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Back to Basics-

FABLE OF THE BERRY PICKERS

W. A. PATON

ACHIEVING and maintaining an intelligent awareness of the economic process – the means and methods by which man makes a living on this rugged planet – requires understanding, and firmly gripping, a few fundamentals. Only in this way, I've long believed, can even the observing and thoughtful individual develop an immunity to economic nonsense, avoid being hoodwinked and misled by proposals and programs presented by politicians and pseudo-reformers, in bright colors, that range from the downright fraudulent to emotional daydreaming.

As the first fundamental to be considered in beginning the systematic study of economics I propose the truism: *The total amount consumed can't exceed the total amount produced.* This is an indisputable fact of life if we rule out manna from heaven and either take in the whole race or assume a self-sufficient group, large or small.[1] It has the special merit, as an initial stepping stone on the path to knowledge and understanding, of being applicable to any community or society, however made up, whatever the production methods and kinds of output, whatever the form of government and other institutional arrangements, and without regard to customs, habits, attitudes, religious views, and so on. Thus it holds in the case of a primitive tribe (ignoring the story-book case of finding food by merely stretching out a hand while lolling comfortably

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[1] Not to deny, of course, the possibility of a level of consuming in excess of output in a specific time-period, by tapping stores. Some will recall the account of the seven lean years following seven fat years in Egypt, long ago.

on a sandy beach or on the grass in the pleasant shade of a palm tree), and is also valid in the complex type of economy, endowed with an advanced technology, with which we are familiar. This proposition should perhaps be regarded as an adaptation of Say's law, which proclaims the equality – and identity – of supply and demand in the aggregate, and is likewise a universal truth, not to be gainsaid, anywhere, in any economic framework.

Basic Proposition One is so plainly in view to any intelligent mind that calling for its stressing may seem to be hardly necessary. In today's cloudy atmosphere, however, I feel that there is ample justification for explicit statement and restatement of this inescapable limitation on the many schemes designed to banish poverty – as officially defined – that are being currently proposed. To puncture the dreams of pie-in-the-sky with which the air is filled – to counter political promises to provide this or that level of living for everybody – there is surely need for renewed emphasis on the point that the total amount we can eat depends on the size of the pie rather than the cutting pattern.

Production Is Primary

Here I come to an important corollary of Proposition One: *production, not consumption, deserves recognition as the primary sector of economic activity.* This position conflicts with the widespread and persistent tendency to be concerned with the consumer's needs and problems – a tendency that has currently found expression in a wave of governmental interference in producing and marketing processes, and a lot of popular clamor for more of the same. The ultimate objective of economic activity, of course, is to provide goods to meet consumer needs. This is just as true in an economy equipped with an elaborate structure of factories and machines, and yielding a wide range of consumable commodities and services, as in a primitive community subsisting on the results of hunting and fishing. We don't use machines simply to make more machines. But since the level of consuming, in total, depends on the level of output it may well be urged that maintaining and enhancing productive efficiency is the matter of prime importance, and worthy of broad popular support. Thus the long history of opposition to technical advance, and the current slackening of concern as to diligence and workmanship on the assembly line and elsewhere, are at odds with Proposition One, so can't be justified in terms of overall welfare and progress. Preoccu-

pation with "consumerism", to the neglect of improved use of available resources, and expansion of productive capacity through capital accumulation, does not represent praiseworthy public policy. The campaign to "protect" the consumer by government action becomes especially objectionable when it reaches the point – as it now has – where business firms are subjected to a degree of harassment that clearly impedes operation and increases costs. Indeed this state of affairs is truly ominous, and should be viewed with alarm rather than acclaim. The wheels of production don't keep on rolling automatically, without an encouraging overall climate and the efficient participation of all hands – attendants and operatives, technicians, managers, and fund furnishers.

Opening the Door on Problems

Acceptance of Proposition One, with the accompanying view of economic activity as a dichotomy of producing and consuming, solves no problems. But recognition of this axiomatic, universally applicable, feature of economic life does provide a useful approach, a good starting point, for further study; it serves to open the door to an examination of important issues and problems.

The bare statement of Proposition One leaves untouched the criteria of "producing" and "consuming" and further inquiry is needed to ascertain the essential character of these broad divisions of economic activity, particularly in an economy where specialization and exchange are highly developed and a myriad of consumer commodities and services flow from a complex array of plants and equipment. What are the earmarks of productive conduct versus nonproductive action? It's easy to say that producing consists of making a contribution somewhere along the production pipeline but this doesn't tell us much. For one thing we must distinguish between economic and noneconomic goods (the latter being rather hard to find these days, when even the air breathed may not be entirely free of cost to the user or someone else). And who or what determines the composition of the output either in a particular enterprise or for the whole economy? Proposition One, as such, leaves this important question unsettled.

The problem of drawing a line between the producing and consuming stages, and distinguishing resources employed in producing ("capital goods") from end product ("consumer goods"), is less important, but perhaps deserves a few comments. Where does production end and consumption begin?

For example, is the housewife's activity in preparing the family meal and setting the table in the producing sector or a step in the process of consuming? Are the oranges in the picker's basket, or in a package or pile in the supermarket, or even on a shelf in the pantry, to be counted as resources devoted to production? The fussy folks insist that the true consumable is not even the glass of orange juice on the breakfast table but the satisfaction derived from drinking it. This line of inquiry becomes of some consequence in periodic economic measurement in the case of consumer durables such as cars, washing machines, and residences.

Proposition Two

The second underlying proposition that should be stressed – as I see it – in launching systematic study of economics may be phrased as follows: *the individual (or family unit) has the inherent right to consume or otherwise dispose of what he (or the unit) produces* – a restatement of the old saying that the worker is entitled to the "fruits of his labor". This fundamental can hardly be regarded as a truism, and certainly is not an arithmetic axiom. Its support must be found in human nature and motivation, with an eye open to the limitations imposed on consuming by the amount of output available. Undoubtedly there is at least a trace of a sense of fairness and justice in most people and some degree of acquiescence in the merit of this second proposition. It is indeed a dull child who doesn't promptly see the distinction between his toys and those of a playmate, and who will fail to protest when his sand castle is demolished by someone other than himself. Close observation of human behavior, moreover, currently and historically, brings to light much evidence of blighting effect on the productive effort of the individual of the seizure by others of all or part of the results of such effort.

Acceptance of Proposition Two has always been widespread in the primitive and simple situation, and we don't need to go back to Robinson Crusoe to bring this fact to light. On the current scene, in the midst of all the confusion and folly with which we are beset, there are few who would propose or attempt to justify despoiling someone of the product that plainly results from his personal effort. Thus we see no campaign to commandeer for the use of others the product of the chap who has planted and tended a garden patch, or built a raft to use out at his cottage on the lake, or made a couple of rustic chairs for the porch. But the same people who show a willingness to go along with this prin-

ciple in these elemental, clear-cut cases, often become confused and change their stance completely, when confronting the complex requirements of a modern economy, with its elaborate structure of division of labor and exchange, pouring forth a fantastic variety of commodities and services. And it is not difficult to become a bit bewildered by our intricate network of methods and techniques and maze of related markets, with their many millions of interdependent participants, coupled with an impressive array of business organizations and an all-pervasive web of monetary and credit facilities. Indeed, the only way for the intelligent layman to avoid being befuddled, and victimized by the clever humbug peddlers, is to acquire a solid understanding of a few ever-present fundamentals, as I've already pointed out.

Tom and Dick as Berry Pickers

As a means of bringing out sharply this familiar lack of insight and consistency of attitude I often employed in my classes an example that I labeled the "Fable of the Berry Pickers" (along with much other illustrative material). While a boy on the farm I spent literally hundreds of hours, over a period of years, picking wild raspberries for my mother, and became quite expert as a picker. And this experience undoubtedly accounted for my use of this fable in my teaching. I'll outline the story here, as I recall presenting it in my beginning course in "principles of economics".

Assume a big swamp, with many acres of wild red-raspberry bushes, to which no one claims title or maintains any financial interest. On a particular summer day two neighbor boys, Tom and Dick, equally equipped with pails and both physically fit, spend ten hours in the swamp picking berries, as directed by their respective mothers. Tom is a careful, persistent, systematic picker, with a strong urge to make a good showing. Dick, in contrast, is a carefree and careless lad, who likes to roam around among the bushes, picking sloppily here and there. At day's end Tom has sixteen quarts of clean, ripe berries, while Dick has about twelve quarts of a mixture of green, overripe, and good berries, with a liberal sprinkling of leaves and small twigs throughout. With this condition, I'm sure you will all agree, Dick cannot reasonably lay claim to a share of Tom's berries, and I don't believe that many of you would object to Tom's conduct if he should reject the idea of pooling and dividing equally the results of the day's operations, if Dick – or anyone else – should propose such action.

Tom and Dick in the Berry Plant

Now let's move on a few years with our berry story. Tom and Dick have grown up and both are employed by a company that has been established in the neighborhood and is engaged in growing and canning berries for the market. Diligent Tom has moved up the ladder to the position of operating manager of the plant, but Dick has not advanced beyond the status of sweeper and handyman. Each is paid weekly by check for his services and the amount of Tom's check is about four times that of Dick's. What are the equities, the respective rights, in this situation? Should a substantial slice of Tom's money income be seized by taxation or other form of coercion for use to supplement Dick's earnings, or render assistance to some other person or persons regarded as needy poor, or expended in some other way without Tom's consent? Many people seem to be willing to approve such arbitrary action, including most of those who would not support taking part of the berries Tom picked as a boy and awarding them to his inefficient fellow-picker, Dick.

If it be assumed that the respective contributions of Tom and Dick to the output of the plant at which they are employed are being accurately determined it follows that Tom is just as fully entitled to spend the money income he receives as plant manager as he sees fit as he had a right to consume or otherwise dispose of all the wild berries he personally picked in the swamp, years before.[2] The two cases, with this assumption, are on all fours, and anyone who holds otherwise is throwing logic and common sense to the winds. Those who don't agree with this conclusion either fail to grasp the basic identity of the two situations, or don't mind being inconsistent when it suits their convenience or is in line with their prejudices.

There is a possible out, however, for persons who give lip service, at least, to the need for fair-mindedness, consistency, in thinking

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[2] The intervention of the money and credit mechanism, a necessary instrument to facilitate specialization and exchange, should certainly not be allowed to obscure the basic facts, although many people at times seem to be blinded by fixing their attention on the flow of cash or equivalent rather than services or other economic contributions for which payment is being made. I'm reminded of a tussle on our city council one evening years ago, during my five-year experience as a member, when a fellow councilman proposed that one of our firemen be dismissed because he lived in a community outside our city limits, and spent "his entire salary" in his home neighborhood rather than where he worked. I had some trouble in getting support for the point that the main question for us was not where or how the chap got rid of his cash but the *value of the services he provided* to our fire department.

and conduct. They may challenge the assumption that the contributions of Tom and Dick to the output of the berry plant are fairly and accurately determined; they may urge that in practice – in real life – the Toms are overpaid and the Dicks underpaid. In the system as it stands, they may contend, common labor is exploited and managers and owners are on the gravy train. There is certainly widespread expression of opinion to this effect.

(There should perhaps be mentioned here, parenthetically, the view that the more efficient and productive individuals should be forced to share the results of their efforts with their less capable brethren, and currently this extreme position has a great deal of support. The advocates of this stance are of course refusing to acknowledge the validity of Proposition Two, as well as ignoring or minimizing the probably adverse effect on total output of large-scale and persistent seizure and diversion of the contributions made by the more energetic and competent individuals.)

Measuring Productivity and Awards—Major Alternative Systems

Via Propositions One and Two I have now come to the crucial measurement problem and issue: How is the contribution of the individual participant to be determined in a complex economy such as that in which we find ourselves where a host of individuals join hands, so to speak, in operating an elaborate, highly mechanized, productive process or system? And should any limitation be placed on the right of the individual to consume or otherwise dispose of the amount of his contribution, validly measured?

The study of economics consists essentially in searching for an answer to these questions. It is precisely at this point that the battle between competing isms and ideologies is joined. In the existing situation the determination is still largely made by the forces of an intricate structure of markets, and hence systematic economic inquiry must include an intensive examination of the price-making forces of the market, and their results, at all levels. Such an examination, including a survey of historical evidence, will undoubtedly provide a substantial backing for the conclusion that a broad and free market structure, registering automatically and impersonally the net impact of the attitudes and reactions of many buyers and sellers to changing conditions, has long since proved itself as a truly amazing instrument for directing productive activities and awarding shares of output to participants in

the process. Unfortunately our markets are now so heavily laden with interferences and restrictions, especially through governmental intervention and control, that a free market structure, with strong competitive pressure present throughout, no longer exists, and this condition constitutes an obstacle in analyzing and appraising the performance of a market system under more favorable circumstances.

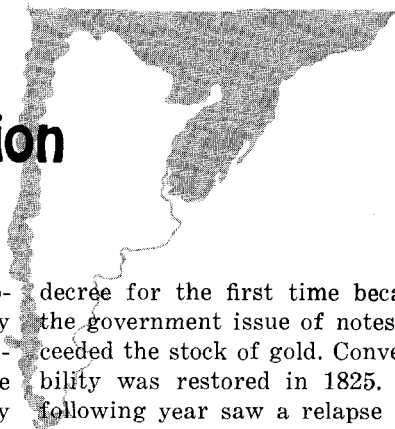
In any event, no fair and firm judgment can be reached, as to the merit and potency of a market apparatus in measuring contributions to production, slicing up the output pie for the Toms and Dicks, without giving careful attention to the limitations of this instrument at the best, as well as under conditions of substantial interference. The fact that ingrained superstition, traditions, taboos, and other attitudes and traits, may make the development of a suitable market structure difficult if not almost impossible, should also not be neglected. Some consideration, moreover, must be given to the proper means to be employed to relieve acute economic distress in a humane society, even if the market is generally relied upon to guide both production and distribution of final output, with adequate recognition of the inclination of the Toms to take steps – voluntarily – to ameliorate the hardships of the Dicks.

The major alternative to reliance on the market for economic guidance, I'm sure we'll all agree, is statism, collectivism, some form of governmental, bureaucratic, compulsion. And I strongly believe that the study of economics, in colleges or elsewhere, should include a careful, thoroughgoing examination of the case for this alternative, as it has been made by the outstanding defenders and advocates of socialistic programs, including the dictatorial system represented by modern communism. The route to sound conclusions is not by way of glorification of the market and wholesale condemnation – without study – of the socialist approach. Taking something for granted in this world is seldom advisable.

This brief statement, I should make it plain in conclusion, is intended to do nothing more than provide a crutch on which the intelligent and inquiring layman may lean, and outline a useful approach – push open the door – to the crucial measurement problems and issues which deserve intensive study.

The Argentine Inflation

ALBERTO BENEGAS LYNCH, JR.



THE ARGENTINE political and economic evolution seems so closely correlated with her monetary situation that it may be said that the history of this nation is principally the history of its currency.

The period of national organization following emancipation from Spain in 1810 until adoption of the Constitution of 1853 was marked by internal struggles and long periods of despotism and anarchy, interspersed with times of relative peace and progress. One of the first measures taken by the national government was to establish the gold content of the "hard peso." Thus in 1812 a "hard peso" weighed almost two grams of pure gold. In 1822 the first official bank was founded: the Bank of Buenos Aires, entrusted with the issue of the first bank notes, called Argentine pesos, which were exchanged by the public at the rate of 1.8 grams of minted gold. In 1823 conversion was suspended by decree for the first time because the government issue of notes exceeded the stock of gold. Convertibility was restored in 1825. The following year saw a relapse into the bad policy of increasing the currency without backing and the peso again became inconvertible. On this occasion, it was mistakenly said that in this way the war with Brazil could be financed "more comfortably." The resultant inflation brought with it political and economic instability and seventeen years of tyranny and barbarity, demolishing what had been achieved with difficulty in the immediately preceding years.

This situation of moral and economic prostration lasted until adoption of the Argentine Constitution in 1853, described by one of its most important authors and proponents, Juan B. Alberdi, as the document under which respect and guaranties for private property were commanded.

In a second period we may include almost a century, from 1853 to the rise of Peron in 1943, a period of enviable economic progress

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which brought Argentina to eighth place among the civilized nations of the world. Within the first 75 years we enjoyed, almost without interruption, the advantages of the classical gold standard, a bank note being exchanged for 1.7 grams of gold. We say almost without interruption because in 1876, at the same time as the establishment of the National Bank, and at intervals until 1890, the currency was again issued without backing, conversion being temporarily suspended as a consequence. In 1891 the finances were again put to rights and convertibility restored at a rate of 1.42 National pesos to a gram of gold. In the course of time, however, there were successive devaluations until convertibility was prohibited entirely in 1928, at which time 5.16 National pesos exchanged for a gram of gold.

In 1932, instead of restoring the Conversion Board and returning to the classical gold standard, Argentina turned to that sadly renowned bankers' bank: the Central Bank. This period, which lasted until 1943, was still one of progress owing to the strict limits placed on the authority of the bank and to the reliability and prudence of the government authorities of the time. But even with the best intentions, the establishment of the Central Bank laid the foundations of the State control of the currency which inevitably followed.

From the military coup of Peron in 1943 until he was overthrown in 1955 marked the darkest moments of Argentine history. The entire banking system was reformed. The Central Bank was transformed from a relatively independent body into the lackey of the government, thus allowing capricious control over currency and credit. The policy of deficit spending became the rule; open market operations were carried out systematically in order to inject "fresh money" into circulation; rates of interest were manipulated at will; bank reserve requirements were constantly lowered by governmental action. In addition to such monetary policy, compulsory membership in trade unions was imposed, the level of taxation became exorbitant, international trade was totally controlled through huge bureaucratic organizations with their various tariffs and quotas and subsidies. To complete the governmental interference in the market, price controls were imposed throughout the economy. This suicidal policy provoked an unprecedented economic situation: Argentina was reduced to one of the lowest rungs among the so-called "under developed nations." Monetary reserves were sadly de-

pleted; international trade fell to a quarter of its earlier volume; real incomes and salaries contracted sharply; indebtedness increased; agriculture and cattle raising, so basic to Argentina's economy, were largely despoiled; many subsidized and protected industries were created as a further burden on the people; all in the midst of a terrible moral corruption.

Unfortunately, the Peronist economic policy of socialistic tendencies has persisted to a greater or lesser extent up to this day in Argentina. The cost of living index in 1972 is 360 times what is was in 1943! The peso, once one of the world's strongest currencies, is now the one which is depreciating most rapidly. The cost of living probably will double this year. Levels of saving have fallen noticeably, and as a result the rate of capital formation is ridiculously low. Real income and salaries are always below the cost of the "family basket." The distribution of wealth does not depend on one's efficiency in meeting the consumer's needs but, to a large extent, on the favors of bureaucrats and their irrational monetary policy. The flight of national and foreign capital is terrible. Malinvestment and waste are accentuated in line with the directives of the planners of the day. The United States dollar which exchanged for 3.50 National pesos in 1943 was selling in September 1972 at 1,400 pesos on the black market. This, in spite of the depreciation suffered by the dollar owing to the tendency of the United States government to imitate Argentina's folly—the bastion of the free world also bowing to socialist policies.

Today, perhaps the strongest currency is the Swiss franc, although currencies such as the Japanese yen have promising prospects. It is interesting that a recent lead article in a widely circulated Japanese periodical recommends a return to the gold standard at a rate of 0.78 grams per yen. This is precisely what Argentina ought to do in currency matters. The foreign exchange remaining in the hands of the Central Bank should be used to buy gold in the London free market and add it to Argentina's existing stocks, dividing the total by the notes in circulation and fixing the corresponding relationship to gold, restoring convertibility. The only way to put a brake on inflation, although it may appear to be a truism, is for governments to stop inflating. For that purpose, a monetary standard is required to make people independent of the state manipulation we have here described.

EDMUND A. OPITZ

Six ideas to make us human

(Part Two)

PART ONE of this essay presents a diagnosis of the present malaise in terms of a loss of contact with six vital ideas. The ideas which keep us human may be summarized as follows:

• 1. *Free Will.* Man's gift of free will makes him a responsible being.

• 2. *Rationality.* Man is a reasoning being who, by taking thought, gains valid truths about himself and the universe.

• 3. *Self-responsibility.* Each person is the custodian of his own energy and talents, charged with the lifetime task of bringing himself to completion.

• 4. *Beauty.* Man confronts beauty in the very nature of things, and reproduces this vision in art.

• 5. *Goodness.* Man has a moral sense, enabling and requiring him to choose between good and evil.

• 6. *The Sacred.* Man participates in an order which transcends nature and society.

It is no secret that a great many philosophers and scientists deny free will and affirm determinism; it is also a fact that no one can really bring himself around to believing that he is an automaton. A philosopher who announces himself as a determinist presumes to offer us a conclusion he has arrived at after observation, after marshalling the relevant evidence, after reflection, and as the end result of a chain of reasoning. Each of these steps reflects the action of a free being, and these free actions can never be pieced together so as to contrive an unfree result. Man's will is free; it is so free that it can deny this freedom!

Take the case of Baruch Spinoza. If any man ever lived free it was Spinoza; he was the "inner

directed" man par excellence. But Spinoza's own experience clashed with the new world view of Mechanism – the notion that the universe is constructed along the lines of an intricate piece of clockwork. Ideology overcame experience and Spinoza denied that his will was free. I quote from Proposition XLVIII of his *Ethics*:

> There is in no mind absolute or free will, but the mind is determined for willing this or that by a cause which is determined in its turn by another cause, and this one again by another, and so on to infinity.
> The mind is a fixed and determined mode of thinking, and therefore cannot be the free cause of its actions, or it cannot have the absolute faculty of willing and unwilling; but for willing this or that it must be determined by a cause which is determined by another, and this again by another, etc. Q.E.D.[1]

Free Will

If the individual does not have free will, then he is not at liberty to reject determinism! But where will a man find a position from which he might judge whether his will is indeed free, or not. The answer is: Only as he looks within himself, at the workings of his inner life; by introspection, in other words. Now introspection is rather frowned upon today as a means of getting at the truth, as not being in accord with scientific technique. Early science viewed nature from the standpoint of the external observer, as a theater goer views a play. The man occupying the seat in the first row of the balcony is observing the drama unfold upon the stage; he is detached from the action, is not involved in the play, his standpoint is objective. The world view that grew out of science is assumed to be the way the universe looks to an outsider who is not part of the action, merely looking in upon it.

Once this approach is adopted, what follows? Let me answer by quoting from Jacques Barzun's great book, *Science: The Glorious Entertainment:* "Pure science was engaged in sketching, bit by bit, the plan of a machine – a gigantic machine identical with the universe. According to the vision thus unfolded, every existing thing was matter, and every piece of matter was a working part of the cosmic technology."[2] Thus emerged the ideology bearing the label Mechanistic Materialism, and human beings schooled in this ideology come to think of themselves as mere cogs in the world machine. And

[1] Spinoza, pp. 74-5 of the Everyman's Library edition of *Ethics*, (New York: E. P. Dutton & Co., 1925).

[2] (New York: Harper & Row, 1964) p. 21.

just as every gear and cog in the machine is moved by another, so is every human action the mere effect of a previous cause, and so on. Observe a man's actions from the outside and you see only his body and limbs in motion; nothing that you can see from the outside gives you any assured knowledge of what is going on inside him. You cannot observe his will from the outside, nor his mind. You might guess what's going on, but that's the best you can do.

A Hidden Inner Life

There is one region of the universe which will always be beyond the ken of the external observer, and that is the region of the inner life. Each man's inner life is concealed from all the world; he alone has access to it. Millions of people can view the same eclipse of the sun, but only one person can know your inner life, and that is you. Truth about the will in action can be known by introspection only; it will never be disclosed to those who adopt the standpoint of the external observer and refuse to shift their perspective. If there is indeed freedom of the will, this is a truth which, in the nature of the case can be known only as each person knows it first hand in himself. Let a man look within himself and he knows with solid assurance that he is capable of exercising freedom of choice in situations where real alternatives are open to him. Which of us has not wrestled with dilemmas of the type: "I want to do this; but I ought to do that"? We know, in this context, that the will is free.

There's an old story about Galileo, who assured one of his contemporaries that the ring around Jupiter was composed of satellites; "I've seen them through my telescope; take a look and see for yourself." The friend had figured out that the ring was solid and refused to put his eye to the glass, the only posture from which he could test his theory. The free will, if it operates at all, operates only within, and those who are so wedded to the standpoint of the external observer that they refuse to look within, effectively bar themselves from ever obtaining any knowledge of the matter.

The consequence of this state of affairs is unfortunate. It is "unscientific," the average man is led to assume, to believe he has free will, and that decisive action on his part can make a real difference in life. He is taught that he is determined by heredity, or environment, or race, or childhood traumas, or poverty, or by some other factor that limits his capacity for free choice; and his ability to choose is impaired because he thinks he doesn't have it! The ini-

tiative is given over to environment and man only *reacts*; he doesn't act. Adjustments to the environment, comfort, and ease then come to be the goals of life. If we accept the dictum of a great economist that "the end, goal or aim of any action is always the relief of a felt uneasiness," then we have given up on life, for we'll never rest easy until we're dead! To live is to strive for greater intensity of life, and this means that we may choose adventure, heroism, suffering, and maybe even death.

The issue of free will constitutes a battleline of first importance. A people among whom the flame of life has burned so low that their philosophers preach determinism will be severely handicapped in the game of life. They will find it difficult to put their trust in reason and, as we might expect, reason itself is now under attack from several quarters.

Rationality

The second of the big ideas which make man man is this: Man is a reasoning being who, by taking thought, gains valid truths about himself and the universe. The attack on the rational mind comes from several quarters. Philosophical materialism and mechanism assumes that the ultimate reality is nonmental; only bits of matter or electrical charges or whatever are, in the final analysis, real. If so, then thought is but a reflex of neutral events. "Our mental conditions," wrote T. H. Huxley, "are simply the symbols in consciousness of the changes which take place automatically in the organism."

Evolutionism, popularly understood, is materialistic and mechanical. So viewed it conveys the idea that living things began as a stirring in the primeval ooze and became what they are now by random interaction with the physiochemical environment, moved by no purpose, aiming at no goal. Darwinism offers an account of organic change which has no need of intelligence to guide it.

From popular psychology comes the notion that reason is but rationalization, that conscious mental processes are but a gloss for primitive and irrational impulses erupting from the unconscious mind. Psychoanalysis discredits mind by subordinating intellect to the id.

From Marxianism comes the notion that class interest dictates a man's thinking. There is one logic for the proletariat and another for the bourgeoisie; and the mode of production governs the philosophical systems men erect, and their life goals as well. The unfortunately placed middle class forever

gropes in darkness, unable to share the light revealed to Marx and his votaries.

Convictions about the reality of reason and free will develop in the context of our vision of the ultimate nature of things. And here I bring up again the ideology of Mechanistic Materialism. There are several kinds of Materialism, the most prominent today being Dialectic Materialism, the official religion of Marxianism. However, the several brands of Materialism differ only in nonessentials; they agree that all forms of consciousness arise, develop, and disappear with changes in the material world. Every variety of Materialism downgrades mind; it makes mind an offshoot of matter, a derivative of material particles, an epiphenomenon.

"Man is but the outcome of accidental collocations of atoms"

Let Bertrand Russell tell us in his own words: "Man is the product of causes which had no prevision of the end they were achieving; his origin, his growth, his hopes and fears, his loves and his beliefs, are but the outcome of accidental collocations of atoms. . . . Brief and powerless is Man's life; on him and all his race the slow, sure doom falls pitiless and dark. Blind to good and evil, reckless of destruction, omnipotent matter rolls on its relentless way."[3]

Of course, if matter is the ultimate reality, mind is discredited. But if this discredited instrument is all we have to rely on, how can we put any confidence in its findings? If untrustworthy reason tells us that we cannot trust reason, then we have no logical ground for accepting the conclusion that reason is untrustworthy! Well, I don't trust the reasoning of people who champion the irrational, and I do know that our reasoning powers may be – like anything else – misused. But when human thought is guided by the rules of logic, undertaken in good faith, and tested by experience and tradition, it is an instrument capable of expanding the domain of truth. Reason is not infallible, but it is infinitely more to be trusted than nonreason!

Self-Responsibility

The third great truth is that each man is the custodian of his own energy and talents, charged with bringing himself to completion and having a lifetime to do the job. Gifted with reason and free will, the human being must take himself in hand in order to complete his development; most

[3] From the essay "Free Man's Worship." Reprinted in *Selected Papers of Bertrand Russell* (New York: Modern Library, 1927) pp. 3, 14.

animals, on the other hand, simply mature, brought to full term by innate drives. Human beings are not thus programmed, and occasionally we have to act against inclination and instinct and inertia if we would achieve our goals. This is simply illustrated in sports, where the successful performer forces himself to train even on those days when he'd rather be doing something else. The bike club I ride with held a century run over a six mile course. A couple of youngsters turned up in full regalia and rode off, one pacing the other, looking very professional. Quite a few miles later I noticed that one of the young men had dropped out, so I asked the other what happened.

"I train every day whether I want to or not," he replied, "he just goes out when he feels like it."

There you have it on a small scale, but the same principle applies to life. "That wonderful structure, Man," wrote Edmund Burke, "whose prerogative it is to be in a great degree a creature of his own working, and who, when made as he ought to be made, is destined to hold no trivial place in the creation."

The persistent downgrading of life, during recent centuries has reduced man to a cosmic accident inhabiting a fourth rate planet, lost in the immensities of space and time, in a materialistic universe devoid of values. This dubious vision has not been vouchsafed to the birds and the beasts, but only to human beings. Only man among all the creatures of the planet has been able to take all time and all space within his purview and draw conclusions of any sort. And it is a perverse kind of silliness for a creature gifted with the ability to understand and explain to bemoan his littleness in the face of the unimaginable vastness of the cosmos. Whose mind is it that comprehends all this? What creature controls an enlarging domain? Man confronting the universe as astronomer, physicist, geologist, engineer, is entitled to stand tall; would that he might do as well in other departments!

Beauty

In the area of aesthetics, for example, to illustrate the fourth vital idea. Here man confronts beauty in the very nature of things, and reproduces his vision in art. In a materialistic age it comes to be believed that particles of matter in motion are the only realities, which means that beauty is unreal. "Beauty," we are told in the familiar phrase, "is in the eye of the beholder." How did it get there? we want to know, unless loveliness – as every great artist

has taught us — is real, and out there waiting to be experienced.

What shall a painter resort to when the ideology of the age convinces him and his potential public that matter is the ultimate reality and beauty a mere illusion? Let Picasso answer:

When I was young I was possessed by the religion of great art. But, as the years passed, I realized that art as one conceived it up to the end of the 1880's was, from then on, dying, condemned, and finished and that the pretended artistic activity of today, despite all its superabundance, was nothing but a manifestation of its agony.

As for me, from cubism on I have satisfied these gentlemen (rich people who are looking for something extravagant) and the critics also with all the many bizarre notions which have come into my head and the less they understood the more they admired them. . . . Today, as you know, I am famous and rich. But when I am alone with my soul, I haven't the courage to consider myself as an artist.[4]

One more quotation, this time from Joseph Wood Krutch, generalizing about modern artists:

They no longer represent anything in the external world, because they no longer believe that the world which exists outside of man in any way shares or supports human aspirations and values or has any meaning for him.[5]

Art once celebrated the greatness of the human spirit and man's aspiration for the divine; great art reconciled man to his fate. "We are saved by beauty," wrote Dostoevsky. Art now is the reaching out for bizarre forms of self-expression by more or less interesting personalities; or it becomes outright buffoonery and charlatanism.

Goodness

The fifth big idea has to do with ethics; it is the conviction that moral values are really embedded in the nature of things, and that men have the capacity and are under the necessity of choosing the good and eschewing evil. Given a revival of belief in reason and free will I am confident that ethical questions will be brought within the human capacity to resolve. But if we succumb to the attacks on reason and free will, and if we accept the ideology of Materialism we will seek in vain for some substitute for ethics. We reduce morality to legality; we confuse what is right with what works; or what advantages us, or what pleases us. These things, including utilitari-

[4] Quoted by Joseph Wood Krutch in *And Even If You Do* (New York: Wm. Morrow & Co., 1967) p. 186.

[5] *Ibid.*, p. 185.

anism and relativism, boil down to ethical nihilism, for if nothing is really right, then nothing is really wrong either.

The Sacred

The sixth big idea pertains to the human experience of the sacred – a dimension which transcends the workaday world. This encounter evokes awe, reverence, a sense of the sublime; and it produces – in the intellectual sphere –the philosophy known as Theism. Theism is the belief that the universe is not merely brute fact, but that a mental/spiritual principle is at the heart of things; the finite mind in each of us is somehow grounded in an infinite Mind. In one perspective, Theism encompasses all the other ideas; and in another perspective, if our thinking is right on the previous five ideas, Theism is an immediate inference.

We resist the word "God" because for most people the notions of their childhood still cling to it, and these notions they have outgrown while they have not permitted their ideas of God to grow with them. But if one rejects the idea of God, he has no logical stopping place short of the idea of Materialisim; and if he goes this far, he has embraced an ideology which shortchanges his own mental processes. Mind, reason, logic, and God are all bound up together. Santayana was once referred to as an atheist, and he replied, "My atheism, like that of Spinoza, is true piety towards the universe, and rejects only gods fashioned by men in their own image, to be servants of human interests." Genuine Theism demands that we be "a-theistic" toward the false gods.

Theism contends, as a minimum, that a Conscious Intelligence sustains all things, working out its purposes through man, nature, and society. This is to say that the universe is rationally structured, and this is why correct reasoning pans a few precious nuggets of truth.

Acceptance of the Creator reminds men of their own finitude; no man can believe in his own omnipotence who has any sense of God's power. And finite men, aware of their limited vision, have a strong inducement to enrich their own outlook by cross fertilization from other points of view.

When theistic belief is absent or lacking in a society, men are beguiled by the prospect of establishing a heaven on earth. They vainly dream that some combination of political and scientific expertise will usher in utopia, and they use this future possibility as an excuse for present tyranny. Under Theism, they modestly seek

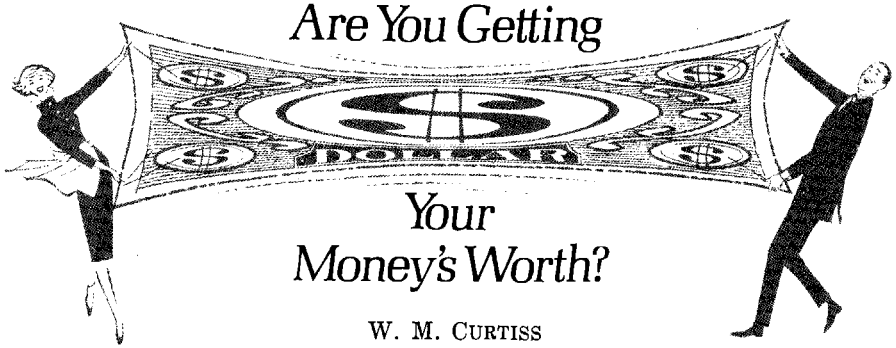
to improve themselves and their grasp of truth – thus making the human situation more tolerable, more just, more enjoyable – confident that the final issue is in God's hands.

But won't men perversely use Theism as in excuse for intolerance and even persecution, as indeed has happened in history? Of course they will, for there is no good thing that cannot be misused. But reflect on the deadliness of the alternative as exhibited by regimes which make atheism official. Communism, during its first fifty years in several countries, has taken a toll of at least eighty-four million lives!

What is Man? the creature from Mars might ask. And our answer would be that man is a being with an anthropoid body and six ideas. What if he loses contact with one or more of these ideas? our questioner continues. In that case, we answer, his humanity is thereby that much diminished.

Diminished man has come to the fore at an accelerating rate during the past century. In statecraft, he was unable to resolve minor differences between Western nations and thereby prevent them from tearing each other to pieces in the cycle of wars which began in 1914. In religion, we have a split between the "death of god" trend, on the one hand; and, on the other, an emphasis on push-button salvationism. In education, there is agreement on one point only, that there is a crisis in the schools; but there's no consensus as to cause and cure. Philosophers have abandoned the great tradition in philosophy to embrace one fad after another; positivism, linguistic analysis, existentialism. Then there is the "treason of the intellectuals," many of whom have found communism and socialism irresistible; who resolved that there should be no more war in the Thirties but decided a few years later that war was a wonderful thing. And in personal life, at a time when the male is giving his worst performance, unable to reconcile women to their roles in life, the female wants liberation so she can imitate the male!

It goes without saying that as I list a portion of the indictment against modern man, I have in mind statesmen, artists, philosophers, theologians, intellectuals, as well as ordinary men and women, who have kept the faith, who have not lost their heads. I am not certain that the madness from which we suffer has run its course, and that we've turned the corner, but I am enough of an optimist to have confidence that the corner is within sight, and that there is sufficient health in us to make it.



Are You Getting Your Money's Worth?

W. M. CURTISS

IN TERMS of personal income and its purchasing power, one must conclude that Americans never had it so good! With the great strides in technology and the tremendous investment in the tools of production, workers are fantastically productive. And, in a general way, one's income is based on what one produces, as valued in the market place.

In a free economy, one may exchange his money or property for things or services he values more than the money or property he gives up. Thus, both the buyer and seller benefit from the exchange and each is better off, in his judgment, than before.

But what are you getting for your money today? How much of your spending is for things you'd rather do without if the choice were entirely yours!

One might argue that we always spend our money in the way we choose, given the alternatives. We pay a dentist to relieve a toothache, not because a trip to the beach wouldn't be more fun but because it is less painful to visit the dentist. If we lived in a dry climate we might avoid the purchase of an umbrella. If we lived near our work we might avoid buying a second car. If we lived in Maine, we might not buy an air conditioner. And so on through many choices like these, where no one else is forcibly influencing our decision.

Even under coercion, we still

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choose among alternatives. We may give our wallet to an armed robber, under the circumstances. Most of us grudgingly pay our taxes, rather than face the consequences of refusing to pay. But these choices, the alternatives we choose under duress, differ from our purely voluntary spending. And in order to know whether we've "ever had it so good," we ought to consider those expenditures which are forced upon us, for things we'd rather do without.

Crime Costs

An example is the cost of crime. Government is essential for the protection of life and property, and most people will willingly pay to be protected from the few persons who have no respect for the life and property of others. But the mounting incidence of crime in our affluent society calls for further consideration of the costs and possible causes.

How do you feel about the cost of installing a burglar alarm system in your home? Or having near tamper-proof locks put on your outside doors? Or the extra cost of a buzzer to make certain you remove your auto keys? Or the extra cost of taking a taxi because you're afraid to ride a subway?

These are just a few of the many examples of the rising costs of crime over recent decades. More direct costs, of course, include losses of life and property by persons who are objects of the burglary or perhaps just innocent bystanders. Mounting also are the costs of prevention, detection, and punishment, including the hiring of extra police, additional court costs and the like. Attempts have been made to estimate such costs but who can say, and with what accuracy? What is certain is that the money one is forced to spend either to prevent crime or to repair the damages is money that cannot be spent voluntarily for other things.

No doubt, the people of the United States are among the most productive and affluent in the world. We have a very high level of living in automobiles, color television sets, the quality of food we eat, education, medical services, housing, leisure, travel, and a host of other things.

But our level of living also includes a few items we might change if we could. The costs and consequences of crime are among these items. We can take little comfort in knowing that our crime costs per capita may be the highest in the world! Much of the cost is buried in the total expenditures by governmental units – federal, state and local – the total support of which takes some 40 per cent of

our very high productivity. So, we may say that our affluence supports the most costly government in the world. But, if we had our "druthers," is this the "level of living" we would buy?

Why Crime Increases

Much of the crime, especially in our larger cities, is tied to the increasing use of illegal drugs. The daily cost of supporting a drug habit far exceeds what many a user is able to earn legally. Many addicts thus turn to robbery, prostitution, "pushing" drugs on others, and various sorts of organized criminal activity.

Why does this happen? If a product or service is forbidden by law, and if some people want the product or service badly enough, someone will undertake to provide the illegal item, usually at a price to cover the risk of getting caught breaking the law. A classic example comes from the "prohibition era" following World War I, with the resultant high cost of bootlegging, gang wars, and attempted law enforcement activities.

Prohibition eventually was acclaimed a failure and was repealed. Whether the morality of the people was improved or diminished by the experiment is not the subject of this inquiry. Nor is the question of whether the government should attempt to legislate morality. We are merely pointing out the tremendous costs involved, costs forced upon individuals who might rather have spent their money in some other way.

Not repealed, however, is the governmental attitude toward alcoholic beverages. Instead of direct prohibition, there is now a "prohibitive" tax on liquor. Likewise, "cigarettes may be hazardous to your health," and are heavily taxed. These taxes and the high costs of enforcement are a part of today's high cost of living.

These three examples – drugs, cigarettes, and liquor – illustrate problems which arise largely out of government intervention, and then have to be controlled, to some extent, at very high costs to taxpayers. In any event, when the total cost of government becomes as burdensome as it is in this country, the incentive to cheat is strengthened, as anyone could testify who either files or fails to file an income tax return. There is a strong temptation to get "a piece of the action" by government workers who handle "public money," award contracts, purchase items for government use, and the like. And even the rare few who occasionally expose such cheating must be sorely tempted not to do it. Who wants to be a model of integrity in a den of thieves!

Welfare Costs

Government welfare activities are another source of corruption. Such programs have grown by leaps and bounds in the past quarter century at a time when the nation was never more affluent. The reasons are many and often complicated. Many social workers and other government employees seem to measure their success by the number of cases handled and the amount of money distributed. Social Security offices, for example, post notices in local papers saying in effect: "Are you getting all the Social Security you are entitled to? Come in and let us help you!" Workmen's Compensation clients are officially advised not to deal with employers but to come directly to the Board.

Aside from the outright cheating, one of the causes of the rising cost of welfare, a cause which the welfare client cannot change, is minimum wage legislation. Wages, set higher by law than they would be in a free market, increase unemployment. The unemployables are especially the young, the old, and members of minority groups. Whether for lack of skill, or of education, or whatever the reasons, unemployment rises sharply in such categories whenever minimum wages are raised by law. Increasing unemployment means increasing welfare costs.

Respect for Property

Part of the problem is the breakdown of respect for property. And especially is this true of the growing volume of "unowned" or "public" property. Consider, for instance, the breaking of windows and other destruction of school property. The problem is serious enough that some schools have gone to the considerable expense of installing "unbreakable" glass. Some new school buildings are being built without windows.

College buildings and grounds are prime targets for vandalism; public parks and playgrounds also are used and treated with disrespect. It seems that what belongs to everyone belongs to no one. The cost to those who must pay for such vandalism and destruction lowers their level of living, deprives them of alternative ways they would spend their money.

Governmental efforts at "consumer protection" go far beyond curing us of the "bad habits" of drugs, alcohol, and tobacco. The government also tries to do to us what is "good" for us. An illustration is the requirement that various grocery and other items be priced by weight so that shoppers can more easily compare products of different distributors, different size packages, and the like. However, after sellers have gone to the expense of doing this (which con-

sumers pay), few shoppers pay any attention to it.

Similarly, when consumers borrow money, or buy on installments, shouldn't they know their interest costs expressed as a simple rate per year? How else can they compare different sources of credit? So, the revealing of these figures is required by law and adds to the cost for the consumer who is to be protected. Again, there is evidence that few consumers use this new service they have paid for.

One of the most absurd of all consumer protection items is the compulsory addition of seat belts to autos. Why should I have to be compelled to pay for seat belts to protect *me* in an auto accident? If I think seat belts are useful, I will have them installed and will use them! Who is likely to be more interested than I am in protecting me from injury? Upon discovery that only one-third of the drivers were using the seat belts they had been forced to pay for, all drivers were then subjected to the costs of installing buckle-up buzzers and lights and other educational devices.

Other consumer protection items such as air bags, more effective bumpers, and other gadgets will be compulsory additions before long and the cost of automobiles to the consumer is bound to reflect the additional expense. It is estimated that by 1975 the cost of these additions, which the consumer did not order, will be more than the total cost of a new car when Americans were less affluent than today. This might be a part of your "level of living" you would do without if you had a choice.

Most "consumer protection" plans show a complete lack of faith in two very important aspects of the market. One is the wisdom of the consumer in looking after his own interest and the other is the power of competition between suppliers in an unfettered market to serve the consumer as he wishes.

Gambling

The attitude of governments toward gambling is a curious thing. At times, it has appeared that governments have considered gambling to be immoral and have tried to ban it completely. More recently, governments have permitted gambling in some places, but not in others. You may be permitted to bet on a horse race at the race track but not elsewhere. You may indulge in games of chance if they are conducted by churches licensed by the state. So, perhaps gambling is not really a moral problem at all!

In recent years, in their quest for new sources of revenue, more

and more states are permitting and encouraging gambling so long as the state gets a substantial cut of the proceeds. In New York State, you need not go to the track to bet on the horses if off-track betting is more convenient. State lotteries also are gaining in popularity and respectability, with a large "take" going to the state.

Still, the state is partly in and partly out of the gambling business. Many types of gambling such as the "numbers" game, betting on human athletes or teams, and other games of chance are still illegal. It would be difficult if not impossible to estimate the amount of money which governments spend unsuccessfully to enforce gambling or anti-gambling laws – another example of spending your money in a way you might not spend it yourself, given a choice.

The Problem

Most of the economic problems that are left to the market are solved without great fanfare. We either buy, or refrain from buying, and thus send a meaningful signal to the producer. It doesn't require a committee or a government commission, or a popularity vote to make the decision. If enough people object to tail fins on their autos, the manufacturer will soon get the message. And if the decision of the market goes against the lover of tail fins, he rarely makes much of a fuss. But let the decision be made by a government bureau, or even a Harvard professor, and a feeling of disenfranchisement is certain to arise.

Practically all of the major economic problems that seem so troublesome are the result of some activity of government when it has gone beyond its principled role of protecting life and property. One of our most serious, with ramifications in many areas of life, is inflation. Inflation is simply the result of the Federal government spending beyond its means and expanding the supply of money to support its profligacy.

School problems, involving such questions as how to finance them, who should run them, who should attend them, and what should be offered in them, are largely problems which arise because government has assumed much of this responsibility. Little choice is offered those concerned.

The problem of housing, especially in urban centers, is largely a result of the intrusion of government into urban renewal, rent controls, construction codes, and other restrictions.

Consumer protection would cause no difficulties if it were a voluntary thing between buyer and seller. Auto manufacturers would gladly supply seat belts to those

who want them and are willing to pay for them – just as radios are made available. The problem arises when motorists who neither want nor use them are compelled by law to pay for them.

Just now, control of pollution of air and water is being promoted by a few vocal individuals, organizations, and an imaginative press. In haste to respond to such pressures, governments are certain to further add to their already overextended activities.

Are you getting your money's worth? The question finally boils down to whether you are primarily interested in freedom of choice for the individual – your choice with your own money – or "full security and protection" by government in every last detail.

True, some consumers will make a lot of mistakes, as judged by you and me, in their choices as to how to spend their money. But far more serious than the combined errors of individuals is the master error – a belief that such mistakes could be avoided if only the government were in total control of our lives.

IDEAS ON LIBERTY

Freedom

FREEDOM CAN WELL BE LOST to us through misinterpretation of it. When we think it gives us the right to another man's harvest, or entitles us to an honor we are unwilling to earn, we place ourselves in a bondage that curtails our true growth in every way.

Through the privilege of choice our way is opened for us to become what we will. The wise use of this faculty brings out the best that is in us, and thereby places us in positions and circumstances that are compatible with our abilities and much to our liking . . . Freedom does not mean that each shall have the same thing, or even express in the same way; for it is every man's right to discover the path to his highest good. But how we use this priceless heritage of choice decides what we become. True freedom is experienced as we earn it through thought and deed.

LA VERNE BOWLES

From the "Daily Guide to Richer Living" for September 15, 1960, appearing in *Science of Mind*.

CLARENCE B. CARSON

THE FOUNDING OF THE AMERICAN REPUBLIC

17

Principles of the Constitution

THE QUESTIONS at issue in the constitutional convention were rarely, if ever, philosophical in nature. The men gathered at Philadelphia in 1787 were practical men, by and large, going about the practical business of proposing how power would be disposed, arrayed, and distributed in the United States. Nor is the Constitution a treatise on philosophy; except for the preamble, the document deals exclusively with the practical and the mundane. Nonetheless, the debates were informed by principles, as remarks and occasional flights of oratory indicate, and the Constitution is based on high principles, which we may know both from analysis and an examination of the apologies for it.

These principles follow, if not inevitably then naturally enough, from the Founders' understanding of human nature. The same human nature which made government necessary, they thought, made certain principles appropriate to it and essential if it was to endure for any extended time. Government is made necessary because man is not perfect. James Madison put the matter succinctly:

If men were angels, no government

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would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.[1]

Obviously, Madison thought men are not angels; on the contrary, man is a flawed being, needing restraints whether he belongs among the governed or the governors at any particular time.

Human Nature Is Suspect

There is no indication that any of the other Founders thought otherwise. Alexander Hamilton declared that "men are ambitious, vindictive, and rapacious."[2] Nor could he see that human nature was more dependable because the beings involved lived in republics rather than under monarchs:

> Has it not . . . invariably been found that momentary passions, and immediate interests, have a more active and imperious control over human conduct than general or remote considerations of policy, utility, or justice? Have republics in practice been less addicted to war than monarchies? Are not the former administered by *men* as well as the latter? Are there not aversions, predilections, rivalships, and desires of unjust acquisitions that affect nations as well as kings? Are not popular assemblies frequently subject to the impulses of rage, resentment, jealousy, avarice, and of other irregular and violent propensities?[3]

Hamilton's low estimate of human nature is well known, but the gentle spoken Benjamin Franklin did not rate it much higher. He declared that when you "assemble a number of men to have the advantage of their joint wisdom, you inevitably assemble with those men, all their prejudices, their passions, their errors of opinion, their local interests, and their selfish views." He predicted that the government they were providing for in the convention "can only end in Despotism, as other forms have done before it, when the people shall become so corrupted as to need despotic Government, being incapable of any other."[4] A fair interpretation of this latter statement would be that man has an ingrained downward bent. The political implications were spelled out by Madison in this way: "In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself."[5]

Capable of Reason

It does not do justice to the Founders' conception of human nature simply to emphasize the flawed side. Man is a rational animal, they thought, i. e., capable of

reason. He loves liberty, and needs it for the fulfillment of his possibilities. He is self-interested – a trait that can be turned to good use – but he is also capable of conceiving a general interest which embraces others as well as himself. He is an active, responsible being, capable of invention, construction, concern, and what goes by the name now of creativity. Put power in his hands over others, however, and he must be carefully watched. This was the cornerstone of their political faith.

With these views of human nature, the Founders combined an unusual mixture of hope and resignation about the government they were contemplating, hope that they could contrive a system that would be lasting but resigned to the likelihood that it would founder sooner or later on the shoals of the lust for power of those who governed and the bent to corruption of the governed. Many of the debates of the convention hovered around the question of whether too much or two little power was being conferred and whether those who would exercise it would have sufficient leeway to act energetically or be sufficiently restrained to prevent arbitrary and despotic action. The debates reflected these concerns; the Constitution embodied their conclusions. The convention was the forge; the Constitution was the finished and tempered metal. The following are its most salient principles:

1. Federal System of Government

The federal system of government, as we know it, was invented at Philadelphia in 1787. Dictionaries, encyclopedias, and textbooks now define a "federal government" as one in which there is a division of powers between a general government, on the one hand, and local (or state) governments, on the other, both governments having jurisdictions over the citizenry within their bounds. A confederation is now held to differ from this arrangement in that under it the individual states retain the sole authority to use force on individuals. No such distinction appears to have existed in 1787. The only perceivable distinction was a grammatical one. "Confederation" was the noun form used to describe the organization of the states into a unit. "Federal" was the adjective form of the word "confederation." For example, Richard Henry Lee, who was opposing ratification of the Constitution, said that the "object has been all along to reform our federal system. . . ."[6] He could only have been referring to the system under the Articles of Confederation as "federal." In adjoining sentences, Hamilton employed the

words as if interchangeable in meaning.[7] Initially in the convention, those who favored a general government with sanctions referred to it as "national." They did not, however, get the system they had conceived, and in the course of the debates "national" had odium attached to it. Those who favored adoption of the Constitution referred to themselves as "federalists," and to the government as a "federal" one,[8] in part, one suspects, to minimize the extent of the innovation. Clearly, what they had wrought was not a confederation, and it came to be called a "federal" government.

It made sense, once the American system had been devised, to use the words "federal" and "confederation" to call attention to structural differences in systems, but this development in language has tended to obscure the invention that took place. Occasionally, however, it has been pointed out. A present-day writer notes that the "United States is regarded by many students as the archetype of a federal system. . . . Even general definitions of the term seem to derive from the American model."[9] James Madison wrote one passage, too, in which he called attention to the new character of what they had devised:

> The proposed Constitution . . . is, in strictness, neither a national nor a federal Constitution, but a composition of both. In its foundation it is federal, not national; in the sources from which the ordinary powers of the government are drawn, it is partly federal and partly national; in the operation of these powers, it is national not federal; in the extent of them, again, it is federal, not national; and, finally in the authoritative mode of introducing amendments, it is neither wholly federal nor wholly national.[10]

It is a brilliant description of the complex arrangements in the Constitution, but, unfortunately, Madison is speaking in an unknown tongue so far as present-day Americans are concerned. Not only did the distinction between "federal" and "confederation" take place, but in contemporary usage "federal" is employed almost exclusively to refer to the general government and has, thus, become a synonym of "national." Whereas, Madison used "federal" to refer to those things in the Constitution in which the states retained their force and vigor.

At any rate, the main feature of the federal system of government is that the power of government was divided between the general government and the state governments. Such a division has the appearance of being a division of sovereignty, something which political theorists have said could not

be done. The Founders disposed of the theoretical problem by ignoring it in that they did not vest any such absolute authority as is described by sovereignty in any government. A political scientist has put the matter correctly in this discussion of the American government: "Sovereignty, in the classic sense, has no meaning; divided as power is, the element of absoluteness which is essential to the concept of sovereignty is not present."[11] The Constitution acknowledges the existence of the states and vests some of the powers of government in the United States. Power is dispersed rather than concentrated, and each of the co-ordinate (not levels of) governments has its own jurisdiction.

The Role of the States

Both the general and the state governments are independent of each other to a degree but are also dependent on one another. These relationships are provided for by intricate arrangements. All elections take place within states and under their auspices. The Constitution was only to go into effect after the ratification by conventions held state by state. The selection of the personnel for the branches of the general government involved the states to greater or lesser degree depending upon the office involved. The House of Representatives was to be composed of members chosen from districts within states, and the number allotted to each state was to be based on population. Each state, on the other hand, has two Senators, providing for an equality of the representation of states in the upper house. This was worked out in what is sometimes called the Great Compromise of the convention, or the Connecticut Compromise. The President is selected by an electoral college, each state having as many electors as it has Representatives and Senators. The members of the courts were to be appointed by the President with the advice and consent of the Senate. The Senate was also given major powers in the approval of other appointments and in treaty making. The states retained a large role both because of the pre-eminence of the Senate and that everything having to do with popular election is done by and within states.

The general government was clearly given control over the massive use of force and the states were left with the preponderant authority to use force ordinarily. The general government is authorized to raise and maintain armed forces and may call into action under its authority any state military force. Laws made in pursu-

ance of the Constitution are declared to be the supreme law of the land. The states retained most police powers, courts dealing with most civil and criminal matters, and much that has to do with the protection of life, liberty, and property. The general government is charged with protecting the states from foreign invasion and from one another. The line between the powers of the states and those of the general government was not marked by great detail; it was, no doubt, expected that they would contend with one another over various jurisdictions and thus limit one another. Such contentions were expected to counter-balance the extensive use of power by any government.

To say that federalism was an American invention is not to imply that it sprang from the head of Zeus fully clothed at Philadelphia in that summer. Actually, the Founders were encompassing a tradition when they devised the federal system. There were elements of federalism in the British colonial system. Each colony had its own government to deal with local matters. The British government exercised the type of powers over the colonies that were now to be vested in the general government. Moreover, the Congress under the Articles of Confederation had much of the authority which was now vested in the general government, even if it lacked the power for the full exercise of it. Most of the innovation was in the wresting of a pattern from an imperial system and installing it in a republican setting.

2. *Republican Form of Government*

There are two basic requirements which must be met if a government is to be styled a republic: (1) it must be popular in origin, i.e., draw its authority from an extensive electorate; and (2) power must be exercised by representatives. It is distinguished from an hereditary monarchy in that it is based on popular election and from democracy in that power is wielded by representatives. Those who favored the new Constitution took pains to show that the government it provided for was republican in character.

James Madison showed that its powers were derived from the people by this explanation:

> The House of Representatives, like that of one branch at least of all the State legislatures, is elected immediately by the great body of the people. The Senate, like the Present Congress and the Senate of Maryland, derives its appointment indirectly from the people. [The Senate was chosen by state legislatures until the ratification of the 17th Amendment.] The President is indirectly derived from the choice of the people, accord-

ing to the example in most of the States. Even the judges, with all other officers of the Union, will, as in the several States, be the choice, though a remote choice, of the people themselves.[12]

As they understood the difference between a republic and a democracy, it was a republic, not a democracy. Though it was based on the people, the people acted through representatives. Popular decision went through a series of filtrations, as Madison put it, before it became government action.

The United States was not a monarchy, and safeguards were introduced to prevent its becoming one, as Madison said:

> Could any further proof be required of the republican complexion of this system, the most decisive one might be found in its absolute prohibition of titles of nobility, both under the federal and State governments; and in its express guaranty of the republican to each of the latter.[13]

3. *Separation and Balance of Powers*

If there was one principle upon which the Founders were agreed more than any other it was that of the separation of powers. Montesquieu had taught them that it was a requisite of good government. Both they and Montesquieu knew the separation of powers in principle from the British example. State governments already incorporated the principle, however imperfectly. Once it was decided that the power to coerce individuals would be lodged in the United States government there was little doubt that a system of checks and balances must be located in the system. If the individual could be coerced by it then the government must be restrained by checks and balances.

For this to be done, there must be several branches to limit one another. The branches, as constituted, made it a *mixed government.* This idea is not so well known anymore, for it comes from classical theory, which no longer is the basis of our studies as it was for the Founders. The idea is that there are three possible pure modes of rule: they are, monarchy, aristocracy, and democracy. In this sense, neither the United States nor the states have a pure form of government; they are, instead, mixed. In the United States government, the President is based on the monarchical principle, the Senate the aristocratic, and the House the democratic (both because it has more members and is directly elected). It was not monarchy, aristocracy, or democracy, but rather drawn from

principles of each of them as a form, i.e., from rule by one, rule by a few, and rule by the many.

The Founders had considerable difficulty devising a mixed government from a constituency which contained no fixed classes. As they saw it, it was very important that each of the branches be distinct from the other in the manner of its selection. A mixed government was desirable, in the first place, because there were differing functions of government which could best be entrusted to one, to a few, or to many. But, if the functions were best performed in this way, the division should not be watered down by having all the branches chosen by the same electorate. Perhaps it would be most accurate to say that they partially solved the problem. The members of the House were directly elected, and the number of them apportioned according to population. The Senate was to be elected by the state legislatures. This was natural enough and did base the choice on two different realities. But they never hit upon any comparable reality from which the President could be chosen. Having him elected by an electoral college was an artificial expedient which, while it did give him an independent basis of selection, did not provide him with one that was organic to the country.

Three Branches of Government

There was much talk in the convention of making each of the branches independent of the other, and much was done to achieve this principle. The branches were not only given different sources of election but also were provided protections from one another. The houses of Congress make their own rules, are judges of the elections of their members, and jointly set their pay. They have a constitutionally established regular time of meeting, and may adjourn by agreement one house with the other. The President can protect himself by the use of the veto and by his powers of patronage. Moreover, he is commander-in-chief of the armed forces as well as having at his disposal the Federal constabulary. The members of the courts are to be paid according to a regular schedule, their salaries not to be reduced during their tenure, which is for life or during good behavior.

But there is no denying that the branches are also interdependent and entwined in their operation. All legislation must pass both houses of Congress on the way to becoming law. Even appropriations, which must originate in the House, must still pass the Senate before they can go into effect. The President can veto acts of the Congress; in which case, such an

act can only become law by being passed by at least two-thirds majorities in each of the houses. The President and the Senate are particularly entwined in the appointive and treaty making powers. Amendments to the Constitution not only regularly involve both houses of the Congress but the state legislatures as well. The effect of all this interdependence is to require government by a consensus of the branches and, in the case of constitutional amendments, of the states also. The more important the decision, the broader the base for its approval must be for it to be put into effect.

4. Limited Government

The crowning principle of the Constitution is limited government, for all the other principles tend toward and are caught up in this one. The federal system of government, the republican form of government, the principle of separation all place procedural limits on the powers of the governments. The independence of the branches, one of another, and of the state and general governments provides them with a base from which to check and limit one another. Their interdependence makes the concurrence of branches and governments necessary for action to be taken.

The Constitution provided not only for procedural limits on governments but for substantive ones as well. One way in which the general government is substantively limited is by enumerating its powers. This is done most directly in setting forth the legislative powers of the government, which powers are all vested in the Congress. They are contained in Section 8 of Article I, and read, in part, as follows:

> The Congress shall have Power to lay and collect Taxes. . . .
>
> To borrow Money on the credit of the United States;
>
> To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes;
>
> To establish an uniform Rule of Naturalization. . . .
>
> To coin money. . . .
>
> To establish Post Offices and post Roads; . . .
>
> To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water. . . .

To have placed all legislative authority in the Congress was a limitation on the other branches. To have enumerated the powers implied that those not listed were not included. Discussions within the convention bear this out. For example, the question was raised as to whether or not the general

government ought to be granted the authority to construct canals. The idea was rejected on the ground that this would involve the general government in projects which would be mainly beneficial to the people of particular states. The point, however, is that they were operating on the assumption there that if the power were not listed it was not granted.

But it is not necessary to conclude only from the enumerated powers that the general government is limited by the Constitution. There are specific limitations contained in it. The Constitution required that all direct taxes be apportioned on the basis of population. (This prohibition was later removed by the 16th Amendment.) Other taxes must be levied uniformly throughout the United States. All taxation must be for the common defense and general welfare of the United States, which should be conceived as a major limitation. Specific restrictions on the general government are listed in Section 9 of Article I, of which the following is a partial list:

> The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.
>
> No Bill of Attainder or ex post facto Law shall be passed. . . .
>
> No Tax or Duty shall be laid on Articles exported from any State. . . .
>
> No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law. . . .
>
> No Title of Nobility shall be granted by the United States.

State governments were also limited in the Constitution in several ways (Section 10, Article I). The following is an example:

> No State shall enter into any Treaty, Alliance, or Confederation, grant Letters of Marque and Reprisal; coin Money, emit Bills of Credit; make any thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder or ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

Some delegates to the convention were heartily in favor of a specific prohibition being placed in the Constitution against the United States government emitting bills of credit (i.e., issuing paper money). Others said that occasions might arise, such as during the late war, when the issuance of paper money might be necessary. The upshot was a silent compromise. Congress is not authorized to emit bills of credit, but neither is it specifically prohibited to do so. (The going assumption, however, was that if it was not granted it was prohibited.)

Curbing the Majority

The other main limitation in the Constitution was the tacit limitation on the powers of the people. There was much concern expressed both in the constitutional convention and in the state ratifying conventions about limits on the people. The Founders perceived that a majority may be tyrannical; it may work its way so as to intrude on the rights of individuals, which rights were considered to be the premier ones. Alexander Hamilton said: "The voice of the people has been said to be the voice of God; and, however generally this maxim has been quoted and believed, it is not true to fact. The people are turbulent and changing; they seldom judge or determine right."[14] Moses Ames, speaking in the Massachusetts convention which was considering the ratification of the Constitution, said: "It has been said that a pure democracy is the best government for a small people who assemble in person. . . . It may be of some use in this argument . . . to consider, that it would be very burdensome, subject to faction and violence; decisions would often be made by surprise, in the precipitancy of passion, by men who either understand nothing or care nothing about the subject; or by interested men, or those who vote for their own indemnity. It would be a government not by laws, but by men."[15] James Madison declared that "on a candid examination of history, we shall find that turbulence, violence, and abuse of power, by the majority trampling on the rights of the minority, have produced factions and commotions, which, in republics, have more frequently than any other cause, produced despotism."[16]

The people were limited by the original Constitution in that they could act only through representatives, that except for the House of Representatives the branches were indirectly chosen, and that the courts were most remote from popular control. Both the government and the people are limited by the vesting of effective negative powers on any legislation in each of the houses, of a veto in the President, and the establishment of a Supreme Court which, it was understood, would have a final negative. Positive action requires a concurrence of the branches; while several of them have the power of negation. The direct power of the people is also limited by the staggering of the terms of offices. The House of Representatives is chosen every two years. The terms of Senators are for six years, and approximately one-third of them are chosen every two years. The President's term is for

four years, and the members of the courts serve during good behavior. This provided both for stability in the government and a safeguard against the people's working their will over the government while they were under the sway of some temporary passion.

5. The Transformation of Empire.

One of the least appreciated principles of the Constitution is that contained in the provision which makes it possible to dissolve an empire periodically by adding new states to the union. The United States had an empire from the beginning; indeed, writers and speakers frequently referred to the United States *as* an empire. At the least, however, the United States had a vast territory west of the Appalachians and to the north and west of existing states. It was of considerable interest at the convention what provision should be made for the future of this territory. Should it be carved into provinces which, when any one of them became populous enough, would be admitted on equal terms with the older states. Gouverneur Morris, among others, argued vigorously that this should not be the case. He feared that in time the western states would outnumber the eastern states; "he wished therefore to put it in the power of the latter to keep a majority of votes in their own hands." He summed up his case in this way: "The busy haunts of men not the remote wilderness are the proper school of political talents. If the Western people get the power into their hands, they will ruin the Atlantic interests. The back members are always averse to the best measures."[17]

On this occasion, however, Morris was outpointed by the leaders of the Virginia delegation. George Mason said: "If the Western States are to be admitted into the Union, they must be treated as equals and subjected to no degrading discriminations. They will have the same pride and other passions which we have, and will either not unite with or will speedily revolt from the Union, if they are not in all respects placed on an equal footing with their brethern." Edmund Randolph declared that it was entirely "inadmissible that a larger and more populous district of America should hereafter have less representation than a smaller and less populous district." Madison joined in the colloquy by saying that "with regard to the Western States he was clear that no unfavorable distinctions were admissible, either in point of justice or policy."[18]

The Constitution simply states that "New States may be admitted by the Congress into this Union . . .", followed by some protections of the territory within existing states. The manner of providing for representation, however, assured that new states would be on a par with the original thirteen when they came into the union. The effect of this has been the dissolution of empire by the admission of new states. In short, the Constitution provided for the transformation of empire into states which joined the union as fullfledged members of an expanding United States.

The state delegations present and voting in the convention at its close gave unanimous approval to the Constitution. Only a very few individuals refused to sign the handiwork of the convention. The document was submitted to the Congress, from whom it was to go to the states which were asked to hold ratifying conventions. As the signing was taking place, Benjamin Franklin made the last public remarks recorded for the convention. James Madison described them this way:

Whilst the last members were signing it Doctor Franklin looking toward the President's Chair, at the back of which a . . . sun happened to be painted, observed to a few members near him, that Painters had found it difficult to distinguish in their art a rising from a setting sun. I have, said he, often and often in the course of the Session, and the vicisitudes of my hopes and fears as to its issue, looked at that behind the President without being able to tell whether is was rising or setting: But now at length I have the happiness to know that it is a rising and not a setting sun.[19]

All who would having signed, the convention adjourned *sine die.*

Next: The Bill of Rights.

• FOOTNOTES •

1 James Madison, Alexander Hamilton, and John Jay, *The Federalist Papers* (New Rochelle: Arlington House, n. d.), p. 322. Hereinafter referred to as *The Federalist.*

2 *Ibid.*, p. 54.

3 *Ibid.*, p. 56.

4 James Madison, *Notes of Debates in the Federal Convention of 1787,* Adrienne Koch, intro. (Athens, Ohio: Ohio University Press, 1966), p. 653.

5 *The Federalist,* p. 322.

6 Richard W. Leopold, *et al,* eds., *Problems in American History* (Englewood Cliffs: Prentice-Hall, 1966), p. 134.

7 *The Federalist,* p. 114.

8 See Hamilton's argument in *The Federalist* #9, for example.

9 Richard H. Leach, *American Federalism* (New York: Norton, 1970), p. 2.

10 *The Federalist,* p. 246.

11 Leach, *op. cit.,* p. 1.

12 *The Federalist,* p. 242.

13 *Ibid.*

14 *Elliot's Debates,* Bk. I, Vol. 1, p. 422.

15 *Ibid.,* Vol. 2, p. 8.

16 *Ibid.,* Vol. 3, p. 87.

17 Charles Warren, *The Making of the Constitution* (New York: Barnes and Noble, 1937), p. 594.

18 *Ibid.,* pp. 594-95.

19 Madison, *Notes,* p. 659.

A Perfect System of Government?

LUDWIG VON MISES

THE "SOCIAL ENGINEER" is the reformer who is prepared to "liquidate" all those who do not fit into his plan for the arrangement of human affairs. Yet historians and sometimes even victims whom he puts to death are not averse to finding some extenuating circumstances for his massacres or planned massacres by pointing out that he was ultimately motivated by a noble ambition: he wanted to establish the perfect state of mankind. They assign to him a place in the long line of the designers of utopian schemes.

Now it is certainly folly to excuse in this way the mass murders of such sadistic gangsters as Stalin and Hitler. But there is no doubt that many of the most bloody "liquidators" were guided by the ideas that inspired from time immemorial the attempts of philosophers to meditate on a perfect constitution. Having once hatched out the design of such an ideal order, the author is in search of the man who would establish it by suppressing the opposition of all those who disagree. In this vein, Plato was anxious to find a tyrant who would use his power for the realization of the Platonic ideal state. The question whether other people would like or dislike what he himself had in store for them never occurred to Plato. It was an understood thing for him that the king who turned philosopher or the philosopher who became king was alone entitled to act and that all other people had, without a will of their own, to submit to his orders. Seen from the point of view of the philosopher who is firmly convinced of his own infallibility, all dissenters appear merely as stubborn rebels resisting what will benefit them.

The experience provided by history, especially by that of the last two hundred years, has not shaken this belief in salvation by tyranny and the liquidation of dissenters. Many of our contemporaries are firmly convinced that what is needed to render all human affairs

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perfectly satisfactory is brutal suppression of all "bad" people, i.e., of those with whom they disagree. They dream of a perfect system of government that – as they think – would have already long since been realized if these "bad" men, guided by stupidity and selfishness, had not hindered its establishment.

A modern, allegedly scientific school of reformers rejects these violent measures and puts the blame for all that is found wanting in human conditions upon the alleged failure of what is called "political science." The natural sciences, they say, have advanced considerably in the last centuries, and technology provides us almost monthly with new instruments that render life more agreeable. But "political progress has been nil." The reason is that "political science stood still."[1] Political science ought to adopt the methods of the natural sciences; it should no longer waste its time in mere speculations, but should study the "facts." For, as in the natural sciences, the "facts are needed before the theory."[2]

One can hardly misconstrue more lamentably every aspect of human conditions. Restricting our criticism to the epistemological problems involved, we have to say: What is today called "political science" is that branch of history that deals with the history of political institutions and with the history of political thought as manifested in the writings of authors who disserted about political institutions and sketched plans for their alteration. It is history, and can as such never provide any "facts" in the sense in which this term is used in the experimental natural sciences. There is no need to urge the political scientists to assemble all facts from the remote past and from recent history, falsely labelled "present experience."[3] Actually they do all that can be done in this regard. And it is nonsensical to tell them that conclusions derived from this material ought "to be tested by experiments."[4] It is supererogatory to repeat that the sciences of human action cannot make any experiments. . . .

That every human action has to be judged and is judged by its fruits or results is an old truism. It is a principle with regard to which the Gospels agree with the often badly misunderstood teachings of the utilitarian philosophy. But the crux is that people widely differ from one another in their appraisal of the results. What

[1] N. C. Parkinson, *The Evolution of Political Thought* (Boston, 1958), p. 306.
[2] *Ibid.*, p. 309.
[3] *Ibid.*, p. 314.
[4] *Ibid.*

some consider as good or best is often passionately rejected by others as entirely bad. The utopians did not bother to tell us what arrangement of affairs of state would best satisfy their fellow citizens. They merely expounded what conditions of the rest of mankind would be most satisfactory to themselves. Neither to them nor to their adepts who tried to realize their schemes did it ever occur that there is a fundamental difference between these two things. The Soviet dictators and their retinue think that all is good in Russia as long as they themselves are satisfied.

But even if for the sake of argument we put aside this issue, we have to emphasize that the concept of the perfect system of government is fallacious and self-contradictory.

The Human Condition

What elevates man above all other animals is the cognition that peaceful cooperation under the principle of the division of labor is a better method to preserve life and to remove felt uneasiness than indulging in pitiless biological competition for a share in the scarce means of subsistence provided by nature. Guided by this insight, man alone among all living beings consciously aims at substituting social cooperation for what philosophers have called the state of nature or *bellum omnium contra omnes* or the law of the jungle. However, in order to preserve peace, it is, as human beings are, indispensable to be ready to repel by violence any aggression, be it on the part of domestic gangsters or on the part of external foes. Thus, peaceful human cooperation, the prerequisite of prosperity and civilization, cannot exist without a social apparatus of coercion and compulsion, i.e., without a government. The evils of violence, robbery, and murder can be prevented only by an institution that itself, whenever needed, resorts to the very methods of acting for the prevention of which it is established. There emerges a distinction between illegal employment of violence and the legitimate recourse to it. In cognizance of this fact some people have called government an evil, although admitting that it is a necessary evil. However, what is required to attain an end sought and considered as beneficial is not an evil in the moral connotation of this term, but a means, the price to be paid for it. Yet the fact remains that actions that are deemed highly objectionable and criminal when perpetrated by "unauthorized" individuals are approved when committed by the "authorities."

Government as such is not only

not an evil, but the most necessary and beneficial institution, as without it no lasting social cooperation and no civilization could be developed and preserved. It is a means to cope with an inherent imperfection of many, perhaps of the majority of all people. If all men were able to realize that the alternative to peaceful social cooperation is the renunciation of all that distinguishes Homo sapiens from the beasts of prey, and if all had the moral strength always to act accordingly, there would not be any need for the establishment of a social apparatus of coercion and oppression. Not the state is an evil, but the shortcomings of the human mind and character that imperatively require the operation of a police power. Government and state can never be perfect because they owe their *raison d'être* to the imperfection of man and can attain their end, the elimination of man's innate impulse to violence, only by recourse to violence, the very thing they are called upon to prevent.

The Fight for Liberty

It is a double-edged makeshift to entrust an individual or a group of individuals with the authority to resort to violence. The enticement implied is too tempting for a human being. The men who are to protect the community against violent aggression easily turn into the most dangerous aggressors. They transgress their mandate. They misuse their power for the oppression of those whom they were expected to defend against oppression. The main political problem is how to prevent the police power from becoming tyrannical. This is the meaning of all the struggles for liberty. The essential characteristic of Western civilization that distinguishes it from the arrested and petrified civilizations of the East was and is its concern for freedom from the state. The history of the West, from the age of the Greek city state down to the present-day resistance to socialism, is essentially the history of the fight for liberty against the encroachments of the officeholders.

A shallow-minded school of social philosophers, the anarchists, chose to ignore the matter by suggesting a stateless organization of mankind. They simply passed over the fact that men are not angels. They were too dull to realize that in the short run an individual or a group of individuals can certainly further their own interests at the expense of their own and all other peoples' long-run interests. A society that is not prepared to thwart the attacks of such asocial and short-sighted aggressors is helpless and at the

mercy of its least intelligent and most brutal members. While Plato founded his utopia on the hope that a small group of perfectly wise and morally impeccable philosophers will be available for the supreme conduct of affairs, anarchists implied that all men without any exception will be endowed with perfect wisdom and moral impeccability. They failed to conceive that no system of social cooperation can remove the dilemma between a man's or a group's interests in the short run and those in the long run.

Man's atavistic propensity to beat into submission all other people manifests itself clearly in the popularity enjoyed by the socialist scheme. Socialism is totalitarian. The autocrat or the board of autocrats alone is called upon to act. All other men will be deprived of any discretion to choose and to aim at the ends chosen; opponents will be liquidated. In approving of this plan, every socialist tacitly implies that the dictators, those entrusted with production management and all government functions, will precisely comply with his own ideas about what is desirable and what undesirable. In deifying the state – if he is an orthodox Marxian, he calls it society – and in assigning to it unlimited power, he deifies himself and aims at the violent suppression of all those with whom he disagrees. The socialist does not see any problem in the conduct of political affairs because he cares only for his own satisfaction and does not take into account the possibility that a socialist government would proceed in a way he does not like.

Lost in Details

The "political scientists" are free from the illusions and self-deception that mar the judgment of anarchists and socialists. But busy with the study of the immense historical material, they become preoccupied with detail, with the numberless instances of petty jealousy, envy, personal ambition, and covetousness displayed by the actors on the political scene. They ascribe the failure of all political systems heretofore tried to the moral and intellectual weakness of man. As they see it, these systems failed because their satisfactory functioning would have required men of moral and intellectual qualities only exceptionally present in reality. Starting from this doctrine, they tried to draft plans for a political order that could function automatically, as it were, and would not be embroiled by the ineptitude and vices of men. The ideal constitution ought to safeguard a blemishless conduct of public affairs in spite of the rulers' and the people's corruption

and inefficiency. Those searching for such a legal system did not indulge in the illusions of the utopian authors who assumed that all men or at least a minority of superior men are blameless and efficient. They gloried in their realistic approach to the problem. But they never raised the question how men tainted by all the shortcomings inherent in the human character could be induced to submit voluntarily to an order that would prevent them from giving vent to their whims and fancies.

However, the main deficiency of this allegedly realistic approach to the problem is not this alone. It is to be seen in the illusion that government, an institution whose essential function is the employment of violence, could be operated according to the principles of morality that condemn peremptorily the recourse to violence. Government is beating into submission, imprisoning, and killing. People may be prone to forget it because the law-abiding citizen meekly submits to the orders of the authorities so as to avoid punishment. But the jurists are more realistic and call a law to which no sanction is attached an imperfect law. The authority of man-made law is entirely due to the weapons of the constables who enforce obedience to its provisions. Nothing of what is to be said about the necessity of governmental action and the benefits derived from it can remove or mitigate the suffering of those who are languishing in prisons. No reform can render perfectly satisfactory the operation of an institution the essential activity of which consists in inflicting pain.

Responsibility for the failure to discover a perfect system of government does not rest with the alleged backwardness of what is called political science. If men were perfect, there would not be any need for government. With imperfect men no system of government could function satisfactorily.

The eminence of man consists in his power to choose ends and to resort to means for the attainment of the ends chosen; the activities of government aim at restricting this discretion of the individuals. Every man aims at avoiding what causes him pain; the activities of government ultimately consist in the infliction of pain. All great achievements of mankind were the product of a spontaneous effort on the part of individuals; government substitutes coercion for voluntary action. It is true, government is indispensable because men are not faultless. But designed to cope with some aspects of human imperfection, it can never be perfect.

The Essential Paul Elmer More

ALONG toward the end of the Nineteen Twenties, the philosophy of humanism – it was called the New Humanism then, just to make it fashionable – had a short-lived revival in literary New York. The New Humanism set its face against most of the prevailing 'isms of the day, against humanitarianism, socialism, liberalism, anarchism, progressivism or whatever. Naturally its enemies vastly outnumbered its friends, but for a brief period the New Humanism had its magazine outlets (Seward Collins's *Bookman* and, to a limited extent, Lincoln Kirstein's *Hound and Horn*). For one excited year Irving Babbitt, the Harvard don who had made an arch-devil out of Rousseau, and Paul Elmer More, a legendary figure who had been literary editor of *The Nation* before World War I (what a different *Nation* it had been then!), were the subject of thousands of arguments in Greenwich Village. Babbitt and More were the Old and New Testaments of the New Humanist movement, and as we searched the texts (Babbitt's *Rousseau and Romanticism* and More's *Shelburne Essays*) we found horrifying things. One of our group, C. Hartley Grattan, got up a book, *The Critique of Humanism,* to which we all contributed scornful papers. My own was a defense of the modern novel against New Humanist critics.

We hated Paul Elmer More with a special passion for his defense of property. Had he not said that, "looking at the larger good of society, we may say that the dollar is more than the man, and that *the rights of property are more important than the right to life*"? (The italics were More's.) More had written the infuriating words in 1915 in response to Socialist Morris Hilquit's attack on the

Rockefellers for their alleged hiring of "criminals and thugs to shoot the strikers" in the coal fields of Colorado. Remembering the recent executions of Sacco and Vanzetti, whom we considered victims of the propertied classes of Massachusetts, we could only conclude that Paul Elmer More was a cold-blooded enemy of humanity who deserved all that he got in our now-forgotten *Critique of Humanism.*

New Wars to Wage in 1929

The quarrel over the New Humanism was at the height when the stock market crashed in 1929. But as the depression snowballed, with the bread lines lengthening, literary New York soon turned to more immediate concerns. Babbitt and More were forgotten; the newer quarrels were over Howard Scott's Technocracy, Rexford Tugwell's Brain Trusters and the Stalin-Trotsky split in the Soviet Union. The intellectuals of the Thirties went off in several sociological directions, some of them to work for writers' projects on the WPA, and the big tempest over the New Humanism blew no more. Since then the works of Paul Elmer More have gone out of print, and only an occasional Russell Kirk has seen fit to talk about More as though he were a living author.

The republication of a selection from More's writings in *The Essential Paul Elmer More,* edited with an introduction and notes by Byron C. Lambert (Arlington House, $12.95), is an eye opener after all these years. Rereading that once-hated essay by More in defense of property, I am struck by its subtlety. What seemed, in 1929, to be a crass defense of rich men was actually nothing of the kind. More was championing the rights of property not particularly because he cared for the Rockefellers, but because he believed that the right to life could not be secure if property were not itself secure. More had written his essay before Lenin had taken over in Russia and rendered life precarious for generations to come. With tremendous foresight More questioned that "community of ownership" would "eliminate the greed and injustice of civilized life." He had nothing to go on here beyond his observation that socialists were "notoriously quarrelsome" among themselves, yet he turned out to be eminently correct. Looking back over the long past, More found "a convincing uniformity in the way in which wealth and civilization have always gone together, and in the fact that that wealth has accumulated only when private property was secure."

In the Worker's Interest

It was in the interests of the working men that More defended the property relations of the capitalist order. He had noticed, he said, that nearly all that makes life more significant to men than it is to beasts is associated with possessions. This is true "with property, all the way from the food we share with the beasts, to the most refined products of the human imagination." More was not sentimental about the workers, but he argued that those who were careless about ownership would not see to it that "labour shall receive the recompense it has bargained for" and that "the labourer, as every other man, shall be secure in the possession of what he has received." As for the old canard that the desire for property encourages "materialism," More said that the sure way to foster the spirit of materialism is to unsettle the material basis of social life. "The mind," he argued, "will be free to enlarge itself in immaterial interests only when that material basis is secure, and without a certain degree of such security a man must be anxious over material things and preponderantly concerned with them."

All this, in 1972, sounds most reasonable. What More was saying as far back as 1915 is that the property right is a human right, and that a man without possessions is inevitably at the mercy of others, and especially at the mercy of the political bureaucrats who run the State. In 1929 most of us were too stupid to see the validity of More's reasoning.

Training for Civilization

In a foreword to Professor Lambert's selections of "The Essential Paul Elmer More," Russell Kirk writes that "if some of us are to fight our way to shore, we need More's chart." The chart is here, for the Lambert selections give us More in all his catholicity. He was immensely learned in Greek, Latin, Sanskrit and several modern languages, yet he hated the pedantry that would shun ideas in order to concentrate on such things as linguistics and archaeology. He thought Greek and Latin supplied a good discipline, but an equally important reason for studying the classics was to learn something about the rise and fall of civilizations. It was "a virile scholarship of ideas" that he was after.

More wrote long before we had a "counter-culture," or before the modern theory of "relevance" had been elaborated. But his essay on "Natural Aristocracy" could stand for a good commentary on the cultural and educational trends of the Nineteen Sixties. Concentra-

tion on currently topical studies, he said, "results in isolating the student from the great inheritance of the past; the frequent habit of dragging him through the slums of sociology, instead of making him at home in the society of the noble dead, debauches his mind with a flabby, or inflames it with a fanatic, humanitarianism. He comes out of college . . . a *nouveau intellectual,* bearing the same relation to the man of genuine education as the *nouveau riche* to the man of inherited manners."

More, of course, had not heard about "relevance." But he knew all about cant, and he had the answer to the Sixties way back in 1915.

ENTERPRISE DENIED: Origins of the Decline of American Railroads, 1897-1917 by Albro Martin (New York: Columbia University Press, 1971, $10.95, 402 pp.)
Reviewed by Joseph M. Canfield

AMERICA grew at a phenomenal rate during the first decade of the twentieth century, and the railroads tried to expand to meet the challenge. This era produced Pennsylvania Station and Grand Central Terminal in New York and Union Station in Washington, conspicuous evidence of the desire of the railroads for expansion. Railroad buffs can show, from their own photo collections, or from the pages of a plethora of published railroad histories, dramatic evidence of the increase in size and power of locomotives in this period. But rolling stock is easy to acquire, even when capital for fixed way and structures is difficult to obtain. President Elliott of the Northern Pacific Railway observed, in 1907, that the roads were "attempting to force a three inch stream through a one inch nozzle." The congestion of the railroads was a harbinger of things to come.

The warning sounded by Elliott and other railroad leaders wasn't heeded. Martin declares, and demonstrates his point statistically, that the capital needed for expansion of the railroad plant was far, far short of what was needed to cope with expanding traffic. His table shows that the growth capital available in certain years, before World War I, came to as little as a fourth of the amount actually required to handle the traffic being thrust upon the railroads.

In those "Golden Years" the price index rose rapidly. Everything that the railroads bought cost more. Labor demanded – and received – substantial wage increases. But under the regulatory philosophy prevailing, the railroads were not permitted to raise rates at all.

Railroad regulation was based on a philosophy, called by Martin "Archaic Progressivism." It had several assumptions, all now proved to be substantially invalid. One was that the railroads were overcapitalized. This supposedly made the shippers pay excessive rates in order to give the security holders undeserved earnings. The fallacy was ultimately exploded, as a result of the ICC ordered valuation of the railroads, but it is still believed in many sectors of the community and still taught in many schools.

Another fallacy was the concept of a "reasonable rate." A freight rate is a price for moving goods, nothing more. Hopefully, it would permit satisfactory recompense to the carrier, covering the cost of service and a return on investment. At the same time it must be at a level that will permit goods to move. Somehow, the Progressives in Congress – and elsewhere – believed in a concept of "reasonableness" substantially independent of market factors inherent in the setting of any other price. This undefined and undefinable concept buttressed the determination of leaders in the "Progressive Era" to deny the railroads increases in rates.

Three times in the Roosevelt-Taft-Wilson period, the railroads went to the Interstate Commerce Commission for general across-the-board increases in freight rates. The chapters in which Martin describes these exercises in futility are entitled, "The First Denial," "The Second Denial," "The Third Denial." The philosophy of the times, the prevailing political climate, the laws creating the Commission and directing its activities doubtless left any other kind of decision outside the realm of probability; the parties involved really didn't know how the economy worked. They appeared quite unaware of how tinkering at one point in the economic system could produce unwanted results in other areas. Even the railroad officers, expert railroaders, were quite unaware of the ideas prevailing outside their own group – and how to contend with them.

"Defeat of the young by the old and silly." This quotation from one of Vachel Lindsay's poems appears at the head of the chapter "Third Denial." The quotation is appropriate in view of the succeeding generations which have had to contend with inadequate transportation. The men who "starred" in that era in placing the regulatory shackles on the railroads may well be described as "old" and/or "silly." Typically they were men whose thinking on railroads had congealed in the conditions of the 1870's, with rem-

edies based on interpretations which probably weren't valid even then. They were men of advancing years who clung to ideas which had lost contact with the real world they were supposed to be legislating for.

Robert M. LaFollette fought valiantly as late as 1917 to prevent any rate increase. An increase didn't fit in with his ideas of Commission regulation. LaFollette's reputation was based on his earlier career in Wisconsin where his Wisconsin Railroad Commission was considered a model of the genre. Elsewhere it has been shown that this Commission came close to depriving Milwaukee of both power and transportation a few years later.

Theodore Roosevelt's blocking of E. H. Harriman's control and revitalization of the Alton Railroad served only to provide first-rate publicity for an exceptional case of looting a railroad. And it kept the Alton from its full potential in the railroad system until after World War II.

William Howard Taft succeeded in alienating every shade of opinion on the railroad question. But he proudly took credit for the Parcel Post Law. This forced the railroads to haul packages as mail at much lower rates than they had received for similar packages when handled as express – not very helpful when earnings were already jeopardized and the roads thirsting for capital.

Louis D. Brandeis, while supposedly protecting the "public," played major roles in all three "Denials." In fact, he made the hearings pretty much his show. He cleverly trapped railroad officials and twisted the effect of their testimony, while refutations didn't get the publicity his presentation received. He was on the Supreme Court when the Adamson Act (8-hour railroad day) came before that body. He served neither the railroads nor the public.

The 8-hour day crisis as it built up under Wilson demonstrates the silliness of the time, the age, the movement. Martin describes a dramatic scene at the White House where Wilson had summoned thirty railroad presidents:

> If the railroads would cooperate he was willing to do all he could to get the ICC to grant rate relief, provided that the eight-hour commission recommended it. Pointing his finger at the railroad presidents, he declared, "If a strike comes, the public will know where the responsibility rests. It will not be upon me."

The crisis had been forced upon the railroads by denying them normal economic freedom. Placing the entire onus for a strike on the railroad presidents was not in ac-

cord with the moral principles of our American tradition. It was reprehensible to order the railroads to increase their costs (by shortening the working day) without permitting commensurate rate increases by grant of the Interstate Commerce Commission. If Wilson could order the railroad men, he could instruct the Commission. He didn't choose to give equal treatment.

In the winter following Wilson's "salon," the nation paid dearly for the maltreatment of its railroads. The incredible congestion at the ports, the car shortages, the shortages of necessities, the skyrocketing prices, the approach to civil rights were among the end results of following policies which did not allow the railroads to operate in a free market.

▶ THE GROWTH OF ECONOMIC THOUGHT by Henry W. Spiegel (Englewood Cliffs, New Jersey: Prentice-Hall, 1971), 816 pp., $12.95.

▶ THE EVOLUTION OF ECONOMIC THOUGHT by W. E. Kuhn (2nd ed.; Cincinnati: Southwestern, 1970), 500 pp., $10.20.

Reviewed by Gary North

THERE ARE a lot of textbooks tracing the development of economic thought. Too many of them, in fact. Sometimes one of these can become a true classic, such as Joseph Schumpeter's *History of Economic Analysis,* but most of them gather dust on the shelves, for good reason. They are essentially reference books and tortures inflicted on undergraduate students.

The two books under review are, from the point of view of the free market position, quite serviceable. Spiegel's is more clearly a reference book, going from school of thought to school of thought, scholar by scholar. His is a summary, a descriptive work, with very little critical analysis. But he gives a fair presentation of the advent of marginalism and the contributions of the Austrian School. The book contains a superb annotated bibliography, 130 pages long. It is a kind of miniature encyclopedia, and for quick reference for refresher purposes, Spiegel's is an ideal guide.

Kuhn's book is more technical and analytical. In contrast to Spiegel's brief sketches of the contributions of many economists, Kuhn has focused on key members of various schools of thought, thus enabling him to present more complete descriptions of their contributions. The first half of the book is arranged in terms of the various economic schools: "From Menger to Bohm-Bawerk," "From

Marshall to Wicksell," "Keynes," and so forth. The second half is devoted to important areas of inquiry, such as "Monetary and Banking Theory," "International Trade Theory," and "Business Cycle Theory." At the end of each chapter he adds a helpful biographical section, although the sketches are brief.

By avoiding the pitfalls associated with any single form of organization, whether purely chronological, topical, or biographical, Kuhn has produced a textbook that deals adequately with both history and issues, people and ideas. The careful student can come away from the book with a better chance of remembering some of the data jammed into the chapters.

So long as the reader understands the limitations on textbooks – that they should be used to introduce us to the key primary sources and to refresh our memories once we have read the basic original materials – an investment in either or both books could pay off. Next time, you can look up that seemingly obscure footnote and find out why the author bothered to make reference to some long-dead economist. It will help us to understand why Keynes said that the intellectuals and politicians of any era are quite likely to be mouthing the phrases of some "academic scribbler of a few years back."

▶ AN ECONOMIST'S PROTEST by Milton Friedman (22 Appleton Pl., Glen Ridge, N. J.: Thomas Horton & Co., 1972), 219 pp., $2.95.

This paperback collection of Prof. Friedman's *Newsweek* columns is a handy reference guide for those who want a simplified, quick introduction to the author's controversial opinions. Sections on "Nixon Economics," "Monetary Policy," "A Volunteer Army," "Social Security and Welfare," "Government and the Interests," and "Government and Education" present numerous articles that have been plaguing "liberals" over the past six years. For example, the section on "Monopoly" contains three essays, two of which assail the Post Office, and the third one criticizes governmental regulation and state ownership in general.