to get it. The observation is so applicable to the American scene that it arouses almost a response of sharp physical pain. America had her great dream, her grand design. History provided her with the opportunity to realize it. So she avoided the first of the tragedies that Mr. Shaw suggested. The alternate tragedy was left to be realized, for tragedy must follow the failure to understand the tremendous demand such a society places on the individual. It calls for enormous self-discipline in behalf of freedom's pre-eminent claim; it requires a conscious articulate sensitivity to freedom's climate; and it mandates a firm dedication to freedom's methods and goals along with a determination to live with the results.

It is not debatable that we have had an imperfect and uneven performance in this regard. The student of American history recalls the demarché of the Federalist party into unconstitutionalism to retain power. It can hardly go unnoticed that there were those who were blind to the implications of education for a substantial segment of our society, including women. Even more compelling shortly after the centennial year of Appomattox Court House is the thought that there were those who insisted on the immediate attainment of their ends and refused to recognize longer that the Constitution provided a certain, if slow, mechanic for resolving great inequities and injustice. This impatience sent men to graves like beds and finally resulted in the slaughter of more Americans than World War I and World War II combined.

Unhappy though these examples be, we note with satisfaction that the Federalist returned to make the great right decision in 1800, and that educational opportunity has approached universality in this nation. We could even say that although the larger lessons of the so-called *irrepressible conflict* were lost on us, we have at times demonstrated our belief that the nature of our system cannot be defined in terms of any appeal to the doctrine that might and right are inseparable.

With liberty and freedom identified in the Constitution and accepted as the norm for human action, we demonstrated a vitality and creativity that produced achievement which first caught the attention of the world and then beckoned her disinherited millions to the "lifted lamp beside the golden door." We enlarged individual opportunity, secured religious toleration, and established the basis for political diversity and cultural pluralism. We educated the masses, refurbished the concept of individual justice and charity, and we took over leadership of the revolution in communication, transportation, and production. Our free market led the world in the production and distribution of goods for the benefit of all classes. Somewhere along the line, too, we began to develop a distinct literature of merit and other artistic forms. Finally, and without great fanfare, we assumed world leadership in moral idealism as a natural concomitant of our commitment to principles based in the eternal verity of the moral law.

Obstacles to Be Overcome

Such have been the fruits of the American system, and such a nation or system, meeting as it did man's age-old search for an ideal society, should fear no challenge. Nature had been transformed into an ally; a beginning had been made toward a solution of the omnipresent problem of human relationships; and man's right and need to know and experience God had been left unrestricted. We who received such a heritage should fear no challenge, yet we are alarmed by a challenge of so great a magnitude that we seem unable to plot its dimensions. Wisdom and intelligence, however, as well as the instinct for survival dictate that the problem must be stated, understood, and attacked.

There are those, undoubtedly, whose disquiet is solely in terms of the problem posed by nuclear physics. These people might think beyond it, but the possibility of a nuclear war produces in them a trauma that makes further rational thought on their part impossible. Those of whom this is descriptive tend to view the great ultimate catastrophe as physical death, forgetting that the great moral premise assigns little significance to the fact of mere physical existence. They would establish a new commandment which may be simply stated, "And now abideth the mind, the spirit, the body, these three, but the greatest of these is the body." It is not to be expected that those who hold such a belief could or would give rise to any inspired resolution, for

that which they treasure most is most easily subject to threats and force.

Then there are those who react to the problem in materialistic terms. These have altered the supreme moral principle to read, "Man shall live by bread alone." The member of this group is quite likely to attach himself to any of the several simplifications which this group has institutionalized in policy: the answer to any domestic problem is governmental spending to raise everyone's material standard of living; neutralists such as Tito will be won to our side if our gifts are large and continuous; the communist will soften his attitude toward the United States and the noncommunist world if we allow them the trade advantages of our productive system.

Again, there is a class we could call passivists, and, like some of their medieval forebears who went into monastic seclusion, they seek to escape the world of decision and action. A tendency of the members of this class is to rely on discussion, fruitless though it may be, and on a complete negation of decisive action. Discussion becomes for them not a means but an end, and failure is not failure, for nonproductive discussion guarantees the need of still further discussion. No international conference is a failure, in this light, as long as it ends without definitive commitment. There is some truth in the assertion that protracted discussion on a point at issue often results in a blurring of the thought of both parties, but it logically follows that in such a situation, the party with commitment to a principle and a concomitant course of action stands in the least danger.

Detoured by Relativism

None of those in the classes just mentioned sees the challenge to the American heritage in its true dimensions, and obviously they have little understanding of the resources necessary to meet the challenge. The basic problem is the failure of Americans to dedicate and rededicate themselves to the great moral premise – *freedom under God.* As dedication to that premise built the American heritage, decline from it has given rise to the problems that appear in the guise of insecurity – the fear of physical extinction, the compensation of materialism, and indecision.

The decline was initiated by the introduction of a philosophy of relativism with its inherent negation of moral absolutes. This philosophy relieves man of all responsibility; it erodes his moral standards, for morals, it says, are a product of man's own thinking

and are therefore subject to change. Further, it has no fixed reference point; rather it has a multitude of reference points, discoverable only by a process of expediency which itself becomes the criterion for judgment. Such thought canonizes Nicolo Machiavelli who baldly and boldly asserted that the end justifies the means. In such a philosophy, man is not free; he is rather a pawn of history, and he has significance only as he participates in great mass movements. In action, the philosophy is expressed in positivism which denies any supernatural standard and acclaims any law as valid if there is sufficient force in the lawgiver to enforce it. Such a philosophy does not produce Nathan Hales. It is more apt to produce those who seek the undisciplined refuge of mass anonymity and mass conformity. The end of such a system is pictured in Orwell's *1984*, in which he describes a society where *Big Brother* decides what is truth for the unresisting masses. Orwell doesn't say it, but the tragedy is that under such system, life doesn't really matter.

Improper Methods

The increasing acceptance of such a philosophy has spawned an incredible number of value standards and courses of action not consistent with our original premise and the institutionalizing of liberty. Time forbids a discussion of them, but some of the more dangerous may be listed. There are those who change or pervert the Constitution to gain the ends they desire, and the ends are presented as good ends to justify the action. It was for good reasons that the Gracchi started the process of violating the Roman constitution. The end of the process was the destruction of liberty in Rome, for each succeeding constitutional violation takes less explanation and less and less justification. Eventually the constitutional image is lost, and the term itself becomes a shibboleth.

Then, there are those who forget that material wealth is a happy by-product of our pursuit of a morally legitimate goal, and they relentlessly pursue the materialistic largess of nature as an end in itself. It is again the old story of selling the birthright for a mess of pottage. The goal of this philosophy is ever greater materialism with less and less effort. This idea seems to offer a built-in contradiction, but still the belief persists that we have invented a slot machine which pays off for everybody.

Again, there are those who pervert the definition of freedom to mean an absence of fear, of indi-

vidual responsibility, of self-discipline, and they include within its context the strong presumption of egalitarian doctrines. These find the answer to all of our problems in the increase of central, bureaucratic government. Washington is their Mecca. They do not, perhaps, make a pilgrimage to Washington, but well they might, for not only is their money there, it is fast becoming a repository of the American soul. In international relations, these people have a naive faith in the United Nations, assign to it a supernatural aura, and claim for it a practical success not demonstrable in logic or actuality.

A Time for Rededication

Finally, there are those who are totally oblivious to the fact that the American forefathers, like the early Christians, were men whose vision and faith were such that they intended to turn the world upside down – and did so. We have lived in the golden heritage of their dedication to a great moral principle and the abundant life it provided. That we have grown insensitive to such a principle presages failure where they succeeded. We cannot escape the fact that the virility of communism stems from the fact that the communist is committed totally to the belief that it is necessary to change the world – and as an individual he is prepared to give himself to realize such an end. We cannot change the form or substance of the communist movement or threat. We can, however, reclaim, revive, and renew the American heritage as the eternal answer to those who would, under any guise, enslave the free spirit of man.

The innumerable paths of history are thick with the dust of decayed nations that knew the passing radiance of a glorious moment. Khrushchev and communism promised to bury the American heritage because it no longer serves history's purposes. For me, I fear no physical threat communism can offer. I do fear the retreat from our heritage. I do not fear Khrushchev's judgment. I fear the inexorable judgment of God's law which has ordained man's freedom. Should this nation so blessed by God forget His ordinance, then we have no valid claim to existence. We will have failed those who lived and died that we might be free as well as the serf of the future who will not long remember our moment of history. As Americans we can, as one has said, "spend ourselves into immortality" in freedom's battle or we can make our way carelessly to nameless graves and be part of the dust of history's passing parade. ◈

FREEDOM

H. B. PHILLIPS

AS USUALLY PRESENTED, freedom is a negative idea, the mere absence of restraint. That does not seem to be a very valuable notion. A baby left entirely alone would be under no restraint but would not have much freedom. All it could do would be to die. I prefer to measure freedom positively by the things an individual can do. The greater the range of activities in which he can take part, the greater is his freedom.

The actions of an individual can be limited in two ways. First, they may be restricted by the orders of a dictator, by the government, or by his neighbors. These are external restraints and absence of this kind of restraint might be called external freedom. Second, they may be limited by his own capacities or lack of capacities. These are internal restraints and absence of this kind of restraint might be called internal freedom. Without internal freedom the external form is not worth much. I therefore discuss internal freedom first.

Perhaps many people would ask, how can the freedom of an individual be self-limited? This is best shown by examples.

A skilled workman has greater freedom than an unskilled one. For the unskilled can only do rough work. A skilled workman can also do rough work if he wants to, but he does not have to. In addition, he can do work which requires skill. A wider range of activities is available to him. He has greater freedom.

An educated person has much more freedom than an uneducated one. For an uneducated person can only do manual labor. An educated person can also do manual labor if he wants to, but he does not have to. In addition, he can do work of an intellectual nature. A much wider range of activities is open to him. He has much greater freedom.

A person of good moral character has more freedom than one who is lacking in this respect. Criminals do not believe this. They

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say they can obey the moral rules if they want to, but they do not have to. But for this slight liberty they give up far more than they get. Suppose, for example, a man has been guilty of stealing. He can never get a position in a bank or any other position of trust. By a single transgression he has excluded himself from the most desirable opportunities in life. He has greatly reduced his freedom. Similar effects follow from any other violation of the moral code. The reason for this is simple. When people live in close contact, efficient cooperation requires that their conduct conform to certain rules. These rules constitute the moral code. For its own success society automatically develops mechanisms which favor those who conform and oppose those who fail to conform to this code.

Education toward Freedom

The examples I have given all belong to the field of education. Even good morals is a form of education acquired by those who have the good fortune to be born in and grow up in a suitable environment. And it is only through education that a person can expand his capabilities and so increase his freedom.

By education I do not mean merely what is learned in school. That is only a start. Handling the affairs of a nation involves a mass of "know-how" learned in the street and in the factories, much of which exists only as custom.

A good illustration of this is West Germany at the end of the second world war. At that time there was widespread destruction of industry in West Germany. To make matters worse the United States and its allies for some years after the fighting ceased stripped machinery from the few factories that were left and shipped it to Russia. Yet 10 years later West Germany was the most prosperous country in Europe, industrially second only to the United States in the whole world, and people from other parts of Europe were flocking into West Germany to enjoy the greater opportunities existing there. The reason for this is clear. When the fighting ceased, the Germans were not a mob of untrained people but a group containing individuals capable of doing anything needed in a modern state. Given control of their own affairs, in a short time they had the business of the nation operating smoothly and productively.

Compare this with the Congo. Under pressure from the native population and well-meaning outsiders the Belgians, who had been directing the affairs of the nation, withdrew. There was immediate chaos. The great mass of the peo-

ple had none of the qualities needed in a modern state. Left alone, such a people can only sink into savagery, victims of starvation, disease, and superstition. Under outside management they could be given the necessary training, but this would require at least a generation and during that period they certainly would not be free.

The conclusion is that without education no worth-while freedom is possible.

External Influences

This brings me to the second part of my discussion, the limits on freedom imposed by external agencies. Left entirely alone, a person would have very little freedom. All of his time would be needed to keep alive. Some form of cooperation with others is thus a practical necessity and this requires some restriction on individual action. The problem is to devise a type of cooperation which permits the individual to do his best. The difficulty in doing this is due to the rapid advance in human affairs which quickly makes any detailed arrangement obsolete. The speed of this advance is indicated by certain facts.

The first fact is that more than half of all we now know has been developed during my lifetime. This has been the work of science, for science is merely man's understanding of the universe, including his understanding of man as part of the universe.

The second fact is that more than 90 per cent of all the scientists who have ever lived are now alive and working, and the number is steadily increasing. Through the efforts of these people the advance in the future will certainly be much more rapid than during my lifetime.

Under these conditions any detailed plan devised by a government quickly becomes obsolete and must be revised. Under government operation this revision is merely the choice of one individual or small number of individuals. Under freedom the best methods suggested by anybody, because of their superiority are quickly adopted.

The effect of freedom is thus to produce maximum diversity in human affairs. Because of the large number of unknowns, the value of any suggested procedure cannot usually be determined by reason but must be tested by trial. The number of suggestions, the number of trials, and consequently the number of superior methods found is greatest when each individual makes his own choice.

This is the reason for freedom and the reason why freedom will ultimately prevail. ◈

Editor, The Freeman:

Growing numbers of persons are unhappy with prevailing conditions in Guatemala as in many other countries. But they generally are unaware that state socialism lies at the root of their troubles, nor do they understand what corrective measures are appropriate. They dream instead of some New Society, perhaps on a remote Pacific island. And they dream primarily of a managed utopia rather than freedom.

I have tried to set forth below a few of the tasks the manager of such a society would be expected to perform.

MANUEL F. AYAU

WANTED: Manager for New Society

Typical Problems to Be Solved:

- Determine what product or service each person most urgently needs in relation to his present means, his health, his family obligations, his education, and other pertinent factors.
- Determine the quantity and quality of each item to be produced and establish prices for these items and their respective parts.
- Prescribe the production method or methods to be used for each product and part thereof.

Mr. Ayau is a businessman in Guatemala and a director of the Centro de Estudios Economico-Sociales.

- Arrange for discoveries, inventions, new methods, and procedures incidental to progress.
- Decide when to increase, curb, or cease production of any item.
- Devise methods to minimize waste.
- Decide who shall direct the use of capital, and how much each shall control.
- Determine which components a manufacturer is to produce and which ones he is to purchase from outside suppliers.
- Make essential adjustments to the constantly changing needs and priorities of a dynamic economy, allocating resources for production or for consumption as occasion demands.
- Know what quantities and qualities of resources are available in what locations and in what degrees of accessibility at all times.
- Determine which resources are to be used for present purposes and which are to be conserved for future uses.
- Determine whether to produce various items domestically or to import them.
- Specify the location of each industrial plant and of each operation within each plant.
- Protect consumers against misleading advertising, excessive credit charges, deceptive packaging, shoddy merchandise, and other sales devices.
- Precisely locate each wholesale and retail outlet, specify the quantities and qualities of each item to be sold, the inventory to be carried, the service markup to be added, and so forth.
- Decide what is to be grown on each parcel of farm land, with what tools and what amounts of labor and fertilizer and insecticides, depending upon the type of soil, weather condi-

tions, and alternative uses for the farmer's time and other resources.

- Determine the appropriate land-labor-capital combinations for each industrial, commercial, transportation, or agricultural activity.
- Devise a system for prompt transmission to everyone concerned of all information as to changes in demand for and supply of each commodity and service.
- Determine how many persons and which individuals are to be engaged in each particular economic activity, describing how each job is to be performed and at what wage and other working conditions.
- Devise incentives and penalties to assure desirable behavior and discourage the other.
- Determine the rate at which each person shall save and consume, considering family obligations, current net worth, health, and other pertinent factors.
- Arrange for the satisfaction of wants according to personal choice and individual means.
- Arrange for prompt and efficient displacement of any person who fails in any of the foregoing objectives.

* * *

It should be clear, of course, that anyone who applies for the position of general manager of society automatically will have disqualified himself. If he had understood the problem, he would have known that there is no alternative to free market pricing as a guide to peaceful economic affairs. ◈

CAPITALIZATION CURES POVERTY

HOWARD E. KERSHNER

ONE MINISTER who opposes our conservative views cites the Scripture in an attempt to show that we are wrong: "But whoso hath this world's goods, and seeth his brother have need, and shutteth up his bowels of compassion from him, how dwelleth the love of God in him?" (I John 3:17). Obviously our critic has not followed our writings sufficiently to understand that we are not opposed to relieving the needy; in fact we urge it. We believe it should be done by individuals and privately organized charities, rather than by the state.

Private charity is curative. It brings a blessing both to the giver and to the receiver. So-called state charity, on the other hand, soon induces the beneficiary to think that the government owes him a living; that it does not cost his fellows anything, and that he therefore has a right to it. He expects it, demands it, and grows indignant if he does not receive it. On the other hand, the individual who is heavily taxed in order to provide for many loafers and wastrels (not all welfare recipients to be sure, but many of them) develops resentment because he feels that he is being robbed. That leads to a decline of effort, for unless men are assured of being able to enjoy the fruits of their labor, very few will put forth maximum effort and most of them will only produce enough for a meager living for themselves and their families.

Our correspondent also cites the following: "The righteous considereth the cause of the poor; but the wicked regardeth not to know it." (Proverbs 29:7) It is my contention that the man who has the ability to use capital productively is considering the cause of the poor far more effectively than the man who passes the dollars out to be spent immediately without lasting improvement for the poor, who need productive jobs. Our correspondent heaps scorn upon us, but he is wrong. The most effective service one can render is to help by his saving to build the capital of a country so it can employ more and more people at steadily increasing wages, thus producing a higher and higher standard of living. This is the way to conquer suffering, poverty, disease, and ignorance. ◈

From Howard Kershner's Commentaries, distributed by the Christian Freedom Foundation.

War, Politics, and the Dollar

ELIOT JANEWAY, a Wall Street analyst who has made some remarkably accurate market predictions by keeping one eye peeled for the state of the President's relations with Congress, is a "chartist" with a difference. Where other analysts regard politics as an intrusion upon their subject that must be explained away as accident, Janeway turns things around: in his view markets are wholly dependent on power considerations, and the statistics of supply and demand are less important than, say, Lyndon Johnson's habit of secretiveness, or the inability of Secretary of the Treasury Fowler to get Secretary of Defense McNamara on the telephone. In such a world, the so-called science of economics takes on a gossipy quality – but, in a time of galloping statism, an analyst whose sources are both good and talkative can score some tremendous coups.

Janeway's new book, *The Economics of Crisis: War, Politics and the Dollar* (Weybright and Talley, $10.00), is a mixed historical and journalistic coup. It takes off from Randolph Bourne's wholly repellent but wholly accurate observation that "war is the health of the state." It follows from this that the peaceful development of countries is dependent on what has been done to expand the economy in wartime. War, says Janeway, can be a mighty stimulus to nation building, but the proviso is that it must be waged by men of reasonable intelligence who can be cold-blooded about the payoff.

Janeway himself is as coldbloodedly realistic as Sancho Panza himself. His book is an explosively interacting multiple of four observations. The first observation is that America's wars, prior to the one in which we are now engaged, have all been profitable. Observation Number Two is

that Europe and Asia haven't been as lucky in their wars, though there have been exceptions. Observation Number Three, taken from Norman Angell's *The Great Illusion,* is that imperialism lost its realistic sanction when it ceased to be a simple matter of looting. And the fourth observation is that wars are no longer needed as a gigantic prod to production provided that mass consumption can be stimulated by the political management of continental-size economies.

Profitable Wars

When he is exploring the implications of the first three of his observations, Janeway is entirely convincing. The American Revolution was mismanaged from a monetary standpoint, but when the soldiers were paid off in western land scrip it gave a mighty impetus to the westward expansion. The War of 1812 was something of a stand-off, but it did get the British and their Indian allies off our backs in the Detroit region, which meant that settlers could sleep in their beds. The Mexican War rounded out our continental shape, and the Civil War preserved the new geographical configuration for the continental market that grew up with the building of the railroads. The Spanish-American War, with its action in the Caribbean and the Philippines and the dash of the *Oregon* around Cape Horn, dramatized the need for the Panama Canal. And our three truly distant wars — World War I, World War II, and the Korean War — were forcing houses for the development of our technological economy.

Meanwhile, Europe and Asia suffered because of their inability to evade wartime destruction and tremendous casualties. Some of Britain's colonial wars were cheaply fought, and Bismarck put the German Empire together by easy victories over Austria and Denmark. But the Franco-Prussian War proved a disappointment to the Germans, and the two world wars were devastating to all of their European participants.

Another Story in Vietnam

So Janeway lets his observations take him down to the present. It might be argued that, since the Vietnam War is far away, it can't hurt us much. But this is a war that we are fighting alone. It is a costly war financially, but, curiously, it isn't leading to any significant industrial expansion. The war is, at the moment of writing, too small to permit controls, but not small enough to avoid monetary inflation. Meanwhile, the Soviets feed just enough support to their North Vietnamese allies

to keep our casualties mounting without costing the life of a single Russian soldier. By bogging us down in Southeast Asia, the Soviets have a free hand to adventure in the eastern Mediterranean. Janeway is certain that they will make the most of it.

Thus we have lost the edge in "crisis management" to Moscow. In Janeway's estimation, it was McNamara who misled Johnson into thinking the Vietnam War could be won with a limited commitment. Johnson, in turn, was too secretive to take Congress into his confidence or to seek its advice – and he is now lost in the "jungles" of Vietnam and Detroit without the money needed to win on either the foreign or the home front.

Weak on Welfarism

The weak point of Janeway's book is its treatment of the rise of the Welfare State. He speaks of "Bismarck's Breakthrough," and adds a few pages on Lloyd George's "creative improvisations" which "translated" Bismarck's social legislation into English. The inference to be drawn from this sympathetic treatment of Bismarck as a primitive Keynesian planner is that the human race is now in possession of social instruments which will allow it to feed everybody without resorting to the economics of war preparation.

To give Janeway his due, he is no devotee of the crude theory that "government investment" can solve all our troubles. He does not divide economics into "private" and "public" sectors. His particular brand of interventionism, though it is couched in neo-Keynesian language, is fairly close to Milton Friedman's theory that the economy can be kept moving ahead in a state of dynamic equilibrium if the currency is expanded in a stable relationship to the increase in productivity. Janeway sees no virtue in the "public sector" as such, and he is all for increasing private fortunes provided they are profitably engaged. After all, if there is no flourishing private economy, the political managers would have no source of tax funds to take care of the strays.

The trouble with the Bismarck-Lloyd George theory of the social service state, however, is that it provides no assurance that a Janeway or a Milton Friedman will ever be allowed to work the levers. Bismarckian "socialism" created a population that became all too dependent on state action and state commands – and it wasn't much of a jump from Bismarck's theories to Hitler's National Socialism. Lloyd George's England merged insensibly into the England of Beveridge cradle-to-grave planning, which certainly hasn't

proved compatible with industrial productivity.

As a hard-boiled reflection of "what is," the Janeway insistence that politicians make the economic climate is all too true. But if there is no revulsion against the idea that economics must always be subservient to the compulsions of politics, the correct image for our productive system will remain that of the snake attempting to live by swallowing its tail. ◈

▸ A PRIDE OF PREJUDICES by Vermont Royster (New York: Alfred A. Knopf, 1967), 361 pp., $6.95.

Reviewed by Robert M. Thornton

READERS of *The Wall Street Journal* need little introduction to this collection of essays by the editor of that outstanding newspaper. Many of these short pieces were selected from his occasional column, "Thinking Things Over," which is an especially bright spot even in that sparkling editorial page. In these days when many of our "spiritual leaders" are busy picketing, marching, and inciting to riot, it is in such unlikely places as this that one finds searching thought about the human condition.

Royster is a throwback to earlier days of journalism when the informal essayist delighted, informed, and infuriated readers with his ruminations. He writes as a good conversationalist might talk on whatever topic comes to mind. Some event in the daily round supplies the inspiration, but the thought pursued leads far afield, reflecting the conceit that the reader's interest is as varied, intelligent, and literate as Royster's own. He writes, then, about what interests him, be the subject profound or trivial, philosophic or nostalgic, timely or timeless.

Royster once told an interviewer that he thought himself the most radical editor in the country, so out of step is he with the prevailing mood of the body politic. He opposes the inflationary financial policies of the national government and "the feeling that the government should feed our children, build our houses, provide for our old age, take care of us when we are sick, and bury us when we die." At a time when statism is embraced by most of the molders of public opinion this is indeed a radical position.

When Royster faced the problem of deciding who was to review his book for *The Wall Street Journal,* he arrived at a very simple, yet daring, solution: he "reviewed" the book himself. Here was no self-praise or false mod-

esty but as one man said, "about the most subtle mention of a book by its author I have ever seen." In the closing sentences of the "review" Royster describes the contents of his book. You will find inside, he writes, "some little essays on sundry subjects done in a quaint, meandering style. There are personality sketches of public persons that are *de rigueur* for a practicing journalist; the passing thoughts on weighty public questions that an editor must offer to keep his license; the reportage on affairs as distant as Kansas and India by which a reporter tests his craftsmanship.

"But there are also, you should be forewarned, essays of no great point or purpose. Nostalgia can be pleasant self-indulgence but others may not be moved by remembrances of yesterday's Depression or of wars past. The borderline between sentiment and sentimentality is very narrow, and therefore easy to step over when recalling a great-grandfather or dreaming over a grandchild.

"Finally, one man's prejudice is another man's anathema. Certainly not everyone today will share the belief, expressed therein, that our heritage from the past contains many values worth conserving in the twentieth century. Or amid the troubles of the present find comfort in the reminder that the Dark Ages lasted only five hundred years.

"So perhaps the best thing to be said of the book is simply that Alfred Knopf thought it worth publishing."

Most of Royster's "review" is taken up with praise for the outstanding job of book-designing and book-making done by his publisher. "It looks good on a coffee table," he says "even if you never open it." Indeed it does, but great would be the loss of anyone who neglected to look between the covers. ◈

▸ ON AGGRESSION by Konrad Lorenz, translated by Marjorie Kerr Wilson (New York: Harcourt, Brace & World, Inc., 1966), 306 pp. $5.75

▸ THE TERRITORIAL IMPERATIVE by Robert Ardrey (New York: Atheneum, 1966), 390 pp. $6.95

Reviewed by Gordon B. Bleil

ROBERT ARDREY here assembles a vast amount of material from the works of natural scientists and adds his personal interpretation — or more correctly, his extrapolation. The work is tightly focused on the single subject of territoriality.

Territory is any area of space which an animal or group of animals defends as an exclusive pre-

serve, and territoriality is the inward compulsion to possess and defend such property. Ardrey notes in his introduction that only one book (a 1920 work) has been devoted entirely to territoriality and that one was about birds. But considerable material on the subject is tucked away in the pages of scientific journals.

Ardrey develops his thesis that man is a territorial animal linked firmly to his piece of earth, and he argues that male competition – human as well as animal – is primarily for possession of property, and only secondarily for possession of the female. This inquiry describes the physical behavior of many species, and also speculates on the emergence of values and natural morality among humans as concomitant phenomena.

Property as pivotal in affairs of men was acknowledged by our Founding Fathers and emphasized by political writers preceding them – as attested by the popularity of such slogans as "Life, Liberty, and Property." Of late the private property principle has not only been ignored, but aggressively attacked in the flight toward nonproperty social structures . . . welfarism, socialism, communism, and the like. Ardrey roots man's institutions in his biological heritage and challenges those who attribute our behavior solely to environment or culture, rejecting its hereditary basis.

Konrad Lorenz is frequently referred to in Ardrey's work, but at the time Ardrey was writing, Lorenz's work had not been translated from the original German. It has since become available in English.

Lorenz's focus is on aggression which he defines as "the fighting instinct in beast and man which is directed against members of the same species." A naturalist by profession and choice, Dr. Lorenz is also a doctor of medicine and a doctor of philosophy. From this solidly based vantage point he has considerable leverage on his biological materials and their human implications.

Somewhat less well structured and less readable than Ardrey's work, due in part, perhaps, to the difficulties of translation, Lorenz nevertheless provokes reflection. Territoriality is one of the causes of aggression, but not the only one. Aggressive behavior in the animal kingdom has evoked a parallel development of reliable, inhibitory mechanisms which prevent a species from destroying itself. Man is unique in that he has developed enormous aggressive capabilities and destructive power without a parallel development of reliable, natural inhibitions.

Lorenz finds aggression healthy,

innate, and ineradicable. His principal point is that the survival of mankind – considering the awesome destructive power now at our disposal – depends on our success in imitating the natural and reliable inhibitory mechanisms evolved by other organisms rather than trying to sweep aggression under the rug as immoral or curable. This tack will not work because aggressive drives are a necessary part of our nature.

Students of the free economy will be reassured to find effective natural principles at work in human nature itself, which are consistent with the ideology of competitive enterprise. We are better equipped to defend the market place, where competition is aimed at serving the consumer. If mankind eliminates competition or advocates its neutralization, at hazard is ultimate survival. It may be a sign of the times that concurrently with the progress of socialism highly competitive physical-contact sports, such as football, mushroom in popularity – a modern equivalent, so to speak, of bread and circuses.

Fortunately for the serious student, both works are heavily referenced and additional study in areas of particular concern is facilitated. Lorenz is slightly less desirable in this aspect than Ardrey because much of his source material, understandably, is in German. Both books are likely to become well-thumbed by those who want a better understanding of why we are and what we are. ◈

the Freeman in this issue

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

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THE BEST THINGS IN LIFE ARE NOT FREE

JOHN C. SPARKS

THE OLD SONG proclaims that the best things in life are free – and specifically extols such romantic items as the moon, the sky, and the flowers in spring.

The composer of these popular lyrics doubtless earned his fame and royalties, though his philosophical sentiments might not win the plaudits of classical economists. The latter would point out that the best things derive their value from scarcity and are far from free.

A good house that may be free for the taking is extremely scarce – in fact, nonexistent. So are automobiles, automatic washers and dryers, stereophonic consoles, engineering services, the latest medical drugs, classical art, fur coats, and endless other items and services – all scarce at prices buyers would prefer to pay.

Much as we might wish to acquire freely these best things of life, a moment's reflection shows why that is an impossible dream. None of these items is handed to us by nature. None comes into being without considerable effort by persons combining skills, years of training, and savings to produce desirable products and services.

These products or services exist only because they can command a price, a price sufficient to encourage productivity by those who have the inclination. The fact that some persons are willing to pay for new hats causes scarce and valuable hats to materialize.

Many individuals, working separately or grouped in companies, try to attract those who would buy

Mr. Sparks is an executive of an Ohio manufacturing company and a frequent contributor to THE FREEMAN.

their scarce products and services. Some succeed. Some do not. And respect for the discriminating judgment of potential buyers does more to improve the quality and variety of goods and services "for sale" than does any other factor.

The composer quite properly listed love, happiness, and other intangible wonders among the best of things. It was doubtless intended that the individual respond by actions that would *earn* for him stirring soul satisfactions without an outlay of cash. Several decades later, however, the song's promise has been stretched to cover not only the *philosophically*-desirable objectives listed by the song writer, but many *economically*-desirable products and services as well. Obsessed by desire to consume, prevailing political action attempts to by-pass the essential thought, saving, and labor that produce "the best *economic* things."

Progress in Medicine

Successful performance of a scarce and valuable service is well illustrated in the field of medicine. A medical man of 1868, if given a glimpse of the parade of medical accomplishments to come in the century just now ended, could scarcely have believed such miracles possible. The description of such medical treatments, drugs, and procedures would have been a marvel to him, not to mention their blessings upon millions and millions of people. Life spans increased unbelievably; many common and formerly fatal diseases virtually wiped out; human lives blossoming that otherwise had no chance – miracles all!

Such outstanding service in saving lives and restoring health has brought substantial economic reward to many of these modern men of medicine. In addition to the monetary rewards, many have known the personal satisfaction of serving the unfortunate ones lacking the funds to pay the full price, or perhaps any price, for needed medical attention.

So phenomenal has been medical progress in the United States that one would hardly expect it to be the object of political attack. Yet, a strange brand of collectivist "logic" proclaims the "right" to free services of all kinds, including medical – not the volunteered services of generous physicians to those unable to pay – but the cold, impersonal, regimented service yielded by Federal legislation. By what logic do Americans of any age expect to receive free medical care under a system of compulsion?

Some may question the use of the word "free" to describe Medicare benefits. Does not each earner of income pay his own way through

the Federal social security system for Medicare? Furthermore, the doctor's care portion of Medicare is voluntarily chosen and paid for by the citizens. How can these be called "free"?

The answer, of course, is that no service of value can be free. Medicare is not free. It has to be paid for one way or another – or the service will not be forthcoming. But in the Medicare idea is a substantial element of something that to many of our countrymen *appears* to be a free benefit – or a *partially*-free benefit. They find it easy to assume that medical benefits are in unlimited abundance instead of scarce and costly. The service seems to be there for the taking. It is true that medical drugs, technical equipment, and skills are much more plentiful than in years past; yet, they do not grow on trees. Manufacturers spend millions of dollars to conduct research and develop new medicines. But their resources are limited by the amount stockholders are willing to risk in the uncertainty of researching and developing a new product. Not everyone is willing or able to endure the long years of study, expense, and self-denial to become a doctor. Doctors, therefore, are scarce. And so are the allied services such as nursing. Private and public hospital boards constantly need to raise funds for expanded facilities and improved equipment. And the difficulty in acquiring such funds accounts for the relative scarcity of hospital services.

So what? What if those who are covered under the Medicare program believe that medical services are virtually free and available in great abundance – rather than *un*-free and relatively scarce? What difference does it make? They will receive the benefits, won't they – benefits they could not otherwise afford?

Consequences of Medicare

Medicare patients now receiving medical attention otherwise beyond their means will not easily be persuaded that Medicare is likely to downgrade the quality of medicine in this nation. Nonetheless, the advent of Medicare and its supplemental programs will tend toward that result.

The discipline of the market – that is, the exchange of values between persons willing to trade their scarce savings for scarce medical services – is lost, or severely impaired. Individual decision-making will be displaced by government compulsion. Tragic results are sure to follow.

Keep in mind that the cost of Medicare was estimated by its proponents on the low side to render it more palatable to wavering leg-

islators. Costs of government programs seldom are estimated accurately. Medicare ran two or three times over its original estimate in the first year. Marginal illnesses that previously would have gone unattended now call for the doctor's attention – and add to the cost of Medicare. Patients seek more frequent and more extended hospitalization – at added cost. Medical services and medical supplies will broaden in definition so that areas never intended to come under the program will be included – and add to the costs. Opportunists will flock into the program, in collusion with patients, with supplies and "semi-hospital" services and activities bordering on the fraudulent – all to become a part of the costs.

Another extra cost – overlooked by the proponents of Medicare – is the transformation of medical services, formerly performed free or at very low cost, into full price when eligible for government compensation. One doctor who "before-Medicare" spent one day a week *gratis* with the residents of a home for the elderly, now allows Medicare to pay him more than $1,000 for this day.

Beyond all this is the heavy cost of bureaucratic operation and the lost sense of frugality by all parties in the program – patients, doctors, hospitals, agents, and others. What incentive remains to keep the total cost reasonable? None whatsoever. The social security or other tax rates will continue to grow until they finally become unbearable to taxpaying salary and wage earners. Greater Federal deficits will bring further inflation.

Those to Be Blamed

And there will be scapegoats to be sacrificed. Doctors will find their fees first restricted, then fixed. Numbers of Medicare patients will be forcibly increased without regard for the number of non-Medicare patients the doctor may prefer to serve. And there will be a revision in policy concerning other doctors who originally refused to cooperate. They will be blamed for the shortcomings of Medicare, poor attitudes, and lack of uniform coverage – and will be forced to join the program.

Private hospitals also will be among the scapegoats when they seek equitable coverage of hospital costs not now allowable for reimbursement by the Medicare program.

The innocent bystanders will be those persons not covered by Medicare but in need of medical attention, attention they will not get because so much of the scarce professional time and effort has gone

into red-tape, restrictions, and unnecessary "doctoring." These "forgotten" people, the ineligible, self-reliant families, will have to pay *twice,* first for the Medicare of others, and then for the care of their own families, not to mention the disproportionate share of hospital overhead expense they will be charged. For such double outlay, they will receive minimum time and attention from regimented doctors. This excluded group could hardly be blamed if it were to petition legislators to make Medicare coverage universal.

A further consequence of Medicare will be noted by all too few. The rate of medical growth and discovery of the last hundred years will not be maintained. Bureaucratically fixed fees will discourage the development of new surgical procedures and concepts. Difficult, time-consuming, risky, tiring, exploratory efforts will not be worth the candle under Medicare. What fee should a doctor charge for the first heart replacement operation? And why not stick instead to $35 tonsillectomies, and $150 appendectomies? Advancement in medical science is seriously threatened by Medicare.

Since the program is now law, why point to the descending path it will follow? Why spell out the terrible price that all Americans – the young and the elderly – will pay in terms of lower quality care, the deterioration of medical science, reduced numbers of intelligent young men entering the field of medicine and scientific medical research? What good in predicting the gloomy future of medicine in the United States? The eggs have been broken, the scrambling under way. Will such portrayals of Medicare's future return us to our senses? Will this discussion help bring economic understanding? Will anyone gain from this effort the courage to join in the struggle to restore freedom in this field of human activity so vital to man's well-being? I do not know.

The Effort to Improve

The attempt must be made, however, regardless of the heavy odds against any quick rescue of medicine from the dismal detour it has taken. Some day, the collectivist idea will recede, as honest and intelligent human actions beat it into retreat. Such gains, however, do not come from wishful thinking or from dire predictions of socialistic evil. Nor is it certain that they will come from the actual misery of the adverse results. Human nature is prone to accommodate to adversity which arrives gradually – as might be expected in medical affairs under regimentation.

Only a fresh and better under-

standing of the achievements possible in a free society will wean support away from Medicare. Persons who think they are being practical in support of government medicine might well be persuaded to transfer their allegiance to the institutions of freedom. The search for a magic political formula that will produce the best economic things is doomed to failure. New formulas will be offered after each failure – "one more try" – which will fail in turn, until human gullibility is exhausted. Then a renewed understanding of the blessings of freedom will return to the people of our land.

To spread the understanding of freedom is our task. There is no other antidote for the regimentation of government control and interference dedicated to accomplishing the impossible. Only then will medical services and products be recognized as the best things in life, but far from free. Only then will freedom of choice and freedom of exchange return to the field of medicine. Only then will it resume its jet-like speed toward new miracles of the future.

The best things of life are not free. But human freedom is the best means to attain the most desirable "things" of our lives. ◈

IDEAS ON LIBERTY

Ownership Means Control

A MAN is free precisely to the extent that his property rights are intact, because the condition of freedom and the condition of slavery are distinguished on the basis of the right of private property. A freeman owns himself and whatever he comes by lawfully. A slave owns nothing. . . . Ownership, however, means more than the possession of formal legal title to things. It means control. Control means authority over use, and over disposition as well. It means the condition in which one has the authority to follow his own preferences.

SYLVESTER PETRO

From testimony before Senate Judiciary Committee on the 1966 Civil Rights Act

PAUL L. POIROT

PERHAPS not always, but often the grass is greener on the other side of the fence. And if there be such a thing as progress, it must be primarily in terms of the freedom of the individual to travel and trade and find out what is beyond that fence.

A fence, of course, is a barrier — sometimes natural, as in the case of broad oceans or rivers, impenetrable jungles, lifeless deserts, steep mountainous terrain, or just empty space — sometimes man-made of mined harbors and passes, guarded walls, locked doors, barbed wire entanglements, iron curtains, restraining laws, or just red tape. And lack of knowledge and information, lack of imagination and initiative and ingenuity, lack of effort, lack of vision and courage and faith — these may be barriers, too, more internal than external.

In a sense, these internal barriers are by far the most difficult for man to span, for he may not realize they are barriers or suspect there could be something beyond. How could there be anything beyond the ocean if the earth were flat? Or anything desirable beyond a great wall or an iron curtain if no outside goods or services or ideas were allowed to penetrate? Fear of the unknown can effectively halt man's search for knowledge. An ocean or river or fence or wall affords protection and security of a sort he will abandon with great reluctance, if at all. Wild animals, once domesticated, lose the ability to shift for themselves and the curiosity to explore beyond the fence; and man, long im-

prisoned, comes to welcome his walls and chains.

The Great Civilizer

The story of civilization, however, is the story of man emerging from his shell, thinking, forcing, working, winning his way over or under or around or through the barriers and fences he encounters. The story includes a running history of travel, the odysseys of man, the wanderings of Abraham and Lot, the journeys of Marco Polo, the voyages of the Phoenicians and Vikings and Columbus and Cabot, the Crusades, the Pilgrims, the Lewis and Clark expedition, the development of commercial aviation. So much of the story of human progress is expressed in the improvements in transportation growing out of man's need to travel – the horse, the wheel, the cart, the boat, the sail, the rail, the piston motor, the wing, the jet.

Man's need to travel! Necessity takes many forms and mothers many things. The need sometimes is literally for green pastures, a watering hole, raw materials, living room. Others travel in search of beauty, understanding, great ideas, truth – perhaps a sense of mission and responsibility toward fellow men. Some need to travel back through time, to discover and decipher and understand the wisdom of the ancients, in books and lost records and buried bones and artifacts. And some would go where man has never been before.

Where man has been before and staked his claim, not always are travelers welcome. To cross a fence may be to trespass. Many of the chapters in the book of civilization have been written in the blood of conquistadors and crusaders and the victims of their invasion. Nor have we seen an end to such mass migrations and wars of conquest. Without condoning the methods of coercion, it may be acknowledged that invaders and defenders sometimes have learned from one another, hopefully found ways to live more abundantly together and in peace. But as long as some men travel to conquer, others will try harder to build and hide behind protective barriers. It must be doubted that ultimate human progress is to be thus achieved.

The Wealth of Nations

Adam Smith, less than two centuries ago, pioneered in setting forth in orderly fashion what some others had learned through trial and error about the wealth of nations. There had been travel and trade of sorts through the centuries. Marco Polo might be described as a traveling salesman. Camel caravans connected far-

flung communities through trade. The Phoenicians were active traders in Mediterranean waters. The Roman Empire was in part a trading area. There were the merchants of Venice and Florence. New trade routes opened in the wake of the Crusades. Columbus was seeking a better route to the spices of India. The mercantilists were traders in a protected market system. But it remained for Adam Smith to begin the explanation of the advantages of specialization and trade that men sometimes had practiced without full understanding. The wealth of nations, and of individuals, he perceived, is not so much something that exists – something hoarded or held in inventory – but an ongoing process of exchange among willing buyers and sellers free to travel with their ideas and their wares.

Other scholars studied and elaborated upon and refined the rationale for private ownership and control and free trade in a market open to all peaceful competitors. Eventually, some began to understand that when exchange is voluntary, both parties gain something from the transaction. Then they could know that it is not necessary to rob or enslave others in order to accumulate personal wealth. On the contrary, the far better way to serve one's own interests is to more efficiently serve the interests of others and reap the rewards they will freely offer.

Freedom in America

Could it have been entirely coincidence that the year 1776, when Adam Smith's great book first appeared, also marked the beginning of a new idea about wars and governments? The American Revolution was a war for independence rather than for conquest, and the limited form of government that developed in the young republic was designed primarily to keep the peace among men who otherwise would be free to produce goods and services and to trade and travel as they pleased and could afford.

Primarily free! Yet, nearly another century would pass, and another terrible war, before human slavery would be unlawful in the land. Nor has the warring ceased, as attested by recent rioting and looting in American cities by persons politically unchained yet intellectually, morally, emotionally unfree. The person who has not learned to travel without trespassing remains essentially a runaway slave, not his own master.

Yet, primarily free! Within the United States over the years there have been remarkably few curtains, walls, tariffs, embargoes, or other barriers to trade and travel.

Rivers, oceans, mountains, and deserts have been spanned until no person in the nation is more than a few hours from any other. Contacts can be made and contracts consummated from any part of the country to any other in minutes, if not seconds.

To Overcome Obstacles and Become One's Own Man

Overcoming such barriers has helped to set man free; but he needed to be somewhat free in order to overcome restraints and become self-responsible. Free to dream and follow that dream wherever it led. Free to explore every new opportunity and move toward those most attractive. Free to seek and find unused or wastefully used resources and exploit them to everyone's better advantage. Free to move himself to another job, if more attractive, or to move his place of business to a better location that might be available. Free to travel from an undesirable political jurisdiction to a better one. Free to pursue his educational program with any willing teacher, wherever available, at home or abroad. Free to compete in any market place. Free to visit friends who would welcome him. Free to partake of any recreational opportunities open to the public and within his means. Free to overcome in any peaceful manner, and to become his own man.

Yes, citizens of the United States primarily have known the blessings of open markets, open shops, open doors, open homes, open books, open minds, and open hearts, within the institutional safeguards of limited government, sanctity of contract, private property, and no trespassing. The mind of the individual has been free to grow in proportion as he has been free to explore and to travel and to trade. And as the individual has prospered, so has the nation. Travel and trade are warp and woof in the delicate fabric of civilization.

If man is to participate effectively in the ongoing process of Creation, he needs to be free to compete, not only within a given nation, but throughout the world. National borders that inhibit peaceful trade and travel are barriers to progress.

The most certain way to halt or prevent the development of a nation and its citizens is to fence them in. ◈

Tourists and Investors as Scapegoats

HENRY HAZLITT

THE DEFICIT in the U. S. balance of payments, and the prospect of losing still more gold, is the direct result of the government's own chronic budget deficits (particularly the huge one for 1968) financed by printing more and more paper dollars.

President Johnson blandly ignores all this and puts the blame on the American people. The worst culprits are the businessmen who invest abroad and the citizens who travel abroad. So he has announced mandatory limits and penalties on both. These restrictions may possibly make the balance-of-payments statistics look less ominous for a few months. But in the long run they are not only condemned to failure but will deeply injure both the dollar and our economy.

Let's begin with foreign investments. Four-and-a-half years ago the government put a "temporary" penalty tax on foreign portfolio investments and asked for "voluntary" restraints on foreign bank loans and direct investments. Now it has decided that these direct investments are one of the chief causes of the balance-of-payments deficit and it has cracked down on them.

The truth is that our private investments abroad are one of the chief sources of strength in our balance of payments. So far as direct investment is concerned, the annual repatriation to the United States of income from

past investments has exceeded annual new investment outlays in every year since 1945. Currently we are receiving $4 billion in income from this source, compared with an outflow of new capital of only some $2.5 to $3 billion.

We received in 1967 from *total* private investments – including bank loans and foreign securities – about $6.5 billion in income compared with an outgo of $4.5 billion in new investments. This means a net balance-of-payments surplus of about $2 billion.

If we now constrict or cut off the flow of new investment abroad, we will do so only at the cost of constricting our future investment income from abroad. But this is only part of the cost. We will undermine our own long-range competitive strength abroad. We will withhold the capital that allows foreign countries to improve their living standards. And we will fail to develop the exports that grow directly out of our direct investments abroad.

The new program is riddled with contradictions. The government will first forbid its citizens to invest their money in countries where it is used productively to earn a return and strengthen our balance of payments. And then it will tax these same citizens and give away their funds as "aid" to irresponsible governments of "underdeveloped" countries. These handouts, as experience shows, are wasted on harebrained socialistic schemes and, in any case, produce no offsetting earnings to help our payments balance.

The new investment curbs, finally, discriminate among foreign countries and so are certain to breed resentment and retaliation.

The proposed curbs on tourists are folly compounded. If, as Mr. Johnson says, the citizens who travel abroad are "damaging their country," aren't the citizens damaging it still more who spend American dollars on Scotch, French wines and perfumes, Italian couturiers, imported diamonds, jewelry, furs, and cars?

What's so outstandingly wicked about travel? Why not, in consistency, forbid the importation of all luxuries and put tough quotas on the import of coffee and cocoa? And why is it treason to travel to Belgium but still patriotic to go to Brazil?

There is only one basic cure for the weakness of the dollar. That is to stop the reckless Federal spending; stop the budget deficits; stop grinding out more paper dollars. The new penalties and decrees only divert attention from the need for this basic remedy. ◈

LATIN AMERICA IN PERSPECTIVE

ERIK V. KUEHNELT-LEDDIHN

THE AVERAGE CITIZEN of the United States knows only too well that something is seriously wrong in Latin America. But what is it? If somebody has the measles, we notice the rash, but this is only a surface reaction on the skin pointing to a disease which actually infests the organism profoundly. The military dictatorships in Latin America also are reactions to an unhealthy situation. Usually people will mention the glaring differences of wealth and insist that "social reforms" would do the trick. Some claim that there is no "genuine faith" in Latin America and that the Church, by "allying herself with the rich" and failing to "fight illiteracy," has "betrayed the masses." Others will blame the Spaniards for not having raised the educational level of the Indians, and so forth. Yet, in the prevalent views on Latin America, untruths are pitted against half-truths, results are taken for causes, and stark ignorance is mixed with stubborn prejudices.

As with a human being in a state of general decline, it is necessary to investigate the "case history" of Latin America. What is this part of the world like? What does it represent? First of all, let us face the fact that apart from the Caribbean area Latin America consists of three major regions:

(a) the countries (from Mexico to Paraguay) with many Indians, a large mixed population and a small, sometimes exceedingly small, white top layer,

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(b) predominantly white nations (Chile, Argentina, Uruguay) and

(c) Brazil, a "sub-continent" larger than the United States, which is of Portuguese, not of Spanish origin and has a strong African admixture.

In spite of great varieties these three regions have a surprising number of common problems.

Now let us say a few words about the Indians. Some (but by no means all) of the Indian tribes had a relatively high civilization prior to the arrival of the Europeans. Still, they knew neither the wheel nor genuine writing. Those who were civilized lived in highly autocratic and totalitarian societies in which hard work, as far as it existed, was carried out under the whip of overseers. State and religion had tyrannic aspects; human sacrifices were the rule. When the Spaniards moved in, efforts were made to assimilate and amalgamate the native nobilities (in Mexico they were made equals of the grandees); but, by and large, the upper crust became Spanish. Once the adventurers who had brutally subjugated the country were eliminated, harnessed, or disciplined, the Crown took over.

The Spanish administration worked miracles. In no time, a new Christian civilization was established: churches, chapels, cathedrals, palaces, city halls, printing shops, universities, monasteries, convents, and comfortable, spacious living quarters sprang up almost over night.

A Different Race

It was the Crown that tried to protect the Indians and later the Mestizos. The new aristocracy of Latin America, however – not at all social, political, or religious refugees as in North America, but largely members of Spain's lower nobility – resented the Crown's "protectionist" policy. "You in Madrid or Seville do not realize what we are up against!" they indignantly protested. And they were right – in a way. The Indian (unlike the African) has a most difficult personality, is racially easily assimilable but culturally quite inflexible. He has another logic, he is suspicious, has a closed mind, is not interested in private property and indifferent to pain, humorless (by our standards), unreliable, lazy – *if* we take Western notions as a measuring rod. "The lucky *Yanquis!*" I was once told in Peru, "If only we had Negroes instead of Indians!"

Yet the Crown was also right. The Indians with their different wave length were certainly difficult to handle. They proved highly

uncooperative and, more than their local Spanish masters, showed a profound distaste for systematic, hard work. We must bear in mind that the work ethics we know today in the Western world developed only after the Reformation. Our medieval ancestors worked infinitely less than we do. The average city or town in Europe 500 years ago celebrated between 90 and 140 holidays a year in addition to the 52 Sundays. Before the Spanish conquest, the Indians were used to either a bucolic life on the lowest level or to forced labor under their monarchs and *caciques*. Without stern discipline, the colonies could not have existed. This, Madrid did not understand. Hence, the resistance of the local "whites" against the distant capital and also against the Church which preached benevolence, leniency, and tolerance.

The War of Liberation

As a result the Latin American upper crust, egged on by Britain and the United States (both eager to trade in that huge area) and imbued with the ideas of the French Revolution, rose against Spanish domination. We had the amazing spectacle of a wealthy, landowning Creole aristocracy fighting the Crown because it protected the lower classes. (The Indians, needless to say, supported the Crown which, however, was soon defeated on battlefields thousands of miles from the motherland.) The intellectual fatherhood of the French Revolution in this struggle also hurt the Church. The majority of the priests and friars, born in Spain and loyal to the king, packed up and went home.

This "war of liberation" left the *Disunited States of Latin America* laboring under insoluble problems right from the start. Never had a republican and democratic form of government been adopted by countries less qualified to make it work. (In our generation, only Africa has made the same mistake.) In 1822 the two great liberators of Latin America met in Guayaquil: the Venezuelan liberator of the North, General Simón Bolivar, and the Argentine liberator of the South, General José San Martin. The latter implored Bolivar to establish a monarchy in South America, to look for a European prince who might accept the crown! He was convinced that republican democracy was bound to fail in the Latin part of the Western Hemisphere. Bolivar replied that he could see San Martin's reasons but that he had to oppose his views; he was pledged to republicanism and democracy; to advocate monarchy

would be a betrayal of everything he stood for.

San Martin returned to Argentina a broken man, packed his belongings and went into voluntary exile in Europe. He died in poverty in a small French town 30 years later. Bolivar, however, came to regret his reply. He, too, died in despair. "There is no faith in Latin America," he wrote, "neither in men nor in nations. The Constitutions are mere books, the treaties scraps of paper, the elections battles, liberty is anarchy and life a torment." He foresaw the rise of small local dictators and a decay so general that the European powers would not even bother to reconquer a bankrupt continent. "I have plowed the sea," was his cry of anguish.

No Common Denominator

These events of a century and a half ago clearly foreshadow the outline of our present troubles. Harold Laski said that the democratic republic will work only if two conditions are given: a two-party system and what Walter Lippmann calls "a public philosophy," that is to say, a common outlook, common political principles uniting the entire nation. In his Farewell Address George Washington pointed out that whereas monarchies can afford the luxury of ideological diversity, republics have to shun the "party spirit" and must always seek a common denominator. Now, given Latin individualism, this uniformity is lacking – not only South of the Rio Grande but also on the Iberic Peninsula, in France, Italy and, we should add, in the rest of the non-Protestant Western world. The "team spirit" characterizes the Protestant, not the Catholic or Greek Orthodox world. Buttonhole the typical New York commuter and ask him what his political belief is. You will find, chances are, 100 per cent stand for the republic, 99 per cent for democracy. Then repeat the experiment in the subway of Madrid or Barcelona and you will discover where genuine pluralism is at home.

The political parties of Latin America suffer as a rule from radical ideological divergencies. Most of the parties are of the left – left of center, moderately left, radically left, yet, at the same time they are extremely nationalistic and show marked socialistic tendencies. (This is also true of the so-called Christian Democratic Parties inspired by the Left Wing of Italy's *democristiani* and not by the German, Austrian, Swiss, or Dutch Christian Democrats.) This combination of nationalism and socialism is a frightening mixture known only too well to

us in Europe, and it is even more frightening if it has racist undertones as we find them in Peru's APRA and, to a lesser degree, in Mexico's PRI. The difference between them and the Hitlerites, however, is this: the Nazis praised the lily-white Aryans whereas the Latin American national-socialist parties worship the brown skin.

Exploitation of Envy

But why all this Leftism? It is nothing but the political exploitation of the startling, frequently even provocative, differences between rich and poor. In the past 150 years the successful exploitation of envy has been the key to political success in Europe; and now the magic formula also works in Latin America. In other words: the "social problem" is at the bottom of this political ferment and seems to work into the hands of Moscow, Peking, and Havana. In using quotes for the term "social problem," we want to indicate that the issue is *not* really a social, but an economic one.

Not really "social"? No. Though in the past the Latins were not hard workers, the Indians (unless they were totally enslaved) worked far less. Foreigners with knowledge and determination have a very good chance in Latin America – not only Americans, Germans, and Britishers but also Italians, Spaniards, and Portuguese who have developed material ambitions in Northern style. They become rich quickly. In Mexico the Spanish immigrants (and refugees) are called *los zopilotes,* "the vultures," not only because of their sharp noses and their beady eyes (so unlike the soft, brown traits of the Indians and mestizos) but mainly on account of their commercial zeal. When they arrive, they may start by pushing vegetable carts; ten years later, however, they are likely to drive a Mercedes. (Allegedly one-third of Mexico's wealth is in Spanish hands – data that are difficult to check.)

In Caracas I overheard a conversation between two Venezuelans one of whom remarked: "And I tell you, my friend, *Yanquis,* Germans, Portuguese, Spaniards, Italians, Syrians – they're all Jews, they're all Jews," by which he meant that they work hard, save money, reinvest it shrewdly, and generally forge ahead. Yet this "automatic" financial rise is also achieved by the ambitious minority among the natives, whatever their color. In a generally lethargic society where people, by and large, are not very competitive the few *ambiciosos* (what a dirty word!) will swiftly rise to the top. And how they are hated: the *Gringos* and the local rich!

The Social Pyramid

As a result of this odd distribution of energies (which, incidentally, is *not* climatically conditioned) the social pyramid has a very broad base and then narrows abruptly, ending in a very fine "needle." Such a "needle" is conspicuous indeed. In North European countries the social pyramid looks more like a triangle and its top is relatively broad. Still, we know that in Austria a total confiscation of monthly incomes of $1,000 and over would, if equally distributed among all citizens, provide them with another cent and a quarter daily. If one were to expropriate all peso millionaires in Mexico, that means people owning more than 80,000 U.S. dollars, each Mexican would receive once and for all the sum of $18.00. The statistics would look even less favorable in countries like Colombia, Peru, or Bolivia.

In other words: the most radical social reforms would hardly make a dent in the living standards of the masses. Not the expropriation of the rich will alleviate the situation, but only a *substantial general increase in production.* Rich countries are not rich on account of "natural wealth" (a totally exploded fallacy) but on account of a high work ethos, of industriousness, saving, and investment. Radical discrepancies between the living standards of the social layers exist only in basically poor countries – and they are poor because the majorities are not enthusiastic about hard and systematic work.

Investments, too, present a ticklish if not insoluble problem. A revealing passage in *Populorum Progressio* speaks of wealthy people who, instead of investing their profits in their own country, transfer them abroad. It is true that wealthy Latin Americans, except, perhaps, Mexicans, have the tendency to invest in the United States, in Switzerland, even in Spain and Japan. They do this in spite of the fact that the profits derived thereby are well *below* what they would be at home. But it is *safety* these investors are worried about. Since most of the big popular parties are Leftist in their tendencies, since CONFISCATION is written in large letters on their party banners – confiscation of factories, large estates, church property, foreign companies – no wealthy Latin American can trust his own country.

A Formula for Failure

Almost all big parties, indeed, talk about "soaking the rich" and so do the Christian Democratic Parties who want to take the wind out of the sails of the Marx-

ist and "national socialist" groups. Appealing to the envy of the many seems the only way to get votes. A young Peruvian Christian Democrat informed me that 78 per cent of his country was in the hands of large landowners. I inquired how much remained for the average agrarian family. Taking the size and the thin population of Peru into consideration, there seemed to be land enough for all.

"What about the Japanese immigrants?" I asked, "They all do extremely well on tiny plots."

"You are right, but our people would never work as hard as these Japs do; thus we have to carve up the large estates, just as we have to nationalize the American oil companies."

"Confiscate their property?"

"Not really. We shall give them 2.5 per cent government obligations. They got their treaty by bribing our deputies."

"But didn't you tell me before that you want foreign investments, foreign loans? How do you expect to get them after expropriating American companies?"

"Well, they have to shell it out or we'll become communists. If they won't do it, we'll ask the Germans."

"My dear friend, economy is based on *credit* and the term credit implies trust. The Germans won't give you a cent!"

The young man was enormously surprised.

Military Stopgap Measures

Discussions like this prove the existence of a genuine vicious circle: no general disposition for hard work (as it is known, actually, only in parts of Western civilization and in East Asia), the tremendous gap between rich and poor, the demagoguery of the Leftist parties (led predominantly by "university men" and morally stranded scions of old families), all this creates the *necessity* for unconstitutional "take-overs" by the military. American public opinion as well as the State Department heartily disapprove of undemocratic military rule, but, normally, the armies step in only when the country is menaced by a Leftist, anti-American, pro-Castroite faction as a result of free elections or revolts.

In the past, most protégés of the United States have turned out to be leaning to the Left, toward Moscow, if not Peking, once they took over with American moral or financial support. This was the case with Fidel Castro whose ascent to power was enthusiastically greeted by the American press, of "Papa Doc" Duvalier in Haiti, of Juan Bosch. When the military junta in Santo Domingo ousted Bosch, when the Peruvian

army prevented Raúl Haya de la Torre from gaining control, when General Onganía took the reins in Argentina, Washington was none too happy. (The American acclamation of Marshal Castelo Branco in Brazil was something utterly new.)

Yet, one must admit that military dictatorships are only stopgap measures. The problem posed by San Martin to Bolivar is as timely today as it was a century and a half ago. Still no monarchist party, no monarchist sentiment exists today in Latin America – except for Brazil which was fortunate enough to have a monarchy until 1889. Constitutions pose an insoluble problem everywhere, with the exception of Mexico which has a one-party system, being run by the PRI which, in turn, is firmly in the hands of an oligarchy. An ideal situation? By no means. But, at least, thanks to strictly rigged elections, there is a *permanence* on which an expanding economy can be based. The PRI (Revolutionary Institutionalist Party), once violently hostile to religion, has settled down, has become "bourgeois," has made its peace with the totally impoverished Church.

The Role of the Church

And what about the Church in all that Latin American turmoil? Perfectly silly charges are leveled against her: that she always sided with the rich, that she owns great wealth which she does not share with the poor, that she did nothing to alleviate illiteracy because she has a better hold on ignorant people, and so forth and so on. The fact is that the Church is desperately poor, that priests are living in abysmal misery, sleeping sometimes like dogs on the ground as I have seen with my own eyes, that she has been totally expropriated in many countries, that she has made and is still making heroic efforts to educate all layers although secular education is not one of her primary tasks. (Actually, in most, though not in all, Latin American countries the Catholic schools and universities are undoubtedly far superior to their secular counterparts.) That there are certain ecclesiastic problems which, for the moment, are beyond solution nobody will deny – for instance, the crucial problem of vocations.

What I am worried about, because a solution can and must be found, is the Church's stand in the aforementioned "vicious circle." Christianity being only 400 years old in many parts of Latin America (where it is not European Christianity transplanted, but superimposed!), it has affected only the blood and the

hearts of the people, not the bones and the *minds*. This corresponds to the situation in Germany in the eleventh century, a fact one tends to forget in drawing comparisons. The Church has, in the past, concentrated too much on devotion (especially on Marian devotion) and not sufficiently on ethics, as Professor Fredrick B. Pike of Notre Dame pointed out in a brilliant paper. She did not preach energetically enough the *natural virtues*: respect for personal property, thrift, truthfulness, frugality, responsibility for the family, chastity, cleanliness. (In certain Latin American nations 85 per cent of all children are illegitimate and get their entire moral education from benign grandmothers.) Piety is impressive in Latin America, but the Mestizo who prays in mystical ecstasy, tears streaming down his face, may vote communist tomorrow or slit his neighbor's throat from ear to ear. Our early medieval ancestors acted in exactly the same way.

Today, having made great efforts in spirituality, the Church suddenly seems to have discovered "social justice" and engages heavily in politics. Although she rarely openly advocates the Christian Democratic parties, she fosters them secretly and, without sufficient studying and preparation, teaches specific economic doctrines. One shudders at the thought of what the reaction will be when the Christian Democratic parties fail economically in the countries where they now hold sway.

We in Europe know by experience that Christian parties come and go whereas the Church remains – to face the music. In the past the Church has suffered atrociously for having supported specific political orders. The tragedy will not be lessened if, out of an ill advised idealism, the Church allows herself to be identified with specific economic systems, above all those of a socialist pattern which are notoriously inefficient.

These reflections do not offer a solution for Latin America's tragic vicious circle. There, as elsewhere, religious, economic, social, and political problems form an organic whole. In all likelihood, the Archimedean point for curing these ills lies in a reform of the Latin American's soul, mind, and spirit. If this could be achieved, the economic, social, and political shortcomings would largely disappear or, at least, be lessened. To cure the evils at their roots, and not by underwriting utopian blueprints, would thus be eminently the task of the Church. ◈

E. W. DYKES

DEMUNICIPALIZE the Garbage Service

This article first appeared as "Big Wars from Little Errors Grow" in the January, 1964, FREEMAN. But recent events indicate that someone must have missed the point.

A FRIEND recently chided us libertarians for being so engrossed in "pursuing our busy little seminars on whether or not to demunicipalize the garbage collectors" that we tend to ignore the most vital problem of our time: war and peace.

Well, I'm not so sure. On the assumption that the "garbage issue" is more fundamental than the "war issue," I take up the gauntlet exactly as our friend has flung it down.

War – like many other of today's problems – is the culmination of the breaking of libertarian principles, not once, but thousands of times. We are challenged to jump in at this point and apply our principles to get out of the unholy mess resulting from years and years of errors on errors. The challenge might just as well have been put in terms like this: "You are a second lieutenant. Your platoon is surrounded. Your ammunition is gone. Two of your squad leaders are dead, the third severely wounded. Now, Mr. Libertarian, let's see you get out of this one with your little seminars."

My answer: "Demunicipalize the garbage service."

Now, wait, before you cross me off as a nut. I have a point. That second lieutenant is a goner. And so is the prospect of lasting peace until man learns *why* it is wrong

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to municipalize the garbage service. You can't apply libertarian principles to wrong things at their culmination and expect to make much sense or progress. You have to start back at the very beginning, and that is precisely what our little seminars are for. There are people who build for tomorrow, others who build for a year, some who look forward a generation. The libertarian, a part of "the remnant," takes the long view – forward to the time when war will be looked upon as we now look upon cannibalism, a thing of the past. And believe me, unless someone takes the long view, wars will continue.

Suppose a group of doctors in a meeting on cancer prevention decide to do with cancer as the state proposes to do with war: "Outlaw it." What chance would the doctors have? None. And precisely for the same reason that the state can't outlaw war: They don't know what causes it.

I think I know what causes war. In an unpublished article called "War, the Social Cancer," I developed the thesis that war is the malignancy resulting from the growth of interventionism, which invariably becomes uncontrolled, once started. Without interventionism – starting way back with things like the garbage service – war simply *cannot* happen.

Is There a Faster Way?

What do we do in our little seminars? We make the case for freedom, which cannot coexist with interventionism. Slow? Of course, painfully slow. But who can really say and prove there is a better – or faster – way?

I suppose, in a way, we can be thankful – so long as wars persist – that there are men willing to tell my son how, when, and where he will fight. I am not willing to be a party to telling their sons what they will do, because that would mean abandoning my position. Probably, in a world at this stage of evolution, there have to be both kinds. I can guarantee at least one who disavows initiated violence, but only if I hold fast to that position myself.

Depend on it, this view always will be scorned by those who cannot look past tomorrow. You may also depend on it that a time will come when the little seminars will bear fruit. Listen to Albert Jay Nock:

> The fascination and the despair of the historian, as he looks back upon Isaiah's Jewry, upon Plato's Athens, or upon Rome of the Antonines, is the hope of discovering and laying bare the "substratum of right-thinking and well-doing" which he knows must have existed somewhere in those societies because no

kind of collective life can possibly go on without it. He finds tantalizing intimations of it here and there in many places, as in the Greek Anthology, in the scrapbook of Aulus Gellius, in the poems of Ausonius, and in the brief and touching tribute, *Bene merenti*, bestowed upon the unknown occupants of Roman tombs. But these are vague and fragmentary; they lead him nowhere in his search for some kind of measure of this substratum, but merely testify to what he already knows *a priori* – that the substratum did somewhere exist. Where it was, how substantial it was, what its power of self-assertion and resistance was – of all this they tell him nothing.

Similarly, when the historian of two thousand years hence, or two hundred years, looks over the available testimony to the quality of our civilization and tries to get any kind of clear, competent evidence concerning the substratum of right-thinking and well-doing which he knows must have been here, he will have a devil of a time finding it. When he has assembled all he can get and has made even a minimum allowance for speciousness, vagueness, and confusion of motive, he will sadly acknowledge that his net result is simply nothing. A Remnant were here, building a substratum like coral insects – so much he knows – but he will find nothing to put him on the track of who and where and how many they were and what their work was like.[1]

Now, turn to William Graham Sumner:

If we can acquire a science of society, based on observation of phenomena and study of forces, we may hope to gain some ground slowly toward the elimination of old errors and the re-establishment of a sound and natural social order. Whatever we gain that way will be by growth, never in the world by any reconstruction of society on the plan of some enthusiastic social architect. The latter is only repeating the old error over again, and postponing all our chances of real improvement. Society needs first of all to be freed from these meddlers – that is, to be let alone. Here we are, then, once more back at the old doctrine – *Laissez faire*. Let us translate it into blunt English, and it will read, Mind your own business.[2]

Again I say: We will never end wars if we do not, at the minimum, understand why the garbage service should be removed from the jurisdiction of the police force, that is – government. ◈

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[1] Albert J. Nock, "Isaiah's Job" from *Free Speech and Plain Language* (William Morrow & Company, 1937).

[2] William Graham Sumner, *What Social Classes Owe to Each Other* (Harper & Brothers, 1883).

CLARENCE B. CARSON

The Rise and Fall of England

2. PRE-INDUSTRIAL ENGLAND

ENGLAND'S rise to greatness came after major political changes that afforded substantial liberty for Englishmen. There have been many efforts in recent generations to attribute productiveness, prosperity, and industrial leadership to almost everything except morality and liberty – such diverse factors as war, inflation, natural resources, government "promotion" of manufacturing, exploitation of workers, and technology.

The technological explanation is particularly alluring, for it is easy to see that an increase in the productivity of workers makes more goods available. So it does, if the workmen continue to work effectively, if the machines are utilized, and if what is wanted is produced. But then, technological advance is not an accident itself. It, too, is the result of inventiveness stimulated by incentives and relief from fetters; in short, it, too, is the result of morality and liberty.

The role of liberty and morality in the development of England's prosperity and leadership becomes clearer as one examines the situation in England before the change occurred. It has been shown that civilizational leadership was hardly usual for England, that the many wars in her past had not produced abundant prosperity, that such natural resources as were to be found in

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

that land had not distinguished her thus far in productiveness, and so on. In short, England's greatness, when it came, should be attributed to new factors: to morality and liberty.

The Political Setting

In the century or so before England began to industrialize on a large scale there was widespread oppression and hardship. Now, oppression and hardship were not peculiar to England of all nations nor to this time in history. On the contrary, oppression and hardship have been the lot of most peoples in most times everywhere. It is the relative exceptions to this that are noteworthy. But oppression has different forms in different times, and there are degrees of it as well.

It was in terms of the particular forms of oppression in England that an amelioration of it began to take place. Moreover, the increasing liberty – the freeing of the energies of the people – led to the industrialization which alleviated much of the hardship. It will be seen, too, that the hardship was not simply the result of inferior technology but, more directly, of the oppression itself.

Many Englishmen were inclined to blame the oppressions of the first half of the seventeenth century on the Stuart monarchs who ruled. It is true that James I (1603-1625) insisted upon all his prerogatives, defending them on the offensive grounds of the Divine Right of Kings, and that Charles I (1625-1649) attempted to rule without going through the motions of dependence upon Parliament. But it would be difficult to prove that the Stuarts were more oppressive than the Tudors who preceded them. The Tudors had flattered the members of Parliament, however, by allowing them to participate in the despotic decisions. Of equal importance, the Tudors did not press issues to a constitutional head, while the Stuarts in pressing their claims to their ancient prerogatives raised troublesome constitutional questions. At any rate, there should be little doubt that the government of England was despotic at the outset of the seventeenth century.

It was not a despotism that sprang from the personality of a king alone. The system that prevailed provided considerable opportunity for despotism. At the beginning of the seventeenth century, England had a class system which was a relic of feudalism. The classes had lost that independence, however, which had earlier enabled them to balance and offset the power of the monarch. When Parliament acted

with the king, there were none who could effectively oppose the action. When Parliament refused to act with the king, it had no means of action; it would be dismissed, most likely. The basis of independence was there potentially, as we shall see later; but for the time, power was concentrated and had been for the past century. Whether it was exercised in an enlightened fashion or not, it was despotic.

The Forms of Oppression

Three different kinds of oppression and persecution can be distinguished: political, religious, and economic. All the oppression was by the government, of course, and was in an important sense political; but for purposes of discussion the oppression within the government itself is denominated political, while persecution of those not within government is referred to as religious or economic.

In many respects, political oppression was the mildest, but it got a great deal of attention because it frequently involved men who had a forum from which to speak. The great constitutional issues of the first half of the seventeenth century frequently involved the freedom and independence of the members of the House of Commons and of judges. The freedoms for which Commons contended were freedom of speech, i.e., freedom to discuss whatever matters they desired when Parliament was in session; freedom from arrest while Parliament was in session or for what had been said and done there; and the right of initiative and alteration of legislation.

Monarchs of the time assumed that they would bring before Parliament such matters as would be considered and that these might be discussed and decided upon, but none others. Thus, Elizabeth I (1558-1603) had said:

> For liberty of speech her majesty commandeth me to tell you, that to say yea or not to bills, God forbid that any man should be restrained or afraid to answer according to his best liking, with some short declaration of his reason therein, and therein to have a free voice, which is the very true liberty of the house, not as some suppose to speak there of all causes as him listeth, and to frame a form of religion, or a state of Government as to their idle brains shall seem meetest, She sayeth no king fit for his state will suffer such absurdities.[1]

James I was more emphatic in 1621, when he commanded the

[1] Kenneth R. Mackenzie, *The English Parliament* (Baltimore: Penguin Books, 1950), p. 37.

Speaker of Commons "to make known in our name unto the House, that none therein shall presume henceforth to meddle with anything concerning our Government or deep matters of State."[2]

Persecution Under Charles I

It was under Charles I, however, that the most extensive political persecution occurred. When both houses of Parliament persisted in inquiring into foreign affairs in 1625, Charles dissolved Parliament and had the Speaker of the House of Commons, Sir John Eliot, imprisoned in the Tower of London. Parliament had not enacted a law requiring the payment of Tunnage and Poundage, but Charles, badly in need of funds, simply imposed it without parliamentary consent. "Seventy gentlemen, of whom twenty-seven were members of parliament, had to be imprisoned for refusing to contribute to the loan."[3] After a stormy session in 1629, Sir John Eliot was once again sent to prison where he died in 1632, and Charles ruled eleven years without Parliament. When Parliament finally was called again in 1640, Charles could no longer work his will or even succeed in subduing its members by arrests; the time of rebellion was at hand.

In like manner, the early Stuarts attempted to work their wills upon the courts. "In 1616 Chief Justice Coke was dismissed for refusing to defer to James I in giving judgment. Ten years later Charles dismissed Chief Justice Crew for refusing to admit the legality of a forced loan. . . . During the personal government of Charles I repeated dismissals reduced the judges to a state in which they enforced monopolies, abandoned Coke's attempt to restrict the jurisdiction of Church courts, and declared Ship Money legal."[4] In short, the courts were made effective instruments for the despotic will of the king.

The Church of England

The religious oppression of Stuart England is known to Americans, because it was this that drove Pilgrims, Puritans, Baptists, Quakers, and Catholics to migrate in considerable numbers to the New World. Nowhere does the determination to maintain conformity by stamping out differences appear more clearly.

The Church of England was established. This meant that everyone "had to attend services in his

[2] *Ibid.*

[3] Lacey B. Smith, *This Realm of England* (Boston: D. C. Heath, 1966), p. 210.

[4] Christopher Hill, *The Century of Revolution* (New York: W. W. Norton, 1961), p. 68.

parish church every Sunday, and was liable to legal penalties if he did not. He had to pay tithes, one-tenth of his produce or his profits, to a clergyman whom he had no say in choosing, and of whom he might heartily disapprove. He was liable to the jurisdiction of Church courts, which punished him not only for 'heresy,' nonattendance at church, or sexual immorality, but also for working on Sundays or saints' days, for nonpayment of tithes, sometimes even for lending money at interest."[5] Moreover, the Church kept a close watch over and a tight rein on thought and education. "Books were strictly censored, and the censorship was in the hands of the Bishops. Education was an ecclesiastical monopoly. . . . No person might teach in a school or private family unless licensed by his Bishop."[6]

Dissenters Unwelcome

Anyone who differed from the established church was in difficulty, potential or actual. Dissenters, both Protestant and Catholic, were persecuted. During Elizabeth's reign Catholics, particularly, were the subject of disabling legislation: an act of 1571 made it treason to declare that Elizabeth ought not to be queen or to bring in a papal Bull. An act of 1581 made it a high crime to attempt to convert a subject to the Catholic faith and set forth penalties for saying or hearing a Mass. During her reign more than two hundred Catholics were put to death.

Dissenting Protestants were not spared either. A small sect began to hold meetings, called Conventicles. An act of 1593 provided imprisonment for anyone who attended one of these meetings, banishment from England for a second offense, and execution for those who returned to England after having been banished. That matters were little improved for such dissenters under James I will appear from the account made by William Bradford of what happened to a company of them who tried to leave England for Holland in 1608. They arranged with a man for a ship to take them over.

But when he had them and their goods aboard, he betrayed them, having beforehand complotted with the searchers and other officers so to do; who took them, and put them into boats, and there rifled and ransacked them, searching to their shirts for money, yea even the women further than became modesty; and then carried them back into the town and made them a spectacle and wonder to the multitude which came flocking on all sides to behold them. Being thus first, by these catchpoll officers ri-

[5] *Ibid.*, pp. 75-76.
[6] *Ibid.*, p. 76.

fied and stripped of their money, books and much other goods, they were presented to the magistrates, and messengers sent to inform the Lords of the Council of them; and so they were committed to ward. Indeed the magistrates used them courteously and showed them what favour they could; but could not deliver them till order came from the Council table. But the issue was that after a month's imprisonment the greatest part were dismissed and sent to the places from which they came; but seven of the principal were still kept in prison and bound over to the assizes.[7]

Perhaps the most amazing persecution during the reign of James I was that for alleged witchcraft. The king had produced a book on demonology a few years before he came to the throne of England. "In 1604 an act increasing the penalties against witches was passed by the English Parliament and under it many thousands of witches were condemned and burnt in the first twelve years of the reign."[8]

The persecution of Puritans reached its peak during the eleven years when Charles I ruled without Parliament. Puritans were within the ranks of the Church of England, but they wished to reform it in various ways. Archbishop William Laud, acting under the auspices of Charles I, undertook to bring them completely in line or drive them out. "Archiepiscopal visitations took place everywhere to ensure that the altar stood at the eastern end of the churches, that paid lecturers should not invade the parishes to preach puritanism, that the services set out in the Common Prayer Book were used, and that extreme sabbatarianism was stamped upon. Puritan pamphleteers . . . were savagely punished by the Star Chamber."[9] In the decade from 1630 to 1640 nearly 20,000 of the Puritans came to New England.

Efforts at Economic Stability

Economic oppression was usually more subtle than religious persecution, though hardly less devastating in its extended effects. Two intertwined principles dictated this oppression: the now ancient Medieval goal of stability and a later system which was being given theoretical formulation in the seventeenth century which we know as mercantilism.

The goal of economic stability is readily understood; it is the principle of maintaining things as

[7] William Bradford, *Of Plymouth Plantation*, Samuel E. Morison, intro. (New York: Modern Library, 1967), p. 12.

[8] Maurice Ashley, *England in the Seventeenth Century* (Baltimore: Penguin Books, 1952), p. 37.

[9] *Ibid.*, p. 68.

they are – prices, wages, products, rents, workers – by legislation or fiat. Mercantilism jibed perfectly with the royal absolutism of the time. It was a system of economic planning by which the monarch made economic activities an extension of his will for the supposed benefit of the kingdom. Regarding the effort to maintain stability, one historian says that the governments of the early Stuarts were "suspicious of social change and social mobility, of the rapid enrichment of capitalists, afraid of the fluctuations of the market and of unemployment, of vagabondage and social unrest."[10] Thus, "throughout the early Stuart period, governments thought it their duty to regulate industry, wages, and working conditions. In times of dearth they ordered Justices of the Peace to buy up corn and sell it below cost price; they forbade employers to lay off workers whose products they could not sell."[11]

The most famous of the attempts to maintain things as they were over the centuries were the laws against enclosure. Enclosure was the practice of combining the many plots of a manorial estate into a single farm, and frequently enclosing it for the pasturing of sheep (though it might also be used for commercial row crop farming). From time to time the government tried to prevent this, one of the more determined efforts being made under Charles I.

Obvious Consequences

Many of the deleterious effects of this "stability" regulation were understood at the time.

Government regulation, in so far as it was enforced, rendered the English economy inflexible, less able to react to changes in demand than a free market would have been. In 1631 the Hertfordshire Justices of the Peace protested that "this strict looking to markets is the reason why the markets are smaller, the corn dearer." Free trade would produce better results: the Dorset Justices agreed with them. Lancashire Justices refused in 1634 to cause unemployment by enforcing apprenticeship regulations; nor would they prosecute middlemen whose activities were essential for spinners and weavers of linen, who could not afford time off to go to Preston market to buy flax. In Essex it was "found by experience that the raising of wages cannot advance the relief of the poor," since employers would not take men on at the enforced higher wage rates.[12]

There is nothing new about the ill effects of government interference with the market, as these instances show.

[10] Hill, *op. cit.*, p. 28.
[11] *Ibid.*, p. 29.
[12] *Ibid.*, p. 31.

Monopolies Everywhere

The most notable development of mercantilism in the late sixteenth and early seventeenth centuries was in the establishment of monopolies. It was the habit of the monarchs to grant charters or patents to individuals or companies to have the exclusive right to engage in a certain trade or to make, sell, or purvey certain goods. One historian lists the following items as being thus monopolized at one time or another during the first four decades of the seventeenth century: bricks, glass, coal, iron, tapestries, feathers, brushes, combs, soap, starch, lace, linen, leather, gold thread, beaver, belts, buttons, pins, dyes, butter, currants, red herrings, salmon, lobsters, salt, pepper, vinegar, tin, beer, hops, barrels, bottles, tobacco, dice, cards, pens, writing paper, gunpowder, and so on. Little was left to be monopolized, except bread, as a member of Parliament noted in 1601.[13]

The impact of all this was quite predictable: inconveniences, scarcities, high prices, obstacles to enterprise, inflexibility, and great burdens, particularly on the poor. "By the late sixteen-thirties the economy was beginning to suffer. The clothing industry was hit by increased cost of soap and alum, and by the scarcity of potash caused by suppression of imports. The Greenland Company lacked oil. The salt monopoly embarrassed the Fishing Society. The rise in the price of coal hit nearly all industries. 'No freeman of London,' said a pamphlet of 1640, 'after he hath served his years and set up his trade, can be sure long to enjoy the labour of his trade, but either he is forbidden longer to use it, or is forced at length with the rest of his trade to purchase it as a monopoly, at a dear rate, which they and all the kingdom pay for. . . .' "[14] Mercantilism had not yet reached its high tide in England, but it was well under way under the Stuart monarchs.

A Land of Many Oppressions

Pre-industrial England, then, was a land of many oppressions. It was a land in which those who dared to oppose the monarch risked not only their positions but their lives and liberty as well, a land in which freedom of religion had hardly been conceived, a land in which there were all sorts of obstacles to enterprise, in which privileged favorites dominated trade, in which government policy opposed change, and in which the king intervened in the economy to try to replenish the royal purse. These policies produced their full

[13] See *ibid*, pp. 32-33.

[14] *Ibid.*, pp. 33-34.

quota of evils: the toadying politicians who altered their courses to accommodate every change of royal whim, the ecclesiastical corruption, and the economic waste following from intervention. Pre-industrial England was a land of widespread hardship for the many and of great bounty for the privileged few, mainly royal favorites.

There was nothing particularly new about the hardships of most people in seventeenth and eighteenth century England. Most people at most times have suffered such hardships, sometimes worse. But it is worth examining the material conditions of this time because of the notion that hardships of later centuries were products of industrialization; that business fluctuations, that child labor, that unemployment, that grinding and unremitting labor for long hours were introduced by something called the "Industrial Revolution." The best antidote to this perverse view of things is to look into the pre-industrial situation prior to 1750 in England.

Evidence of Hardship

Since the survey of oppression has dealt mainly with the first half of the seventeenth century, it would be appropriate to take the same time period for a survey of material conditions. However, information for this period is often lacking or imprecise. There is much incidental evidence of hardship, particularly by way of expressed concern for the lot of the poor for this period: the passage of the famous Elizabethan Poor Law in 1601, the concern about Enclosure, and the pamphleteering of the Levellers and other reformers of the middle of the century.

Little more can be said, however, than some such formulation as this by an historian: "Certainly though the rich were often extremely rich (a landowner was not accounted really rich with less than £50,000 in property), the poor were always very poor." He goes on to explain why the lot of some of these poor may have been getting worse: "The steady rise in prices since the beginning of the sixteenth century had fallen heavily on those who depended on a day wage, more especially since wages were fixed and, at least in theory, held down by law."[15] It is only in the late seventeenth and early eighteenth centuries that more precise information becomes available. This will serve almost as well for our purposes as would earlier information if it were available, because the economic oppression of the earlier period was still rampant, though the political and religious oppression was being somewhat alleviated.

[15] Ashley, *op. cit.*, p. 22.

Rural Poverty

A generation or so ago, Dr. Dorothy George researched and wrote a book dealing with pre-industrial conditions. The following account is dependent mainly on her work. She was moved to do this, in part at least, because she understood that a myth had been purveyed about a kind of Golden Age which had supposedly preceded industrialization. Her research did not bear out any such condition. On the contrary, she found evidence of widespread hardship and most difficult conditions of life.

One writer who made a tabulation, of sorts, of conditions in the late seventeenth century estimated that at least half the population lived in abject poverty, were not, in effect, self-supporting. Even those who lived on farms could not, in most cases, afford to eat well. A contemporary of the times describes the situation this way:

> The poor tenants are glad of a piece of hanged bacon once a week and some few that can kill a Bull eate now and then a bit of hangd beefe enough to trie the Stomack of an ostrige. He is a rich man that can afford to eat a joint of fresh meat . . . once in a month or fortnight. If their sow pigge or their hens breed chickens, they cannot afford to eate them but must sell them to make their rent. They cannot afford to eate the eggs that their hens lay, nor the apples or pears that grow on their trees (save some that are not vendible) but must make money of all. All the best of their butter and cheese they must sell, and feed themselves and children and servants with skimd cheese and skimd milke and whey curds.[16]

The poorest of the lot, and they were quite numerous, were the cottagers who lived on but a little land and managed to eke out a bare existence from it sometimes.

Women and Children

Child labor was not, of course, an innovation that came with the industrial revolution. Children have labored from time immemorial, as have women. Farmers must always have worked their children on the farms. Nor was the work of children in manufacturing new to the nineteenth century. Indeed, at the beginning of the eighteenth century it was considered a work of charity and good will to find or provide work for women and children. Frequently, a man could not keep his family on what he made. "But," as Daniel Defoe said at the time, "if this man's wife and children can at the same time get employment, . . . this alters the

[16] Quoted in Dorothy George, *England in Transition* (Baltimore: Penguin Books, 1964), p. 12.

case, the family feels it . . . and as they grow, they do not run away to be footmen and soldiers. . . ."[17]

One child, put out to work by his father at the age of seven, went through two seven-year apprenticeships but still could not make a living at his trade. His second apprenticeship had been as a hosier, and he bought his own stocking frame, thinking that he might be able to go into the business. But it was no use: "I visited several warehouses; but alas! all proved blank. They would neither employ me, nor give for my goods any thing near prime cost. I was so affected, that I burst into tears, to think that I should have served seven years to a trade at which I could not get my bread," so the boy describes his experience.[18]

Intervention Creates Problems

Of course, child labor did not begin with the industrial revolution; no more did so-called business cycles. Dr. George says of the earlier time, "that there was an alternating rhythm of boom and slump, much affected by political causes (and mitigated by the progressive growth of trade) is fairly clear."[19] By attributing them to political causes she had also pinned down the most likely source of them.

One historian gives an example from the time of the early Stuarts of how government intervention caused a depression. England had for a long time been a major exporter of cloth. Customarily English cloth was sent to the Netherlands for some finishing and to be dyed. James I was persuaded that great benefit would accrue to the royal treasury and perchance to the kingdom if all the finishing work could be done in England and an Englishman could have a monopoly of the trade. He canceled the privileges of those who had formerly been authorized to export cloth and gave a patent to a new company which was authorized to export finished and dyed goods only. The undertaking "was a total failure. . . . The Dutch at once prohibited the import of *any* English cloths, finished or not. . . ." The company soon had to "admit defeat and obtain permission to export undyed cloth. Unable to sell abroad, they could not afford to buy at home. There was a crisis of overproduction: 500 bankruptcies were reported. Despite wage cuts and emigration, unemployment soared."[20] Quite often, however, the causes of business cycles cannot be so readily pinned down.

Obviously, unemployment was

[17] Quoted in *ibid.*, p. 23.

[18] Quoted in *ibid.*, pp. 62-63.

[19] *Ibid.*, pp. 53-54.

[20] Hill, *op. cit.*, p. 36.

not something that mysteriously put in an appearance with the "industrial revolution." On the contrary, the rigidities of the sixteenth, seventeenth, and a portion of the eighteenth centuries produced frequent widespread unemployment. Shifts in demand for goods from wartime to peacetime were particularly difficult to adjust to in an age when so many of those changes had to await the authorization of the monarch. Seasonal unemployment was also endemic. "This was general in most trades. Before the days of steam, seaborne trade was usually seasonal and always irregular. Sometimes the Thames was so crowded with shipping that the lightermen, waterside workers, and even the Custom-house men were quite unable to deal with it. Sometimes a contrary wind kept the Pool of London almost empty."[21]

Tyranny Prevails in Absence of Known Alternatives

The inhabitants of pre-industrial England, then, were many of them oppressed, and there was regular as well as recurring hardship. Some people probably would have been without material goods in any case, but it should be clear that there was a close relation between the oppression and the hardship. A concerted effort had been made to make all aspects of the life of people in England a reflection of the desires and will of the monarch. Power was centralized, concentrated, and despotically used. Economic matters were not decided freely according to the rational choice of the people but reflected, so far as they could make it so, the changing whims of monarchs.

However irrational these political, religious, and economic arrangements might appear to some of us, they had their apologists, rationalizers, and defenders in that day, as they usually do in any times. Indeed, at the beginning of the seventeenth century, hardly anyone could conceive of a free society. We who have received such a belief are quite often unaware of how dependent freedom is upon a great faith.

There were profound justifications for the absolutism of the seventeenth century. Men of the sixteenth and seventeenth century knew of nowhere else to look for order and peace than to monarchs. Hardly anyone believed that a society could subsist without having one, and only one, established religion. "No bishops, no king," said James I, for he perceived that the hierarchy of the civil power relied upon the hierarchical arrangements of the Church for its acceptance and support. Men in

[21] George, *op. cit.*, p. 57.

that age thought about economic matters, as do many in our time, that unless they were controlled and directed by government, chaos and disorder would prevail. It was a perilous thing, from every angle, to question the authority of the monarch, however despotically it might be exercised.

There were, of course, bold men in the seventeenth century who would not only challenge the authority of the Stuarts but who would dare to order and carry out the execution of Charles I. Whether this was a blow for liberty or not will probably remain always in doubt. But that Englishmen were beginning to conceive of ways to lighten the yoke and even establish liberty there is no doubt. When they did establish liberty, they did so in terms of certain principles and practices which had been evolving for a very long time. It is appropriate now to take a look at these foundations. ◈

The next chapter in this series covers the "Foundations of Political Liberty."

IDEAS ON LIBERTY

Finished Symphony

GREAT orchestras once filled this silent hall
with strains of concord making spirits soar
and stirring those who heard to thoughts and deeds
beyond the reach of less-inspired men.
We legislated music free to all
intending but to share the blessing more
and now with weeping don our mourning weeds,
for not a soul has learned to play since then.

JAMES E. MC ADOO

TO SAVE OUR HIDES

WILLIAM L. LAW

PROTECTIONIST sentiment in the nation seems more prevalent today than it has been in many years. This trend is unfortunate.

I have some knowledge of the subject, inasmuch as baseball glove leather was the principal product of our firm until 1957 when Japanese-manufactured ball gloves entered and ultimately captured 70 per cent of the United States market. Today we tan no baseball glove leather. Sentiment in the ball glove industry at that time was very strong for protective action. I investigated the matter in some depth but found that I could not in good faith urge protectionist action on my representative. Such action would have been wrong economically, politically, and morally. It simply makes no sense.

My sentiments are colored by the fact that I look on myself not as a tanner whose product is leather, but as a capitalist whose product is profit. That climate most beneficial to capitalists, and for that matter workers and society in general, is one in which there exists a minimum of governmental interference.

Unfortunately, the most active foes of capitalism seem to be capitalists themselves, because they seek socialism for themselves but free enterprise for others.

The protectionist argument is almost as widespread today as it was two hundred years ago when Adam Smith so brilliantly demonstrated its fallacies. Fortunately, we have the work of Smith and his many successors plus the numerous empirical lessons of the benefits of free trade (of which the United States is a notable example) to demonstrate the advantages of unrestrained exchange; unfortunately, it seems

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that each generation must relearn the lesson.

The Highest Impertinence

No improvement can be made on Smith's understanding that "it is the highest impertinence and presumption, therefore, in kings and ministers, to pretend to watch over the economy of private people, and to restrain their expense, either by sumptuary laws, or by prohibiting the importation of foreign luxuries. They are themselves always, and without any exception, the greatest spendthrifts in the society. Let them look well after their own expense, and they may safely trust private people with theirs. If their own extravagance does not ruin the state, that of their subjects never will. . . .

"To give the monopoly of the home market to the produce of domestic industry . . . must in almost all cases be either a useless or a hurtful regulation. If the produce of domestic can be brought there as cheap as that of foreign industry, the regulation is evidently useless. If it cannot, it must generally be hurtful. It is the maxim of every prudent master of a family never to attempt to make at home what it will cost him more to make than to buy. The tailor does not attempt to make his own shoes, but buys them of a shoemaker. The shoemaker does not attempt to make his own clothes, but employs a tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it for their interest to employ their whole industry in a way in which they have some advantage over their neighbors, and to purchase with a part of its produce, or what is the same thing, with a price of a part of it, whatever else they have occasion for. What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. . . .

"That it was the spirit of monopoly which originally both invented and propagated this [protectionist] doctrine cannot be doubted; and they who first taught it were by no means such fools as they who believed it. In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest. The proposition is so very manifest that it seems ridiculous to take any pains to prove it; nor could it ever have been called in question had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind."

The "sophistry" of which Smith

speaks is in essence that being advanced today by those protectionists desiring to limit or eliminate the importation of foreign goods, and is basically as follows: The United States is a high wage country, its industry is unable to compete with that in other countries, imports are increasing, and unless remedial measures are adopted, our industries will be destroyed, our defense posture will be weakened, and a large scale unemployment will ensue.

That argument is advanced innocently by the naive and sophistically by those who know better. It is no different from that ventured by the mercantilists whose errors Smith so ably exposed.

For Better Living

Attend, then, the rationale for free trade – the position, incidentally, supported by most economists: We trade in order to obtain goods that are either unobtainable domestically, such as asbestos, or that can be obtained cheaper abroad, such as baseball gloves. Trade, between individuals, between states, between nations, is economic and it does not reduce living standards of the participants; rather, it enhances them. In short, trade raises wages. Those who think otherwise fail to understand that wages in the United States are the world's highest for a reason; Americans work with the most and the best tools. American industry has the world's highest average capital investment (tools) per worker ($23,000) and therefore has the highest average productivity per worker. We have high wages; however, because of the multiplier (tools) we have low labor costs.

Certainly, labor intensive industries – handmade lace, for instance – are unable to compete. Give an Italian girl a needle and $20 per week and she will produce lace for one-fourth the cost of the American girl who receives $80 per week. Their productivity must be equal. However, give an American miner a giant mechanical shovel and $150 per week and by mining 20 tons of coal per day, he will produce much cheaper coal than the British miner with less efficient tools who receives $60 per week and only produces four tons. The labor cost per American ton at that ratio would be $7.50 and that per British ton would be $15. So we import handmade lace and we export coal; we import baseball gloves and we export computers; we import coffee and we export jet planes.

We Pay with Exports

Exports must equal imports. If this were not so, we would hope for all the imports we could get.

Imagine receiving goods for nothing. But we must pay – and we pay with exports.

Those who would limit imports are taking a superficial view, and it is essential for the sake of our economic well-being that we consider this matter in depth. Consider not only the worker who competes with imports but also the worker who is helped by exports. The baseball gloves are seen, but the computers exported to pay for them are not seen because they have crossed the border; yet, they are nonetheless real.

Consider the consumers whose real wages are raised by cheap imports. Consider the merchants with whom the consumer who buys cheap imports spends the dollars saved. Consider the industries themselves which by competing in world markets are honed to a higher degree of competitive efficiency than they might otherwise be. Indeed, no one likes competition; but it is competition that has given the United States the world's highest standard of living.

Causing Unemployment

Let those who say that free trade causes unemployment examine our history. They will discover that our periods of highest unemployment occurred when tariffs were highest. Unemployment is not caused by imports, nor is it caused by automation or by growth of the labor force. Supporters of those doctrines would be hard put to find statistical support.

Unemployment is caused when money wages are arbitrarily forced or held above the level indicated by the market. Remember, the level of *real* wages in an area is in proportion to the capital investment per worker in that area. But if *money* wages are arbitrarily oversupported, unemployment ensues. To illustrate: In the 1929 deflation the money supply fell by one-third; prices of goods fell, but the administration used all weapons at its disposal to hold money wages up, and for ten years 15 to 25 per cent of the work force was unemployed. The situation was not corrected until 1940 when the government took the opposite position (though for other reasons) and held wages down while it printed money to finance the war. Unemployment disappeared at once.

Most economists agree with the above position. One of them, Sir William Beveridge, said in his book, *Full Employment in a Free Society*: "This potential effect of high wages policy in causing unemployment is not denied by any competent authority . . . as a matter of theory, the continuance in any country of a substantial vol-

ume of unemployment which cannot be accounted for by specific maladjustment of place, quality, and time is, in itself, proof that the price being asked for labor as wages is too high for the conditions of the market; demand for and supply of labor are not finding the appropriate price for meeting."

Let it be understood that if money wages fell, prices would fall and real wages would continue to rise.

Trade, then, does not cause unemployment; rather, it raises living standards. If industries find that they cannot exist in a free market, it may be that they should not. This should be a market determinant.

If Freedom Is the Goal, Rely on the Market

As for the final argument that national defense requires that the consumers subsidize these noncompetitive industries, let it be said that this position has a better foundation than the others, though in most cases an insufficient one.

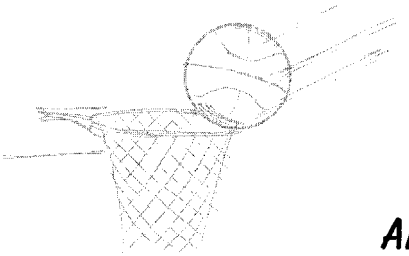
For instance, the head of a large steel company asks, "Can we, for example, be assured of the strong industrial base in steel we need for modern defense if one quarter or more of the steel we require is imported from countries lying uncomfortably close to the Soviet Union and China?"

I imagine that we can, but properly this is a matter for the strategic planners within whose purview it falls. The decision should be made in a calm and rational manner and without distortions urged by parties whose interests are not necessarily those pretended.

The free market has the answer to imports, to unemployment, to gold outflow, and to most economic problems if we will but let it function. If the level of money wages (the distinction between real wages and money wages is important) is so high that unemployment threatens and that the balance of trade is negative, then a high tariff policy will simply reduce exports and employment as it always has in the past. The solution of such a problem calls for hard money and the free market.

There is no other effective method. Reliance on the market is the only method consistent with the highest possible standard of living and a climate of political freedom.

Our business, incidentally, is excellent. ◈



LEW ALCINDOR AND THE GOLD CRISIS

GARY NORTH

AMERICANS are peculiar people. Consider, for example, their marvelous ability to memorize vast quantities of data concerning sports events, as well as their skill in recognizing the most subtle legal points in the operation of complex athletic contests. The *Saturday Evening Post* used to have a regular feature, "So You Think You Know Baseball?" in which the most intricate and perplexing situations that had appeared in certain games were presented and the reader was challenged to referee the game and make a decision. Yet, when confronted with some question concerning the devaluation of the pound, these same people are dumbfounded. They cannot seem to grasp the simplest laws of trade; the various functions of money completely elude their powers of comprehension. It is not a matter of stupidity, exactly, but they just do not want to learn; it is better to leave such matters to "the experts." They fail to realize that their daily lives are far more intimately connected to the operations of the economy than they are to the outcome of a sports event. They can shout "Kill the umpire!" with no sense of shame, while they would never whisper and scarcely dare think to "Question the economic advisors."

Interestingly enough, the rules governing the operation of an economy are rather analogous to those governing a game. A game,

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like an economic system, must have stated rules; teams must be willing to abide by these rules; the rules must bear some relation to the reality of the game and the ability of the men to play it. Perhaps most important to the smooth functioning of a game, and an economy, is the presence of a respected, mutually acceptable referee. A sound international economy must have all of these things; so, for that matter, should a domestic economy. If a man wants to understand the "rules of the game" in international monetary affairs, he might do well to keep in mind that they should resemble the rules of a sport. The analogy is not perfect, of course; if it were, it would not be an analogy. But it can serve as a handy guideline by which we can examine the various reports that are coming out of Washington, London, and Paris.

The Rules for Basketball

Basketball can serve as our analogous sport. It is the only sport of American origin that can be dated precisely. Dr. James Naismith invented it for use in the YMCA program in 1891. It has become, in terms of paid attendance, America's most popular sport. While most of us are not intimately familiar with the game, at least we know something about it. This is more than most people can say about their own economy.

Like basketball, the international monetary system has gone through a series of changes since 1891. Prior to 1922, the United States and most of Western Europe were on a full international (and domestic) gold coin standard. Paper currencies were freely convertible into a stated quantity and fineness of gold or silver. Gold was the medium of payment internationally. Because of this free convertibility rule, central banks and governments were partially restrained in the creation of paper currency and debt; if the value of the paper began to fall, due to an increase in the supply, domestic populations and foreigners rushed to convert the paper into specie metals.

In 1922, however, a decisive change came. Many nations, notably Germany, had been experiencing rampant inflation since the beginning of World War I. They had been printing vastly more paper IOU's for gold than they had gold in reserve. This practice had thrown the previously smooth operation of the international gold standard into confusion. All countries wanted to maintain their gold reserves against the demands of both domestic and foreign populations, yet they also wanted to enjoy the so-called benefits of do-

mestic inflation. Thus, their domestic inflationary policies had come into conflict with the operation of the international trading community.[1] As the value of the paper bills fell, many of the nations began to experience gold drains. Gold maintained its purchasing power, and even rose; paper currencies, in most cases, could hardly claim as much.

Genoa Conference of 1922

The result was the Genoa Conference of 1922. At that conference, the representatives of various nations attempted to find a substitute for the full gold standard. They decided that instead of the requirement that a nation keep its gold reserves proportional to its outstanding IOU's against gold, a new rule would be imposed: a central bank or a national treasury could now keep, instead of gold, interest-bearing bonds and securities of nations that would maintain a monetary system freely convertible into gold. Free convertibility was to be maintained among nations and their financial representatives, though not necessarily between a nation and its domestic population.

It was at this point that the full gold coin standard was abandoned; in its place came the "gold exchange standard," which has developed into something fundamentally different from the gold standard which had existed before. Jacques Rueff has analyzed the great defects of this system.[2] The worst aspect is that an inverted pyramid of paper money and debt has been created; it rests on a tiny fraction of gold reserves. The United States and England have, until quite recently, been able to create vast quantities of unbacked money without feeling the effects of a gold run. Other nations have been willing to hold our bonds instead of demanding gold and thereby putting pressure on our policies of domestic inflation. They, in turn, have expanded their own domestic currencies on the assumption that our bonds are "as good as gold," and therefore equal to gold.

An Unstable Structure

With the devaluation of the pound and the pressures on the dollar, the pyramid appears to be toppling. This is why international monetary experts are frantically searching for some alternative means of payment besides gold. The structure of international trade is being threatened

[1] I have dealt with this conflict in my essay, "Domestic Inflation versus International Solvency," THE FREEMAN (February 1967).

[2] Jacques Rueff, *The Age of Inflation* (Chicago: Regnery Gateway, 1964).

by a collapse of the means of payment; the gold exchange standard is in serious trouble. The "exported inflation" of the United States and Britain is being called to a halt, but in doing this, foreign central banks and treasuries are risking the destruction of the present monetary system.

In other words, the Genoa Conference changed the operational "rules of the game." It created a system which only delays the ultimate judgment of gold against inflationary policies. The delay, in Britain's case, finally caught up in 1967; the United States is next on the list. For this reason, it is important to examine the assumption lying behind the Genoa Conference's decision. The same assumption lies behind many of today's anti-gold arguments. Before World War I, there had been relatively little change in the price structures of the various gold standard nations. England's wholesale prices had remained relatively stable for a century. In the United States, there had actually been a fall in the price level between 1870 and 1900. This is only natural; since the supply of gold and paper currency in this country had remained relatively constant, and since industrial productivity had doubled, a fall in the price level was inevitable. Thus, the gold standard had encouraged men to accept as normal a somewhat stable or even declining price level. But the war and postwar inflations brought higher domestic, and therefore international, prices.

"Not Enough Gold"

Now, if these new prices – inflationary prices – were accepted as somehow sacrosanct, valid, and beyond criticism economically (as so many government officials wanted the public to believe), then the argument of the inflationists had to be accepted: "There is not enough gold to facilitate international exchange." This is absolutely true today, even as it was true then, *given the level of the inflationary prices.*

The argument went unchallenged, just as it is going unchallenged today. Anyone who called for a return to gold was at the same time calling for a return to the prewar, gold-based price level. This, in turn, called attention to the fact that governments had worked a sleight-of-hand operation: they had levied invisible taxes through currency debasement. Men and women were paying higher prices for goods, and some of them were forced to restrict their consumption of these goods and services. Here was the secret of war finance and the expansion of government operations.

It implied that the government officials had not been altogether honest with the public in regard to the actual costs of the war.

Naturally, governments did not want to make such an admission, any more than they want to make it today. So the new, inflated price levels were accepted as the standards of evaluation, and the various nations ratified the "gold exchange" standard. There was just not enough gold to go around. Gold had failed to reproduce itself as rapidly as the governments had printed unbacked paper currencies, and thus gold had failed to keep up with the rising price levels. Gold was to blame, not governmental policies of inflation. The gold standard had to be modified, clearly.

At that point, the true gold standard was abandoned; whatever failures of the modern "gold exchange" standard one wishes to acknowledge, they are not the failures of the international monetary system prior to 1922. If the "gold standard" has failed, as so many contemporary economists are saying today, it is not the full gold standard. It is the failure of the standard created by the governments themselves in 1922.

Changing the Game

Now, what has all this to do with basketball? Simply this: men can agree to changes in the rules of a game, but in doing so, they modify the game itself. Fifty years ago, before the advent of rules prohibiting a player from fouling the other in the act of shooting, or those abolishing the "center jump ball" after every score, the game was a much slower, much lower scoring affair. A score of 20 to 17 was common in 1920. Today a college team like UCLA can average almost a hundred points a game; even high schools, playing shorter games, have averaged in the "hundred plus" range. My grandfather, who played the game before 1920, refuses to watch the events on television. He insists that "it just isn't the same game." It is not "real basketball." In a certain sense, he is correct; the game really is not the same any more.

The analogy, of course, is not air-tight. Other factors have changed the game, such as more skillful players, better training programs, the coming of the jump shot, and the development of good big players. Still, even here we can find a lesson. The coaches sought after Lew Alcindor with an intensity never before seen. It is exactly analogous to the frantic search for gold made by governments and central banks in the 1920's (and today); everyone wants to augment his reserves of

gold. But not all central banks can be equally successful in their quest, any more than all the coaches could achieve their dream of having Alcindor on their team; therefore, many are dissatisfied with the result.

It was the good fortune of UCLA that Alcindor selected that school to attend; similarly, it was the good fortune of this country that its policies of domestic inflation were not immediately challenged by the operation of the gold exchange standard. It was "good" in the short run, and "good" from the point of view of the government; until 1958, gold flowed into this country. The "gold exchange" standard made this possible, especially when coupled to the fact that European nations were inflating their monetary systems even faster than we were.

Real Reasons Unstated

The losers, whether rival coaches or rival governments, are never happy. The coaches immediately imposed a rule against the famous "dunk shot," which had been perfected into a fine art by Alcindor. This was to equalize the game for the small man, we were told ("small man": anyone under six feet four inches). Of course, Alcindor was the only college player to use the shot regularly. What the coaches really wanted to do was to equalize their teams with UCLA's squad. But this was left unsaid.

In the same way, the Genoa conferees did not admit that the real cause of the alteration of the rules was the fact that they wanted to pursue their own domestic inflationary policies more easily. The confiscation involved in all inflation had to go on, by definition, but the excuse given did not mention this side of the problem. No, the changes were made only to "modernize" international monetary arrangements.

What it really boils down to is that coaches want to win ball games, and without big men who are also skilled players their chances of doing so are dimmed. Similarly, countries that inflate their currencies lose gold to foreign nations (and domestic populations, if their rights of gold ownership are not declared "criminal" by officials of the state). The rules must be changed; gold and talented tall men are in too short a supply.

The difficulty arises, naturally, when the losers try to change the rules too much, and in doing so either isolate themselves from the game everyone else is playing, or else destroy the game itself. This is precisely what the Soviet Union attempted to do a few years ago. The Soviets have never beaten

the United States in an Olympic basketball game (no nation has). Thus, they proposed sweeping changes: a twelve-foot basket, seven men on each team, and free substitution of players. Not surprisingly, the Soviet press reported that Soviet fans were far more pleased with this new game.

Had these changes been acceptable to the Olympic rules committee, it would have forced the United States to change its entire basketball structure at the amateur level (an unlikely event) or else suffer the consequences when its Olympic teams entered international competition without being familiar with the different rules. The rules committee ignored the recommendation, and today the Soviet teams play the game by the "old-fashioned" rules, whether or not the public behind the Iron Curtain "enjoyed the game far more" the other way.

A Different Situation

The average sports fan, when he hears of such "unsportsmanlike conduct," is likely to scoff at these tactics. Yet consider what the United States is trying to do in the world's monetary affairs. Our nation is now suffering a gold drain as a direct result of our own domestic policies of inflation. Since we do not want to lose our gold reserves or stop the inflation, we are caught in a dilemma. We are now attempting to have the "rules of the game" shifted in our favor, in order that we might avoid the payment of our gold debts to foreign nations. We want a "paper gold" system, or a special drawing rights system, or any other kind of system which will permit us to forfeit all or a portion of our gold debts.

Since 1958, the "gold exchange" standard has been working to our disadvantage. We want it amended. The world at present holds twice as many potential claims to our gold as we have gold to pay (assuming that Congress abandons the already meager 25 per cent gold reserve requirement for the support, and *restraint*, of our domestic money supply). The 1922 rules, which seemed to be of such benefit to us for so long, now appear to be hurting our international position. Unfortunately for our officials at the Rio de Janeiro conference of the International Monetary Fund in September of 1967, any alteration that is in our plans will inevitably hurt our "opposition" – those nations and central banks to whom we have made lawful commitments to pay gold on demand. The Rio conference was therefore a failure, whether the news media admitted this or not.

Like the rule change aimed at

Alcindor and the rule changes proposed by the Soviet Union, the ultimate motivation behind them was never mentioned in public. At the Rio meeting, no one spoke publicly about the possibility of a unilateral devaluation of the dollar; in private, according to Franz Pick, the delegates spoke of little else. The game goes on.

Gold Plays No Favorites

One thing is certain, however. There will always be referees. They are not loved men, and both teams may from time to time raise a cry against them. Nevertheless, they are vital. A game could not survive without them. Sometimes they may take the form of an informal agreement, such as in golf; anyone continually breaking the rules is ostracized by the other players. The players themselves act as the referees, and in a certain sense, this is what goes on in international finance and trade.

Historically, the means of enforcing the basic rules – the laws of supply and demand – have been connected with gold. Ultimately, gold is the referee of the international trading community. It has been for thousands of years. Gold plays no favorites; it is an impartial, though demanding, taskmaster. It simply operates according to the laws of supply and demand. Try as they will, governments and central bank officials cannot legislate away these laws (could you play basketball with a hoop smaller than the ball?). Professor B. M. Anderson (curiously enough, he taught at UCLA before he died) has put it this way:

> Gold is an unimaginative taskmaster. It demands that men and governments and central banks be honest. It demands that they keep their demand liabilities safely within the limits of their quick assets. It demands that they create no debts without seeing clearly how these debts can be paid. If a country will do these things, gold will stay with it and will come to it from other countries which are not meeting the requirements. But when a country creates debt light-heartedly, when a central bank makes rates of discount low and buys government securities to feed its money market, and permits an expansion of credit that goes into slow and illiquid assets, then gold grows nervous. Mobile capital of all kinds grows nervous. Then comes a flight of capital out of the country. Foreigners withdraw their funds from it, and its own citizens send their liquid funds away for safety.[3]

At this point, gold is withdrawn from the country in question. It

[3] B. M. Anderson, *Economics and the Public Welfare* (Princeton: Van Nostrand, 1949), p. 421.

is in light of this that we can understand President Johnson's decision, announced on the first day of 1968, to restrict capital from flowing out of the United States through the imposition of exchange control laws. This is the first time in the history of this country that such a thing has been attempted. Mandatory restrictions are now placed on American capital that might have been invested abroad, so that the money cannot be used by foreign nations to buy our gold, or more properly to claim *their* gold which we are holding in storage.

Ironically, it was in 1958, the very year in which the gold outflow began, that President Eisenhower began to encourage American capital to flow abroad; tax benefits accrued to such investments. Gold, the impartial referee, has brought the change in policy, not the difference in political party affiliations of the respective Presidents. It was gold, and the economic laws that ultimately determine the movement of gold, that brought the conditions which convinced the President to impose exchange controls for the first time in our history. Government-created inflationary policies now have brought forth government-imposed restrictions on free trade and investment. Controls beget controls. Laws, even the laws of that "barbarous" metal (to use Keynes' words and the words of Federal Reserve Chairman Martin), cannot be violated with impunity. Citizens may learn to trust their government, but other governments are not so easily deceived. The gold continues to flow out.

All of this has been an analogy, perhaps a strained one. The cases are different. Basketball is only a game for our enjoyment; if its rules are changed for one reason or another, probably little will be lost. The fans may feel that they have been deprived of a treat when they can no longer witness Alcindor's mighty dunk shot, but the rather self-centered decision of the opposing coaches will not do much harm.

Lives Are at Stake

The operation of the international trading community is something vastly more important. It is a matter of life and death to certain nations (India, for example), and an extremely grave problem confronts the world today: how can the United States continue to inflate its currency while continuing to meet its international gold debts? How can a dangerous, and perhaps impossible, alteration of the means of payment be made without destroying the delicate fabric of international trust?

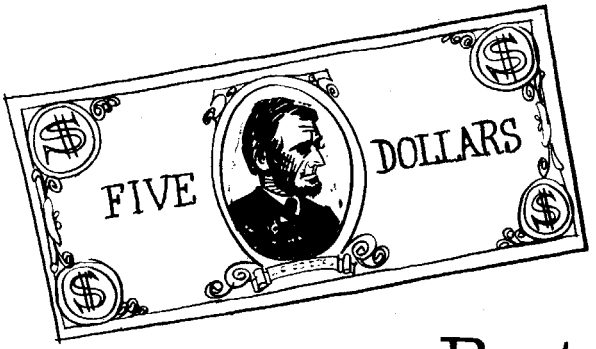
Let no one misunderstand our situation; it is a crisis. The nations which continue to violate the laws of supply and demand in monetary affairs are risking disaster. If they continue to violate the "rules" of supply and demand – the most fundamental rules which no piece of legislation can remove – irrespective of the decisions made in Genoa in 1922, the fabric of the "game" will be destroyed. No one will play in such a "game." Men will cooperate voluntarily only when they can trust other men to fulfill their obligations and commitments; the same is true of nations.

In the final analysis, the changes made at Genoa only changed the surface rules of the international monetary mechanism. The old gold standard was scrapped, but not the laws of supply and demand, and not the law made explicit by Professor Mises, that inflations, when halted, result in depressions.[4] By abandoning the old gold standard, and by inflating its domestic currencies, the Western world brought on the debacle of 1929-39. The result, at least in part, was the rise of the Hitler regime, the imposition of exchange controls by many of the nations, the disruption of world trade, and the collapse of productivity when the international division of labor was hampered. The referee – gold – was hindered in its task of relaying the facts of the market to the world; it was hampered in restoring monetary stability to the world. The result, finally, has been the financial crisis of 1968. The "game," as Jacques Rueff has warned us, is in danger of being destroyed:

> Since 1945 we have again been setting up the mechanism that, unquestionably, triggered the disaster of 1929-1933. We are now watching the consequences, as they follow in their ineluctable course. It is up to us to decide whether we are going to let our civilization drift farther toward the inevitable catastrophe. For those with foresight, our most pressing duty at this juncture is to impress on Western thinking that monetary matters are serious, that they require deliberate consideration and should be dealt with systematically.[5] ◈

[4] Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), ch. 20. Of course, Mises shows that if the inflation is not stopped, the result will be a form of mass inflation even more destructive than a depression.

[5] Rueff, *The Age of Inflation*, p. xiii.



RAYMOND BUKER

Best Wishes!

Mr. Buker of Leaf River, Illinois, composed the following note to accompany $5 bills sent as Christmas gifts in an area where state and local sales taxes amount to 5 per cent.

Dear . . .

Instead of presenting you with the wrong size of something, or a gadget you may not have use for, here is a genuine Abe Lincoln Instant Credit Card. Abe's picture makes it genuine because he was a genuine American. However, and this would grieve Abe's heart terribly: it is no longer genuine for the amount stated on it. The man behind the counter is still glad to take it and it will buy a couple dollars' worth of most anything.

You see, the box of Shredded Wheat that was marked 11¢ some years back, and no tax, is now marked 27¢*, plus tax. Even at today's prices you can't exchange this for $5.00 worth of goods. You must quit buying when you get to $4.75, and reserve the other two bits to pay the tax on what you have in your cart. No, it won't take you very long to exchange this picture of Abe for a few goods at the market place.

*The box of Shredded Wheat in our cupboard before Christmas was marked 27¢. About two weeks after Christmas we bought another box at the supermarket. It was 31¢.

Perhaps you wish it would take longer, so you might want to do it this way. Take your picture of Abe to the bank and exchange it for 500 little metal tokens, each one with a picture of Abe on it. Then go out and have a big time. Two or three of them will buy a penny stick of candy. A dozen of them will buy a nickel ice cream cone. Just one of them will allow you to sit in your car and watch the people walk by for twelve whole minutes. And, oh yes, it is still the coin of the realm when the collection plate is passed at Sunday School.

It used to be good advice to take a few of these pennies and dollars to the bank and put them to work drawing interest. But it seems now, even with the interest added, it is worth less when you take it out than when you put it in.

It doesn't make sense. Something has gone wrong. But if we put on our thinking cap we can figure it out. We ask Uncle Sam to do everything for us. And Uncle Sam is such a good guy that he jumps at the chance. He hands out money right and left.

The only trouble is he doesn't *have* any money except what he first takes out of your pocket. Then when he can't get enough out of your pocket he plays magician and pulls money out of the thin air. This is called inflation and it causes Shredded Wheat to go from 11¢ to 27¢. Well, if we run out of money, we can always borrow more. Or, can we?

But, this is Christmas and with what help Abe is able to give you, we wish you a Merry Christmas. We also fervently *wish* you a Happy New Year. ◈

The Future of CONSERVATISM

I KNOW a certain news syndicate manager who is looking for a good young liberal columnist to balance the conservatives whom he already merchandizes. He won't find one. For the truth is that liberalism, in its modern centralizing, collectivizing, and statist connotations, is no longer producing ideas that carry conviction. The young who go for modern liberalism – the students who join such organizations as Students for a Democratic Society – have abandoned thought in favor of action. They are against the "Establishment"– but the Establishment is itself the product of modern liberalism. They are against "hypocrisy," but everybody, to them, is a hypocrite if he compromises enough with society to make a living. The expression of modern liberalism, with the more vocal rising generation, is the "confrontation," the demonstration, the riot. It does not lend itself to reason and to words.

The anarchistic urge does not produce a lasting movement, unless, as could conceivably happen in the wake of a great national defeat, a collectivistic dictatorship takes over amid the chaos that recklessness can produce. M. Stanton Evans, the Indianapolis editor who specializes in political demography, obviously doesn't think the U.S. is about to be defeated. His *The Future of Conservatism: From Taft to Reagan and Beyond* (Holt, Rinehart and Winston, $5.95) combines eloquence and statistics to prove that the conservative trend is building up such a head of steam that it can't be stopped, even though modern liberals may continue to win some election victories.

Mr. Evans can count noses and analyze the election returns with the best of them. But he cuts much deeper than your ordinary political demographer. He finds certain telltale signs in the "common find-

ings of the new conservatives and the new consensus liberals." For some years now the allied conservative and libertarian causes have been producing a new intellectual journalism. Where there was once only a FREEMAN, there is now a whole group of magazines – *National Review, Modern Age, Rally, Triumph, The Intercollegiate Review.* The intellectual bankruptcy of the old liberal journalism of ideas is apparent when you compare any issue of the *Nation* or the *New Republic* with the editorial sections of the mass media. They are utterly indistinguishable in their repetitions of the current "conventional wisdom."

A Sinking Ship

But the current conventional wisdom has begun to bore such liberal intellectuals as Richard Goodwin, a former aide to John F. Kennedy and Lyndon Johnson, and Daniel P. Moynihan, author of a controversial study of the breakdown of the Negro family in the so-called ghetto. Goodwin professes to being troubled with "the growth in central power" that has been "accompanied by a swift and continual diminution in the significance of the individual citizen, transforming him from a wielder to an object of power." Noting the "fantastic labyrinth of welfare programs" and the "monstrous incapacities of the Department of Health, Education and Welfare," Goodwin says there is "something wrong with the old approach." "The idea of decentralization," he concludes, "is making its first timid and tentative appearances in political rhetoric. It is possible to predict that the first party to carry this banner (if buttressed by a solid program) will find itself on the right side of the decisive issues of the 1970's."

Broken Promises

Moynihan's retreat from the current conventional wisdom of the collectivistic and centralizing liberals is even more pronounced than Goodwin's: "Liberals," he says in a sudden spate of revelation, "have been unable to acquire from life what conservatives seem to have been endowed with at birth, namely, a healthy skepticism of the powers of government agencies to do good." Moynihan's own conclusion is that the riots in seventy-five U.S. cities have resulted because the centralizing liberals "raised hopes out of all proportion to our capacity to deliver on our promises." Speaking for his own liberal movement, Moynihan says his colleagues "must divest themselves of the notion that the nation, especially

the cities, can be run from agencies in Washington."

A Healthy Skepticism

It takes special will power for the old-style libertarian to resist throwing a sarcastic "I told you so" in the faces of Goodwin, Moynihan and Company. But the will to resist should be invoked, for who among us is without sin? At least nine out of ten of us fell for some of the nostrums of the nineteen thirties. Those of us who discovered the need for "a healthy skepticism of the powers of government agencies to do good" in the late years of the New Deal should extend a charitable welcome to an Irving Kristol when he suddenly despairs of bureaucratic solutions to our troubles. And when a Richard Goodwin says it is "just possible that conservatives have something to teach about the value of institutional arrangements, and the unwisdom of sacrificing them to immediate desires," we should say, "Welcome aboard."

The mass media publications have been slow to catch on to the growing philosophical doubts among the liberals. As Mr. Evans says, there are two Americas. First, there is the "America we read about in the glossy magazines, glimpse in some portions of the daily press, hear discussed on the national TV programs." In this America every problem can be solved by an increase in governmental services from the Federal authorities . . . and (by) a program of cautious accommodation of the Soviet Union." The second, and "other," America is only discovered by putting aside that mass magazine and turning off the TV set. But, curiously, a majority of the U.S. people live in the "other America."

Shifting Political Patterns

Mr. Evans proves this conclusively by analyzing the political changes of the nineteen sixties against the backdrop of westerly and southerly shifts in the population statistics, and against the drift of people into the suburbs. The northeast quadrant of the United States, where liberalism still calls the tune in local politics, has been growing at a pace considerably slower than the rest of the nation. The East, in the decade of the fifties, grew in population by 13.2 per cent; the Midwest, by 16.1 per cent; the South, by 16.5 per cent (and this despite the Negro exodus to Detroit, Chicago, and New York) ; and the West, by the huge figure of 38.9 per cent. California, Texas, and Florida have all become giant states, quite capable of canceling the liberalism of New York and Pennsylvania in

political years. California has its Governor Ronald Reagan, Florida its Governor Claude Kirk, Texas its Senator John Tower. The Republicans elected ten new governors in 1966, seven of them in the South and West. And, says Mr. Evans, seven out of a total of eleven governors in the West are considered to be conservatives.

The figures being what they are, it is small wonder that the so-called Eastern Establishment is having a hard time dominating Republican politics. Moreover, the growth of the suburbs, which nurture a conservative philosophy, is changing things even in the Northeast. Today more than fifty-eight million Americans live in the suburbs, a gain of almost 50 per cent in a decade. By contrast, the central cities gained only 11 per cent.

Mr. Evans thinks the Reagan victory in California is a portent of things to come on the national scene (though not necessarily in terms of a personal Reagan shift from Sacramento to the White House). Reagan put together a coalition of taxpayers, homeowners, and suburbanites by "surfacing all the anxieties which it should be the business of the Republican Party . . . to elicit." When the same coalition decides on a national candidate, says Mr. Evans, it will elect a President. ◈

▸ *THE SYMPHONY OF LIFE* by Donald Hatch Andrews (Lee's Summit, Mo.: Unity Books, 1966), 423 pp., $4.95.

▸ *THE BROKEN IMAGE* by Floyd W. Matson (New York: George Braziller, 1964), 355 pp., $6.95.

Reviewed by Edmund A. Opitz

PROFESSOR ANDREWS' book is the fruit of a lifetime spent in the fields of chemistry and mathematical physics. He is also a knowledgable musician and, as the present volume demonstrates, is gifted with poetic imagination of a high order. Andrews ponders such startling breakthroughs in twentieth century science as radioactivity, X rays, the photoelectric effect, the quantum theory and the theory of relativity; then he develops a breakthrough of his own – offering music as the new model of the universe.

The older scientific model inherited from Sir Isaac Newton was the machine; whatever scientific investigators and theorists could not interpret along mechanical lines was swept under the rug, into the category of unreality. Reality was regarded as an intricate piece of clockwork; the idea of mechanism reigned supreme. It was futile to point out, as some continued to do, that the idea of mechanism is not a conclusion

reached by mechanical means, but by free thought; and that the mind, therefore, must be outside the machine, and indeed its creator.

The logic of these critics is as impeccable as it was unacceptable. Treat things as if they are mechanical, it was said in reply, and you get results; and these results are superior to anything produced by two thousand years of logic chopping! The material accomplishments of recent centuries reflect mental capacity of a high order, but while these marvels were honored mind itself was downgraded, reduced to an emanation of bits of matter.

We have now come full circle, to the point where the very progress of scientific investigation itself produces results which are inexplicable in terms of mechanics. It is music, argues Dr. Andrews, which provides us with the choicest clue as to the nature of the universe, and "in shifting the basis of our ideas about the universe from mechanics to music," he writes, "we move into an entirely new philosophy of science."

This is not so much to move off in a new direction as to step into a new dimension, and a little background reading might be helpful. Older works on the philosophy of science, such as those by Whitehead, Eddington, and Joad, are still useful, but the recent book by Mr. Matson is even more pertinent. Matson is a philosopher, if by that label we understand a man who has so steeped himself in several disciplines that he gains a commanding vision which enables him to knit their separate findings into a coherent whole. This book surveys the centuries since Newton in terms of the ideas which have had a decisive impact on man's thinking about himself. Does the image man frames of himself enhance his humanity or downgrade it? The latter, Mr. Matson demonstrates. Men have tried to live with a distorted image of themselves, an image accorded the prestige of science until recently. But the forces of reconstruction are now gathering strength, and they are to be found among contemporary physicists, biologists, and psychologists; "all the way from the physics laboratory to the therapeutic clinic," he writes.

"Science" is a god-term, and many are offended if it is spoken of less than reverentially; such persons equate science with truth. Most genuine scientists, however, are able to view the matter objectively. Science is indeed one of the proudest accomplishments of the human spirit, generously enlisting the services of all sorts and conditions of men. It depends

on the rare innovator and trail blazer at the top end of the spectrum; makes use of the plodding, patient experimenter at the other; while in between it employs a variety of talents. The beneficent results of science on its own level speak for themselves.

But there is a dark side, for science is also a *mystique,* the prevailing faith of our time; it breeds an ideology, scientism, whose coarse growth tends to choke out all in life that is not quantitative and measurable – including the perceiving mind itself! Furthermore, this ideology has provided a plausible rationale for setting up planned states where the masses of men are manipulated by their "betters," and the economy is forced into the pattern they have selected. These untoward by-products of science have come under sporadic criticism for several centuries, but the jabs were brushed aside as coming from philosophers, religionists, and men of letters.

The good news now is that scientists themselves, in growing numbers, are beginning to overhaul their own disciplines to take out the overweening pretensions. A handful of men let this genie out of the bottle, and along with an enormous amount of good, his clumsiness in the sectors beyond his competence have done immeasurable damage. Kept within bounds he may fulfill his early promise, but in order for this to occur a new perspective and mood must be engendered, wherein man is regarded "as an indivisible subject rather than an assembled product." The idea is that until man makes something of himself, he won't be able to make real sense of the universe around him. Well, what kind of a species is the one to which we belong?

Man is the unfinished animal *par excellence.* In the case of most, if not all, other organisms, the initial endowment is potent enough to propel the organism from birth to mature form by a sort of unfoldment from within. Maturation occurs more or less automatically. Man's situation is radically different. The infant's endowment may be ever so generous but this is not sufficient to guarantee a superior adult. He is shaped in the family environment and by his culture, but the critical touches are added by himself; the full stature of personhood cannot be attained unless the individual takes himself in hand and makes something of himself.

This he will not do if he believes he cannot do it. If the prevailing ideology assumes that the individual is a mere creature of his environment, then that's what individuals will tend to become.

If it is believed that men can take hold of themselves in creative ways, then they will do so and overcome environmental difficulties. What a man believes about himself significantly affects what he may become, and his chances of coming upon the right ideas are diminished if the ideological trend in his society is moving strongly in the wrong direction.

The animal is content just to live; not so man. The animal seeks to eat and avoid being eaten; he breeds, dies, and his race continues. Man, on the other hand, is a self-conscious being, aware of himself and of a not-self. The not-self out there is nature, both animate and inanimate. Nature has many facets; friendly, hostile, indifferent. Originally, at the mercy of nature and tethered by a chronically short food supply, man gradually learned to turn nature to his own uses: by taming fire, inventing the lever, and so on. Enhancing his mastery over nature, he outgrew nomadism and became a herdsman, then an agriculturalist, and finally a city dweller. Civilization is spawned by city life, and at the dawn of history man is lord of the planet; philosopher, builder, worshipper, poet, artist, hero.

The monuments of the past testify that the human race has had moments of splendor, but for millions of human beings over the centuries life must have been brutish and short. They were a tough breed, however, in whom a kind of animal hope rarely faltered. Then, about four centuries ago men began to exploit a technique which gave them an immense amount of knowledge of nature and enormous control over nature's processes. Science in the modern sense, "the glorious entertainment," as Jacques Barzun calls it, was launched by the work of such men as Copernicus, Galileo, Descartes, and especially Newton.

The results speak for themselves, on the plus as well as on the minus side. Science has given men inordinate power over nature and they use some of this power to threaten and destroy each other. Science has saved life and extended the life span to the point where expanding populations crowd each other to the edges of the planet. We have better means of communication and worse things to say; faster means of getting there and less important things to do once we arrive. Man the maker and doer is proud of his stupendous inventions and magnificent artifacts, but he spends some vital essence in producing them and feels dwarfed and robotized in consequence; man the philosopher and belle-lettrist wallows in despair. The prevalent

philosophy, existentialism, poises man one step short of suicide; and in modern fiction he is often portrayed as a pitiful slob.

Is it surprising, though, that a technique which rigorously excluded every human element from its methodology in the beginning should, in the end, find man less than human? Science did not deal with the whole man, and those elements of human nature excluded by its investigative techniques return to bedevil us. This is the chapter about to close; for while the previous course of science was running down to its bitter end, new trails were being broken by science itself which point in an entirely different direction. We need, therefore, a new guide, one who will offer us not just a blueprint but a vision. Blueprint and vision are each necessary; the former to be learned, the latter caught. Dr. Andrews' remarkable book is highly contagious. ◈