

Guaranteeing Your Income

F. A. Harper

What Would You Call Mr. Hoiles?

Thaddeus Ashby

Why Teach Freedom?

An Editorial

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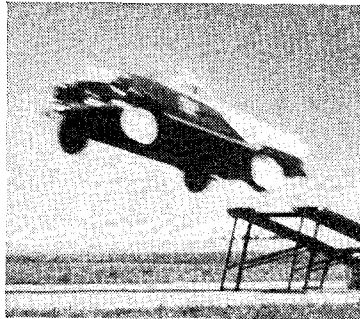
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Making an Article

The writing of an expository piece—like “Guaranteeing Your Income”—is a construction job, not unlike the building of a house. It starts with an idea. Whether or not the house or the article will meet with acceptance depends on the pertinence of the idea. In the case of the house, the need for it is the first consideration: will it satisfy the chosen tenant? As for the article, the writer is primarily concerned with readers: will they be interested?

The idea for many an article germinates in the newspapers. What people are doing is an indication of what people are thinking about, and the article will get attention if it promises to add something to that line of thought. Prominent in the headlines this last year has been something called the Guaranteed Annual Wage. To an economist like Dr. Harper, there seemed to be something ominous in GAW; the little that appeared in the newspapers, in the way of detail, suggested that the plan would impinge on the nation's economy.

But what is the plan? For several months Dr. Harper made inquiries, and all he could learn indicated that there is no specific plan, only generalities. The labor press was most evasive; about all one could get from it was that the details of the GAW would be worked out in labor-management conferences.

That was meager material for an article. But the expository writer depends not so much on the known facts as he does on the fitting of these facts into a pattern of thought, or philosophy; he has to find the bricks and mortar of his article in his stored-up learning and understanding.

Having assured himself that the theme is timely and important, the task before the writer is the arduous one of selecting words, sentences and paragraphs, and putting them in an order that will both entice and entertain the reader. Nobody likes to “push” himself through a piece of reading matter.

To my knowledge, “Guaranteeing Your Income” was rewritten twice, and I have no doubt that the final draft underwent additional scrubbing. But the labor paid off.

EDWARD MAHER has been an advertising agency copy chief and editor of *Liberty*.

LEONARD E. READ, JR. is with the California Cotton Oil Corporation. This, his first attempt at article writing, shows promise.

HARLEY L. LUTZ, Professor Emeritus of Public Finance at Princeton University, is now Tax Consultant for the NAM.

MALLORY CROSS JOHNSON ran across this piece of Lincolniana while doing research work for the FREEMAN and built an article around it.

The FREEMAN is devoted to the promulgation of the libertarian philosophy: the free market place, limited government and the dignity of the individual.

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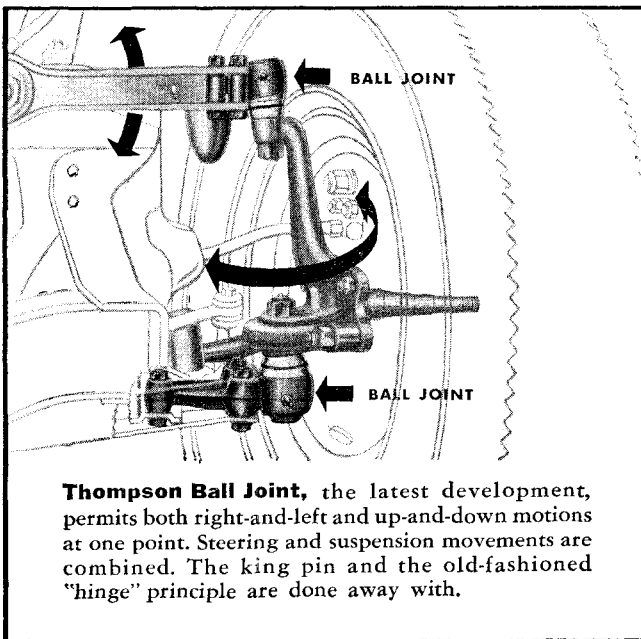
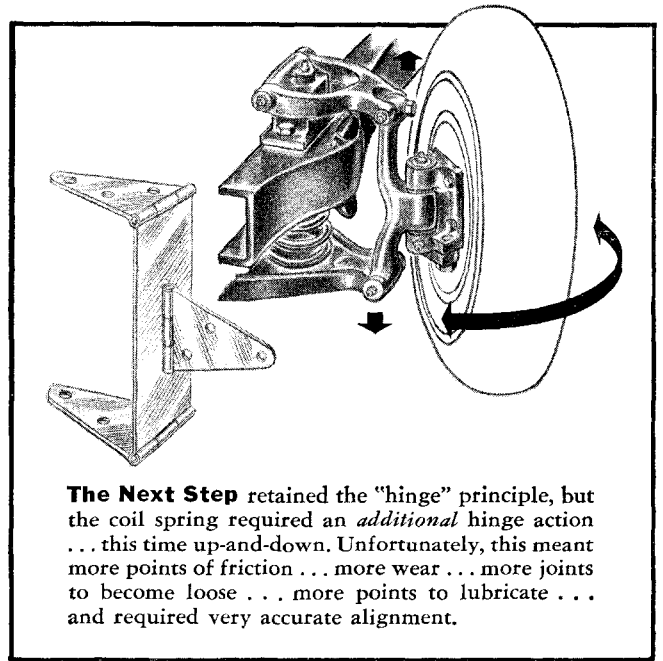
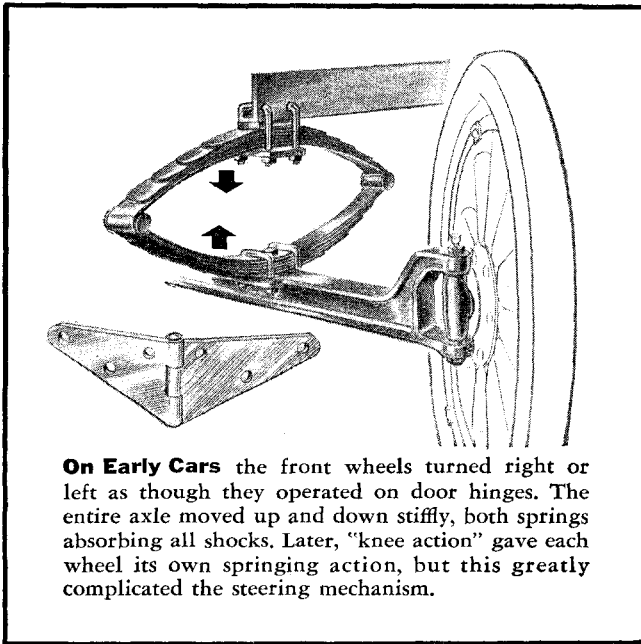
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Readers Also write

Readers Also Read

In your January issue, you ran a short note about my recent article in the *Harvard Business Review*. The article dealt with racketeering in union health and welfare funds, and your note said that anyone wanting single copies could get one by writing to me. As of this date, we have had 463 requests for single copies. A few requests for quantity were referred to the *Review*, which sold them.

The 463 requests to me came from every state in the union except Oregon. Sixteen academic institutions were represented, also 17 high schools. The remainder were business people. I just thought you would like to know how widespread your readership is.

Chicago, Ill.

A. A. IMBERMAN

The UN Issue

I wish to extend my belated congratulations on your March issue. In attending to my studies in the field of Political Science at Stanford University, I find deliberately neglected that thought to which your magazine gives honest expression. One professor, when questioned about this particular issue on One Worldism and the United Nations, declared it to be of little benefit to the student interested in the subject. And he went on with the typical argument that isolationism was dead and that the articles presented were written by authors who were unrealistic and living in the past. His retort is a fair example of the intellectual climate on this campus. I have yet to find here the new trend toward conservatism which Raymond Moley recently stated is springing up on the college campuses.

May I again extend my congratulations and also express my great respect for your courage and your decisiveness in the midst of literature guided by the confusion of thought which has been accumulating and taking new forms throughout so many, many years.

Stanford, Cal. PATRICIA GALLAGHER

... a great and timely exposure of that death trap, the United Nations. If every American, or even one tenth of the population could read it, it would kill that treasonable fraud...

I am sending herewith for thirty copies of the March issue.

Portland, Oregon

C. R. WEEDE

And April, Too

After giving us such a splendid issue on the UN, I was bit fearful you would have a little let-down with your April issue. But you did no such thing. Practically every article in the issue is par or above.

The only sadness to me is that far too few Americans see and read the FREEMAN.

GEORGE W. MACAULEY

Grand Rapids, Mich.

Re-public Money

The tax-exempt status of Foundations is based, I believe, on the grounds that the usage of the Foundations' income is to be limited to educational, health and kindred "humanitarian" matters. [See editorial "Public Money Is Private Property," April.]

When, however, there is proof that such expenditure of money is diverted to areas of propaganda, political or "social," the Foundations are not entitled to claim tax-exemption, and such income should be construed as "public money." So reasons the Report of the Reece Committee.

Your attempt to draw an analogy with church-exemptions is ludicrous, for such exemptions are due to the churches, as churches *per se*; Foundations are legally limited to non-propaganda fields.

The government, which is the people, has a right to claim monies unjustly kept on a false tax-deduction which, when applied to Foundations, is a colossal figure.

Scarsdale, N. Y.

I. H. SCHAUMBER

Hear, Hearing!

The article "No Heroes, No Villains," (April) should get a hearing in the high schools and colleges of our country. The students of today should be given a correct picture of our sick literary world... Mr. F. R. Buckley's article is a superb diagnosis of the sickness.

Boynton Beach, Fla.

PEGGY WINK

That article you ran in April, "No Heroes, No Villains," makes a lot of sense to anybody who hasn't read either of the two plays or the novel discussed. Anybody who has read these works will know that the writer talks through his balmy hat and doesn't know his literature from a hole in the ground.

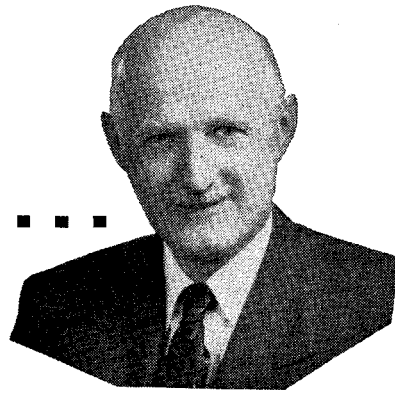
You ask some of your intellectual contributors. Ask John Chamberlain or E. Merrill Root or Max Eastman, for example. They'll tell you what a cock-eyed article you ran.

HOWARD E. SELTZER

New York, N. Y.

It seems to me . . .

by Philip M. McKenna
President, Kennametal Inc., Latrobe, Pa.



BACK in the year 1933, our Government, deliberately and without sound reasons, took us off the Gold Standard. The price of gold was increased. The stage was set for inflation. Today, our dollar will buy only about half what the 1939 dollar would. Every year for 13 years, between 1939 and 1952, our dollar lost 5 percent of what was left of its buying power. For two years—1953 and 1954—the drop in value leveled off; but this year the down trend has started again.

If this continues another decade, we may see the day when our dollar will not buy a loaf of bread. Our savings accounts will be practically wiped out, our insurance almost worthless, and our pension plans so low in value that we will not dare retire.

It seems to me that it is time to go forward with the Gold Coin Standard . . . the only tested and proved, sound tool of measurement. It permits us to measure reliably not only all our day-to-day activities, but our plans for the future. With a Gold Coin Standard as the base for all our activities, we know at any time how much our labor will be able to buy, and how much our insurance, savings accounts and bonds are worth. We can make plans soundly and safely for our future and that of our children. And the Gold Coin Standard permits us to make promises for future deliveries, as well as to measure promises made by others. That includes the promises and actions of our Government as it does individuals and corporations.

In other words, the Gold Coin Standard is a vital tool of measurement.

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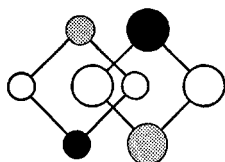
If we are to make real progress in this country of ours, and be able to measure that progress in terms of the past, the present and the future, we must have a standard of measure. The best such standard that man has tried is the Gold Coin Standard.

I want to talk with you again on this vitally basic subject. In the meantime, give these thoughts your deepest consideration. Talk them over with your friends and neighbors . . . in fact, anyone who will listen. And do not exclude from your conversations public officials and candidates for public office who certainly should know what their neighbors think and what they expect of persons holding or aspiring to public office. KENNAMETAL INC., Latrobe, Penna.

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THE *Freeman*

MAY 1955

Why Teach Freedom?

A STUDENT writes: "I have read the pamphlets you sent me, also most of the books you recommended. I am more convinced than ever that the planned economy is a dangerous delusion and that man's greatest good can be achieved only through freedom. But I am troubled by the reaction of my professor when I try to talk to him along these lines. He is an honest thinker: I am sure of that. Also, I am sure that he has read more about the free economy than I have. Why is it that he rejects the premises I present to him and refuses to accept the facts? Can you explain this to me?"

I can't, not unless I call upon an hypothesis that is hardly provable. For many years I have struggled with the problem the student has put to me: why are some people libertarians, why are others of equal learning and background Socialists? It isn't a matter of education. Once I attended the closing session of a course given by the noted laissez-faire economist, Ludwig von Mises, and listened to the reactions of his students. It was a gab-fest. Some gave distinct evidence of rejecting all they had learned from him in fifteen previous lectures, even what they had presumably read in his book. Others were enthusiastic exponents of his thesis. Why?

The bureaucratic Socialist, of course, must be excluded from this speculation. In his case, socialism is a job, not necessarily a conviction. I knew a thoroughgoing libertarian who entered the bureaucratic service out of economic necessity; within six months he sang the collectivist tune.

In the same class with the bureaucrat is the professor whose job depends on his going along with the head of the department, or whose income is in part derived as a "consultant" on government projects. I have known one or two such who, in private conversation, had some strong reservations on the collectivism they taught in class. These, like the bureaucrats, are "boughten" Socialists; their cases can be easily explained.

But how do you account for the socialistic attitude of those whose economic status ought to incline them to the opposite point of view? I know a very successful stockbroker who makes out a

strong case for government manipulation of the economy; to him it is dogma, even though his comfortable living is derived from the free market place. The story of a book is a case in point. In *God and Man at Yale*, William F. Buckley, Jr. pointed out that the textbooks used in the freshman course in economics decried the free economy and extolled planning; the alumni bought his book, but also increased their contributions to Yale. I have found audiences heavily sprinkled with "upper-bracket" men quite cool to the proposition that the income-tax amendment ought to be repealed on the ground that it violates the right of property, while audiences consisting mainly of wage earners and small businessmen ask to be organized for action. Not that all rich men are Socialists, nor all poor men are libertarians, but that you cannot account for their attitudes along economic lines.

Neither education, background nor income can explain either the Socialist or the libertarian. Whenever you try any of these criteria you are faced with cases that refute your premise; you find that both types come from penthouses and slums, that they include Ph.D.'s and illiterates. You are driven to the conclusion that if there is a causative principle it must be found somewhere in the make-up of the person rather than in environmental influences. Psychology does not help, for it too seeks explanations for mental attitudes in conditioning and shies away from the realm of inherent traits or temperament. So, the best you can do is to describe the Socialist—or the libertarian—as you have known him, and to leave the "why" of him alone; it is beyond understanding.

The characteristic that invariably identifies Socialists is an urgency to improve other people. It is a passion that blinds them to the fact of immutable individuality and leads to faith in the therapy of force. It is utterly irrational; so much so that they find it necessary to cover up the impulse with an inordinate display of logic. When you examine their arguments you find them based on axioms which support their inherent drive. In short, they are so constituted that they cannot let other people alone.

Perhaps it is an inner need that impels the Socialist to his ideology, for I have never met an advocate of government intervention who did not admit, inadvertently, his own capacity for commissariat functions. He always has a plan, to which others must submit, and his certainty that the plan will produce the contemplated results does not permit him to brook criticism. Always he is the fanatic. If you disagree with him it is not because you are in error, it is because you are sinful. You are not an ignoramus; you are a "class-conscious capitalist," or a "reactionary," or at least an "anti-social." Why is it that name-calling is stock argument with all Socialists?

That this inclination toward social improvement through force is an innate, not an acquired, characteristic is proven by the attitude of many ex-Socialists. I know a writer of repute who, though he has rid himself intellectually of all Marxism, of which he once was an articulate advocate, still insists that large fortunes ought to be regulated. Compulsion is in his innards. Former Communists find it difficult to accept fully the faith of the libertarian in social improvement through individual improvement; some kind of political regulation might work, though political regulation need not lead to the Moscow excesses. It is not true that "once a Socialist always a Socialist"; but intellectual conversion does not automatically rule out the possibility of an atavism.

If, then, the socialistic attitude—and, by implication, that of the libertarian—stems from an ingredient of personality, why put so much stress on education? The libertarian is particularly concerned over the spread of socialistic doctrine in the schools and in the public press, and is most anxious to bring his own philosophy into opposition. On the face of it, this concern seems unwarranted, for an innate tendency toward freedom will not be changed by words into an acceptance of slavery.

Basically, this is true. But a character trait, like a seed, germinates best under proper cultivation, and the inclination toward freedom is strengthened by intellectual conviction; as in the case of the student who wrote me. There are many who, like this young man, are instinctively repelled by government intervention but who crave intellectual support for their inclination. It is to them that the proponent of libertarianism must address himself; the Socialist is beyond redemption. That is to say, the libertarian teaches not to "make" libertarians, but to find them.

Likewise, the socialist teacher does not make converts; he merely confirms the socialistic inclination of his willing students. And there the intellectual battle between the two schools of thought might rest.

But socialism is not an intellectual pursuit, it is primarily a drive for political power; and if its proponents succeed in enthroning themselves, the

case for libertarian thought will be most difficult. Hence, the reason for seeking out the natural libertarians through education is to prevent, by constant and intelligent reiteration of its tenets, the suppression of the philosophy of freedom and the driving of its advocates underground.

The Morals of Yalta

IF YOU were a professional politician, you would describe the recently revealed doings at Yalta as "necessary under the conditions," "consistent with the realities," "justified under the circumstances." That is, if you were of one persuasion. If you were of the other persuasion, you would label the action taken at Yalta as "unwarranted," "indefensible," "diplomatic defeat."

Since you are not a professional politician, but just a work-a-day citizen, the words that come to your mind when you read what Stalin, Churchill and Roosevelt agreed upon sound like "perfidy," "inhuman," "sell-out," "rotten."

That is, you use a moral yardstick for your judgment, while the politician thinks in terms of expediency or political necessity. To you, Yalta was "good" or "bad." To him, the effect of the revelations on his party's fortunes is the determining factor.

This does not mean that the politician, as a person, is less moral than you are; he too would not rob a widow, murder his best friend or cheat at cards. But in his particular business he cannot use evaluations based on abstract principle; he cannot afford the luxury of ethics. Only that is "good" which is politically propitious.

The importance of amorality in politics, especially international politics, is demonstrated by the record of Yalta.

Mr. Stalin got everything he wanted because he was singularly free of inhibitions and prohibitions. He was the consummate politician. He knew of no rules that debarred hitting below the belt, if that kind of fighting suited his purpose, and nothing in the way of ideals or tradition or popular opinion affected his maneuvers. The Anglo-Saxons, on the other hand, could not play the game straight because they were burdened with "democratic" restraints or with ideas that had nothing to do with the business at hand.

Mr. Churchill was in no position to haggle or even to bring up the original excuse for England's entry into the war, "to save Poland." The empire over which he presided, as he well knew, was tottering, and he was under pressure to save it from complete collapse; this was far more important than the fate of displaced persons. Besides, concern for his vote-begotten crown made it necessary to present his war-weary electorate with a speedy "victory." He paid the price the dictator demanded.

Mr. Roosevelt was even more handicapped. Tugging at his elbow was a powerful "unconditional surrender" bloc, to whom the urge to put the Morgenthau Plan in operation was far more important than the freedom of the Baltic peoples. Allied with this bloc was another that saw in the ascendancy of the Soviets the fulfillment of all their dreams; they bothered him no end. More troublesome still was his own "moral" obsession—the establishment of an international insurance company, with the U.S.S.R. on the board of directors, that would guarantee world peace forever. It was this obsession that seems to have been the taproot of all the immoralities of Yalta.

The consummate politician won; the play-actors lost. This result had to be. In international politics the winner is always the one who, putting aside all make-believe, such as principles, ideals, abstractions, plays according to the rule of immediate expediency and let the devil take the hindmost. Power is always the ace in the hole, Woodrow Wilson's "fourteen points" notwithstanding.

The politician knows this only too well. It is we who insist on reading moral values into politics, who make of the game something that it is not and cannot be. We are the "kibitzers" who like to interfere in the amoral game; for that reason we must not know what's going on, then or until our interference can no longer be effective. To appease us mortals (Stalin was fortunately not in that position), the politician will make a display of moral purposes in the preambles to his acts, or in his public pronouncements; but he will turn out to be a poor politician if he takes these purposes into the game.

And when the records of the multitudinous international pourparlers that have been held since 1945 are made public, we run-of-the-mill people will find much in them that will strike us as just as perfidious, just as rotten, as were the doings at Yalta. So it always was; so it will always be.

"Play Ball"

THE COUNTRY is still sound; baseball is still a national passion. This observation is not intended to be facetious. Quite the contrary; for it should be evident that so long as Americans respond with spirit to the highly competitive, intensely individualistic sport of the diamond, socialism will have hard going. The adulation of a Willie Mays, the exhortation to "take the bum out," the keen interest in batting averages and the arguments over the relative skills of Duke Snider and Tris Speaker give proof that at heart we are not egalitarians: we adore the champ, we relegate the bush leaguer to the bushes. More than that, we register our unabashed preference for the "best" at the impartial turnstiles; there the freedom of

choice, which is anathema to socialism, is brutally expressed. Fans are free men.

There may come a time when some congressman from Brooklyn, annoyed by the ineptitude of the Dodgers, will put through a parity bill. When that happens, when baseball is put under the aegis of the Department of Welfare, and the Secretary (a lady, by precedent) rules that the Yankees must not be better than the Orioles, or that Antonelli and the bat boy must receive the same salaries, then we shall know that national decadence has finally set in. In that case, the game will not be baseball; it will be *beisbol*.

The importance of this idiom of American individualism is underlined by the efforts of our Socialists to eradicate it. The Life Adjustment Educationists (née "progressives") are all for abolishing baseball and other competitive sports, and substituting such goosestepped activities as class calisthenics and group dancing. The purpose, of course, is to squelch the urge for individual excellence and to prepare the youth of the country for the acceptance of collectivistic ideas. It is in line with the abolition of report cards that record the achievement of the individual student, and with the egalitarian practice of advancing the pupil with his age group, regardless of his intellectual deficiencies.

But, so long as there is a vacant lot in the vicinity, and baseball is kept free of the slimy hand of politics, these efforts will be unavailing. For the American boys will repair to it as soon as the bell rings the end of the tedious "self-expression" day and start picking up sides. And Bill will be picked to do the pitching because he has shown that he can throw the ball harder than any other boy in the neighborhood. Butch, the second best, will be relegated to the bench. When the teams are chosen there will be some who have not made the grade. There will be heartaches, of course; but life is beset with such misfortunes, and it is time the future man learns to face them. He will pick up his glove and start on another lot to work his way up to the "first" team. That's how top-notchers are made.

To be sure, it's the team that wins the games, not the individual members. And no one recognizes this more than the thoroughgoing individualist. He knows that the team consists of nine players, but he also knows that the team is not better than they are, individually. It is to advance the fortunes of the group that he strives to make himself the best shortstop in the league. It is as a competitor, not as an egalitarian, that he adds to the glory of his outfit. The best team player is the fiercest individualist.

And we who must enjoy the game vicariously give evidence of our innate individualism not only by cheering the feats of these perfectionists but also by paying them in accordance with performance. Baseball proves we are not Socialists.

Guaranteeing Your Income

By F. A. HARPER

A friend asked me to look into this so-called guaranteed income plan; to obtain a copy of the "model contract" and see what its provisions are.

So I wrote to a noted labor authority and to several other places. It seems that a model contract doesn't exist. At least I could not find one. The nearest I could come to it was a yellow pamphlet from the UAW-CIO entitled "Preparing A Guaranteed Employment Plan. . . . That Fits U.A.W. Members Like a Glove." The main ideas of the plan are explained therein.

"Who is to participate?" All workers in any company that signs such a contract with the union are in it. If as one of them you object, you can't stay out.

"What do I get out of it?" If you are called to work at all during any week, you are to be paid the full week's wage even if you are laid off during part of the week—even if laid off an hour after arriving on the job Monday morning. And in event of a longer shutdown, you are to continue to receive pay for as much as a 52-week layoff. But such detailed specifications are still subject to change by negotiation for each individual contract.

"What wage am I to receive while not working?" You are to receive full pay for the week when you are laid off during the week. And if the layoff continues, or you are laid off for weeks at a time, you are to receive enough to enable you to maintain "the same living standards as when fully employed," whatever that may mean. But these details are also subject to negotiation.

"Does everyone get the full pay guarantee of 52 weeks unemployment?" No. If you are a new worker, you first have to build up "seniority status." This means that you must first work two years, or some such length of time to be determined by negotiation, before you attain the full 52-week pay status. New workers have lesser claims to layoff pay—less than 52 weeks—proportionately by the length of time they have worked.

"After having drawn unemployment pay for a year on this basis, and having gone back to work, does a new 52-week claim come into existence at once?" No. It has to be rebuilt over a period of two years, or so, as with a new worker.

"Can I work at any other job during the layoff?" Yes, if the powers-that-be decide it is "suitable" work for you. They will assume control of that, in other words. But you will get guaranteed income payments only if needed to supplement your other pay and bring it up to the "living standard" figure.

"Who pays the costs?" The employer, except as

state unemployment payments are available to cover a part of the guarantee.

"Where will the money come from?" Out of his current income from his sales, except that a small reserve fund is to be set up to be used for the 52-week pay guarantee, in amounts and under specifications to be negotiated with each contract.

"Who is to administer the plan?" A Board with an equal number of representatives of the employer and the union, plus an "impartial chairman to break deadlocks." (One wonders how he could break a deadlock without being partial.)

And so it goes. Most of these specifications, as has been said, are left for determination by negotiation with each contract. And so it is futile to try to appraise the plan in terms of such things as whether payment rates are too high or not high enough, or whether reserves are adequate. Any precise specification becomes subject to specific attack, and so the UAW-CIO states that such details are flexible. Apparently, they do not want to endanger their general objective by stating details in advance. The union leaders firmly demand, however, that *some* sort of guaranteed annual income plan be instituted on the best terms obtainable in the contract.

The "Ifs" in the Picture

The plan has unquestionable appeal to an employee. Who doesn't prefer some income to none at all? That is only a human urge we all must endure, like the desire that a recently deceased uncle shall have been industrious, frugal, and charitable toward all, especially toward his poor nephew.

Last year the union had pressed a similar proposal, which was then stated in terms of "wage guarantee." Then someone apparently discovered that employees' families live the year around, and the proposal evolved into: "Wages the year round because families live the year round." Perhaps next year it will evolve further and become: "Income for life because a person lives during his entire lifetime."

Would the plan mean more income to you as an employee over the next few years than you would get without it? That is where several "ifs" enter the picture, which should be thought out carefully.

First, suppose that your job is one where next year you were to have had full-time work on the job anyhow. In that event the plan would be of no use to you; and worse than that, you would lose by it because money that your employer could

have used to pay you a higher wage would have to be used to pay the administrative costs of the plan and to build up the reserve fund required.

Now suppose that next year you are to be laid off for part of the year. Then, seemingly, you would gain from the plan because you would be receiving pay for the time laid off, whereas otherwise you would be receiving nothing. But . . .

Where does the employer get this money he is to pay you? A part of it is to come from him on a "pay-as-you-go basis," which is a profound way of saying that he is expected to reach down into his pocket for it at the moment of payment, as he does for the church on Sunday. The other part comes from a reserve fund which the employer is supposed to have built up over the years. But it hasn't been, so he must start that only after the plan is started. The reserve fund comes from his pocket, too. So it all comes out of the employer's pocket.

Sales—and Your Wages

Now how does it get into the employer's pocket in the first place? This is important because unless it is to come from a safe and continuing source you, as an employee, would be foolish to rely upon it in time of need. It comes from the sales of what is produced under his management. Unless he can keep his outgo—including wages—below income from sales, there can be no fund and no continuing payments. If wages and other costs have been taking all the traffic could bear anyhow, there is no slack to be taken up to pay the costs of any pay-as-you-go guaranteed income.

Couldn't your employer obtain this money from his day-to-day operations? Perhaps. But that means that he will have to pay you less now as wages than he otherwise could have paid, in order to be able to meet these contracted obligations for guaranteed income. This applies not only to the pay-as-you-go part, but the reserve fund as well. They reduce what he is able to pay you as a current wage, just as an increase in any other cost would do—an increase in taxes, or coal prices, or freight rates. It should be noted that all available cash of all United States manufacturing corporations would carry their payrolls only about three months. Then they would be without any working cash whatsoever with which to carry on their businesses.

So somebody's current wage rates will have to carry the burden of the costs involved. If the employee's income is to be guaranteed, somebody will have to guarantee the market to the employer. And nobody but consumers can do that, however devious and concealed may be the picture as presented to us. The money can't really come from company reserves or from the government. The government has no independent source of income; all it pays out must first be taken from consumers. And if this is forgotten, and the government is once en-

throned as a middleman, it will take a cut like any other middleman and will also then be in position to call the tune with union members who would, in effect, become government employees. Both company officials and union officials would then be acting as agents of the government.

The question then really becomes this: would you rather have your employer keep back further money with which to pay any benefits under a guaranteed income plan, or would you prefer to get it now in current wages, to be used by you in whatever way you deem safest and best in guaranteeing your own future income? Would you rather have it managed by your boss and your union under this plan—or perhaps through them by the government—or would you rather manage it for yourself?

Under the proposed plan of guaranteed income, if you don't like the way it is being operated and want to change it, you—and others of like mind—must either gain control of the union or buy out the owner. If you manage your own guaranteed income plan, however, you can change it the moment you decide how to improve its safety; and in event of need you can draw on your own private fund as lightly or as heavily as you wish, according to your prospects as you see them.

How about safety in the holding of your reserve fund? Would it be safer to keep it yourself? What will the company do with the fund? Will they keep it idle so that inflation will go on robbing it of its worth? What if the company uses the fund to overexpand and then goes broke with the first major depression—precisely at the time when you were depending on the fund to pay you some income? Or what if the company goes broke for any other reason—fund or no fund? Do you prefer to tie your future to one company in that way, or would it be safer for you to buy shares of ownership in several sound companies with your own guaranteed income fund?

When your company lays off part of its force, who gets laid off first—the better or the poorer workers? The poorer ones, of course. And presuming you are not one of these, do you want them to be paid from the reserve fund you have helped build up, so that when a more serious layoff hits, the fund will have been spent, leaving nothing to fulfill the guarantee of income—your income?

Suppose that through lower wages than could have been paid, you have helped build up a sizable reserve fund in one company and then want to change jobs. Do you suppose that either the company or the union is going to allow you to withdraw any of the fund and take it with you? Or will the plan come to operate under national union control of all the reserve funds of all employees? Do you want to give anyone power to freeze you to your job, or to control where you shall go?

Under the proposed plan, when you are laid off somebody besides yourself becomes empowered to

decide whether or not another job available to you during the layoff period is a "suitable" job. It may be suitable to you, but if it is not suitable to those in control you will be forced to remain unemployed even though you want to work at something available to you. That forces you to live on "your reserves" unnecessarily, thus weakening your protection against additional layoffs.

Or what is to prevent some unscrupulous fellow-employees from quietly getting unapproved and unknown jobs on the side during periods of layoff? They would then be getting pay from another job while at the same time drawing unemployed "guaranteed income" from the fund you helped build up. That would erode your protection.

Precisely the Wrong Plan

The whole thing boils down to the fact that the costs of any such plan of guaranteed income must, in essence and in the long run, be paid by the employees. No matter how the plan is stated, the employer cannot really pay it out of his share because his funds are insufficient to do it if he is to continue to operate a thriving business, safely financed. It cannot really be paid by the employer personally. He just deducts it from the pay check, that is all.

Who wants to work if he would be paid for not working? Under this plan it would be possible to get three years pay for two years work. And there is no way under God's heaven to produce three years product in two years time. So, since what isn't produced just isn't available, the level of living would have to suffer. No guarantee to maintain a living standard without work could supply even a loaf of bread that hasn't been produced.

Unemployment always is the result of a consumer rebellion against the price of the product. This means that it is a consumer rebellion against wage rates, really, because current pay for the nation as a whole is about five-sixths of the total cost of producing things. Careful students of these matters, like Senator Paul Douglas and Professor A. C. Pigou of Britain, have told us that unemployment can be reduced by as much as three or four per cent, merely by reducing wage rates only one per cent. That course of action, if the union officials would only adopt it with an enthusiasm equal to that for the guaranteed income plan, would assure continuous employment for most everyone. It would prevent the necessity of any mass program of guaranteed income.

So the guaranteed income plan amounts to doing precisely the wrong thing. Since it is about the same thing as a wage increase in times when the consumer is already protesting against the high price of the product, it gives further upward pressure to prices when the product is already not selling. Who is going to guarantee the market for products already overpriced and unsold?

In casting doubt on the proposed plan of guar-

anteed income, I would not, of course, prohibit any really voluntary arrangement which both employer and employees of a given company may want. Such an arrangement is just another way of getting paid, and if both parties want it that way they should be allowed to do so. It would be nothing more than like shifting part of the pay to a Christmas bonus. Firms like Nunn-Bush and Procter & Gamble have had a type of guaranteed income for a long enough time to say that some plan can be made to work successfully, if both sides really want it. What I question is only the forcing of any plan on either side by undue pressure or economic threat from the other side. And I doubt that any guaranteed income plan can be found that will be any panacea against the forces of unemployment on a national basis.

There is something incongruous when a union threatens a major work stoppage (strike) in the hope of gaining protection against work stoppages; when they are ready to spend \$25 million of their members' money in the process; when the "gain" promised is probably neither a gain nor the way to attain their laudable objective of continuous gainful employment for all who really want to work. And it is especially incongruous, if, as reported, the union has not bothered to canvass its members on the matter of whether they prefer to have their union and company officials manage their security reserves, or do it for themselves.

This incongruity, as well as many of the problems I have raised about this plan, would be dispelled if the union would merely put it to the vote of their members, as in the following proposition:

Proposed, that the UAW-CIO set up its own guaranteed income plan; that the union dues be increased by whatever amount may be necessary to pay all the costs of the unemployment wage and the costs of its administration.

This would allow the union to operate the plan as efficiently as they can. It would avoid any interference from employers who may have diverse interests from that of union members. It would eliminate the necessity of such a thing as an "impartial" member of a committee of diverse interests. It would allow the preservation of a member's rights in the fund when—still as a union member—he moves to another job in the same union. No paralyzing strike would be required to force the plan upon any employer, since it would no longer be any of the employer's business. And the \$25 million to be devoted to pressing for this plan could be put into the fund as a nest egg, rather than to dissipate it in trying to start this plan.

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WASHINGTON, D.C.

by Frank C. Hanighen

What progress has been made in this session of Congress in the direction of party realignment—that political Nirvana so ardently desired by conservatives? Little, if anything, is the answer of hitherto hopeful observers. In previous years, there were many occasions and quite a few issues which brought significant votes reflecting not only similar ideas but also some parliamentary cooperation between conservative Democrats and Republicans. One can recall united front votes on such issues as modification of the Taft-Hartley Act, the passage of the McCarran-Walter immigration bill, and various tax and appropriation measures.

But in recent months, the renowned North-South “coalition” flunked (or perhaps the word is “funkt”) on two big constitutional issues. The first was the vote on the censure of Senator McCarthy—the underlying issue of which (whatever the popular emotional accompaniments) was the right of the Congress to investigate how funds were spent by the Executive. On that, conservative Republicans, generally of the “Taft” persuasion, risked much by standing by their guns and voting against the congressional condemnation of the Wisconsin Senator. Most of these men usually counted on at least a dozen Southern Democratic conservatives to go along on such tests. In this case, not a single Democrat north or south of the Mason-Dixon line did so. The story is that the Democratic leadership considered it vital to follow this course for a purely party reason—to widen the split in the GOP. It is rumored that the Democratic leadership had to put pressure on several Southerners to persuade them to conform.

That took place in the closing days of the last session. In this, the 84th Congress, the conservative Republicans shirked the traditional role in the case of the confirmation of Judge Harlan for the Supreme Court. That Eisenhower appointee had evaded answering a question from critical Senators designed to bring out his thinking on the Bricker Amendment issue—predominance of the Constitution over treaty law.

Some Southern Senators invoked this in their statements or speeches against the Harlan confirmation. It may be that the thought of “white

supremacy” was not entirely absent from their minds. But the fact is that Senator Eastland (Miss.) in a three-hour speech emphasizing this constitutional issue offered an opportunity to conservative Republicans to rally to his banner. The voting shows that while eleven Democrats, all Southerners, voted “against,” only two Republicans (both Westerners)—Welker of Idaho and Langer of North Dakota—joined them. It was a matter of surprise to find Jenner, Dirksen and Bricker on the other side.

Where are the “wild jackasses” of yesteryear? In the twenties, during the succession of Republican Administrations, that picturesque phrase was coined to describe the unruly Republicans of the West. Offhand, veterans among political observers can recall the independence of such Senators as Norris, Howell, Brookhart, the two La Follettes (father and son), Nye, Frazier, etc. Party conformity meant much less than it does to their political successors today. Often such outbreaks of party independence were “good politics” among the constituents who resented the “Eastern, Wall Street” crowd in command of the GOP. But isn’t the same sectional sentiment still visible west of the Appalachians? Many signs point to it. Yet the representatives in Congress seem to reflect it to a much smaller degree than thirty years ago. Why? One answer is—the power of the Executive has increased enormously during intervening years, and the individuality and freedom of legislators has correspondingly been frustrated.

Major L’Enfant, the architect who laid out Washington originally and designed the Capitol, faced the Legislature’s imposing building toward the East—reportedly because he thought the city would grow in that direction. The reverse happened—the main part of the city grew up to the West. Thus, while the Capitol architecturally has its back to the White House, politically it faces West—toward the Executive Mansion and the Executive Agencies, from which all rewards flow.

It is true that patronage plums are not as numerous (by reason of Civil Service and other regulations) as formerly. But that is a bit deceptive. A Senator may seek only one plum, a judgeship for his principal backer out in his state.

That Senator, therefore, compromises his voting positions on various issues, indeed his whole legislative attitude, just to obtain that important favor from the Executive. It has happened.

Sometimes, the member of Congress himself has a personal stake in his own legislative compromising. In the press gallery, cynics early in the first months spotted Republican members whose line perceptibly shifted to harmonize with White House prejudices and jocularly referred to them as "Judge This" or "Judge That." In that hardboiled gallery, it was unnecessary to say that the support of certain members (facing election) for the Bricker Amendment or Joe McCarthy would diminish in direct ratio to the increase in Democratic strength in their constituencies; and that GOP members with uncertain chances of re-election harbored hopes for a nice Presidential appointment. Since November, a number of accommodating "lame ducks" have received rewards for submissiveness.

Not only patronage, but also the various kinds of favors which legislators—pressed by local interests in their constituencies—seek from the Spending Power buttress the sway exerted by the latter over policies on Capitol Hill. The tendency to spend in order to elect has not gone out with Harry Hopkins and Harry Truman. Washington watched with cynical amusement the Administration's orders for coal from Kentucky mines to help Senator Cooper's re-election bid.

A prominent New Deal Capitol columnist recently remarked that, despite his reputation for "leaving Congress alone," Eisenhower wields much stronger power over Congress than his predecessor. In place of "Eisenhower," he might well have said "the Palace Guard." Few observers would disagree. The subtle but dominating influence of the Executive is constantly working for legislative *Gleichschaltung*. In one case, the White House by its tentacles in the constituency got a "liberal" Republican named as administrative assistant to the member of Congress, who traditionally has been anti-liberal. The change in that member's oratorical flavor was wondrous to see. In another, some invitations to White House social functions performed miracles with the wife of another "fundamentalist" Republican member; the results showed up in the voting.

As for the Democrats, party discipline also reduces the independence of many Senators and Congressmen whose natural bent would be to "play ball" with conservative Republicans. One conservative Democratic Senator was heard to explain his vote for the Rayburn twenty-dollar tax cut. "The vote was scheduled for the day after I was to receive funds for my subcommittee. The whip said I ought to vote for the cut. I loathed it, but I had to do it. So I got the funds.

In view of the above picture, it should be no surprise that valor and independence rate no

premium today on Capitol Hill. Whatever else it did, the noisy Fulbright investigation of the stock market inspired some healthy thinking about fiscal matters. The Senator from Arkansas developed an intense worry lest the operators at Broad and Wall should go into debt buying securities. Many people here immediately asked why liberals like Fulbright display no such concern about Big Government's tendency to increase its own fiscal obligations. A wholesome look at our federal debt structure followed.

That debt now has a temporary ceiling of \$281 billion, with a scheduled return to the former ceiling of \$275 billion by June 30. But meanwhile, the Administration seeks to increase the actual debt—for instance, by obligating the federal government to the extent of \$25 billion for roads. But that sum would not be added to the official debt. Senator Byrd exclaimed: "If the federal government can properly borrow money in this fashion without recording it as debt, and spend it without budgetary control, it may be expected that similar proposals will be made for financing endless outlays which may be desirable for education, hospitals, public health, etc. It creates fiscal confusion . . . and destroys confidence in government credit. You cannot avoid financial responsibility by legerdemain."

But even if Byrd's view eventually prevails, is the federal debt burden to be measured only in the range of \$275-81 billion? Any Capitol Hill legislator will remind you that our houses of parliament have obligated us for what are called continuing obligations. For instance, the Defense Department has piled up some \$49 billion (last June's figures) for goods for which it has contracted. These have to be paid for during the next few years.

Then there are the "contingent liabilities." Indeed, so numerous and complex are these obligations that no one here ventures an estimate of their approximate magnitude. One of these is Federal Deposit insurance—\$106 billion; and about \$66 billion of other insurance. Also, just recently the Hoover Commission estimated the total loans, guarantees, commitments, etc., of all agencies in the Federal Housing field at about \$49 billion. Additionally, one must not forget the obligations of the Veterans Administration, the Commodity Credit Corporation, the Export-Import Bank, the Foreign Operations Administration, the Farmers Home Administration, and many others. Naturally, these are "contingent," but no one knows how much of this debt the federal government might eventually have to meet. In view of this thought-provoking picture, a legislator like Senator Fulbright who would like to impose extraordinary prudence on investors might well launch another inquiry to provide an answer to the question: "How much do we really owe?"

Capitalism for the Many

By EDWARD MAHER

Hundreds of thousands of average Americans have become part owners in industry through investment plans for people of modest means.

Like many people, William H. Reinhardt of Oakland, California, used to think of Wall Street as a mysterious place where bulls and bears swindle each other between spells of fleecing lambs. But that was before he became a capitalist himself.

Mr. Reinhardt is a middle-aged counter clerk in a hardware store. One day last fall he and his wife walked into the Oakland office of an investment firm and arranged to buy shares of common stock in Remington-Rand, Inc., on a monthly payment basis. By this act they joined hundreds of thousands of other people of modest means who are becoming members of what Socialists call the "investor class" in a movement which is accelerating rapidly and which holds great economic, social and political significance for the future of the nation.

It used to be that common stocks were owned by the very wealthy. But high income and estate taxes on the one hand, and higher wages plus the entrance into this area of insurance companies and private retirement funds on the other, have changed the situation. The pool of money is now larger than ever, but a larger proportion of it is owned by tens of millions of little investors. It is their savings which must provide the capital needs of a rapidly expanding economy.

The need for investment capital is only part of the story. In a world torn by conflicting economic and political ideologies, it is essential for the American people to understand how their free capitalistic system works. There is no better way than by acquiring part ownership of it.

So reasoned G. Keith Funston, the 44-year-old former Trinity College president, when he became president of the New York Stock Exchange in 1951. He decided that, since the American people were accustomed to the installment-plan method of purchasing automobiles, household equipment and other items requiring relatively large outlay, the way to attract millions of new investors was to enable people to buy a share of American business on the same basis.

Accordingly, the Exchange developed a Monthly Investment Plan, now known as MIP, and launched it in January 1954. To see how it works, let's look at Mr. and Mrs. Reinhardt, who, together, became the twenty-five thousandth purchaser under the plan.

As they have no children, Mrs. Reinhardt works,

as well as her husband. They are buying their own home, by "periodic payments out of income." After providing themselves adequately with life insurance and a steady nest egg in the savings bank for emergencies, they are able to set aside \$100 a month from their combined salaries for the purchase of corporate stock.

They chose Remington-Rand largely because Mrs. Reinhardt works there. In November the stock was selling around \$30 a share, so their first month's payment bought them three and a fraction shares after deducting the broker's commission of \$6. As the stock price has fluctuated during subsequent months, their \$100 payments have bought them a greater or lesser number of shares. So it will go during the months and years ahead as long as the Reinhardts continue their MIP agreement.

Not for Speculators

MIP is predicated on steady, long-range investing at regular intervals regardless of the ups and downs of the stock market. It is not for speculators or the fellow looking for a quick profit, but for the consistent, methodical saver who has a dependable income and some cash in reserve so that he is unlikely to be in a position where he has to sell his holdings when the market is down. If he uses good judgment—and free advice which he can get from his broker—in selecting stocks in companies which will grow as the nation grows, any temporary downs in price should be more than compensated for by long-term increase in value. If the market goes lower he will get more shares for each regular payment, thus reducing the average cost of the shares he holds.

The Reinhardts intend to hold onto their stock, let their investment earn dividends, which in turn, they plan to plow back into more stock. Mr. Reinhardt says: "We don't sell stock; we buy it. Remington-Rand is a good company and we think it and its profits will grow."

The one big difference between buying, say, a few shares of General Motors through MIP and the installment plan purchase of a TV set or a car is that credit is not involved in the former transaction. The buyer of stocks "on time" is never in debt for his holdings; instead of paying interest his money begins earning income for him immediately.

The minimum MIP agreement is \$40 every three months, which is getting it down to where anyone who can set aside \$3 a week can become an investor. An agreement, of course, may be canceled by the purchaser at any time. In this event, he can hold his accumulated shares or he can have them sold at the market price and get an immediate check for the proceeds, less broker's commission.

MIP buyers are coming from all walks of life and showing considerable variety in their selection of stocks. A Long Island aircraft worker, alert to the rapid development of the area around him, is buying Long Island Lighting Company at the rate of \$40 a quarter. A Columbia University professor of English is buying Socony-Vacuum, Radio Corporation and Phelps-Dodge on three quarterly plans of \$50 each. A salesman for International Business Machines in Providence, Rhode Island, is acquiring his own company's stock at the rate of \$40 every three months.

President Funston of the Stock Exchange asserts: "The MIP, which will enable millions of people to acquire a direct ownership in our leading corporations on a pay-as-you-go basis, is the most significant contribution to personal financial planning in recent years."

As the idea spreads, housewives and secretaries, elevator operators and truck drivers, lawyers and accountants, factory workers and farmers, are realizing that a few dollars a week, which might otherwise just slip through their fingers, can start them on the road to financial improvement.

MIP is frequently used as a supplement to the investment clubs which are springing up all over the country and catching interest abroad. An investment club is simply a group of people—neighbors, friends or co-workers—who decide to chip in a fixed amount each at regular intervals for the joint purchases of securities. Usually the amount is \$10 a month, but it may be less or more. Membership is held to a small number—ten to fifteen as a rule—otherwise the club would spend all its time arguing about what stocks to buy, and it would be difficult to get agreement.

Meetings are held once a month at which individual members who have been assigned to study the status and prospects of various companies make their reports. The club then decides by majority vote which to buy. Often the operations of a company are followed for months before the club members conclude it is a good investment.

The investing principles usually followed are those advocated by the National Associa-

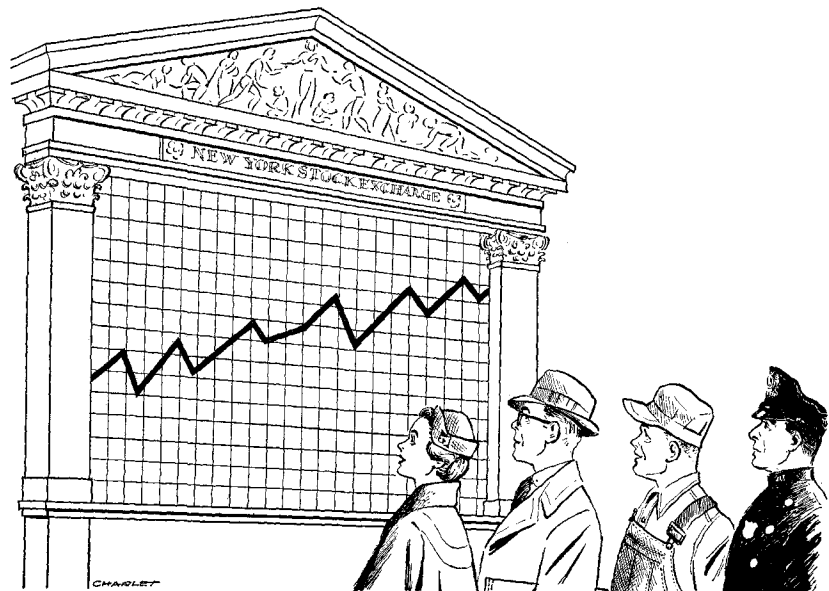
tion of Investment Clubs which was founded in 1951. The association, with headquarters in the National Building in Detroit, is a nonprofit organization which supplies instructions, accounting kits and other paraphernalia for getting a club under way, plus frequent bulletins of information and advice—all for \$1 a year per club member.

It is not necessary to join the national association in order to form a club. One was organized last April by a policeman in an eastern city. He interested nine other men at the station house, and they agreed to put in a minimum of \$5 per month each or any multiple thereof, each man getting pro rata credit on the club's books for his contributions. After discussing the merits of various companies, they decided to buy du Pont and General Electric in alternate months, using MIP, and to reinvest all dividends.

The club's founder and president considers an investment plan to be vital for people in his calling. "After 30 or 35 years on the job," he says, "we retire on a pension. But what with possible inflation, who knows what it will buy? By putting a little money into common stock regularly we'll have a better chance of making out than if we just depend on our pensions."

The Growth of Mutual Funds

In addition to MIP and the investment clubs, another factor operating to spread the grass-roots ownership of American business is the spectacular growth of mutual funds. A mutual fund is an investment company which sells its own stock to the public and invests the money thus gathered in stocks and bonds. Each share of mutual-fund stock represents part ownership of the securities thus bought, and profits and dividends from these securities are passed on to owners of the mutual fund stock.



There are about 125 such funds now operating, many of them highly specialized. The investor can buy shares in a fund which is interested in the stocks of companies with seemingly great growth potential, or in one which emphasizes immediate dividend income. He can choose electronics, aviation, steel, tobacco or motors—there is a fund which specializes in each. Or he can have the safety of wide diversification by selecting one of the many general funds. In fact, one of the features of the mutual funds is that an investor can thus buy a small interest in many industries, instead of putting his eggs all in one basket.

Of course, the person who contemplates putting his funds into a "mutual" should seek advice from a sound banker as to which fund he should choose. Some have a less conservative policy than others.

To attract small investors, many of the funds have programs for buying out of income. They call these "accumulation plans" and they work much the same as MIP, being based on payments of \$25, \$50 or \$100 at regular intervals. At the end of 1954, some 212,000 such plans were in effect, with new ones being started at the rate of six to seven thousand a month.

"Widespread ownership of stock, even in small amounts, should increase public understanding of the American economy and induce people to pay more attention to the policies of business and government," says Dr. Leo Wolman, professor of economics at Columbia University. "It ought to have a good effect on labor-management relations because when workers share in the ownership of business they will be inclined to identify their own interests with the prosperity of the business by which they are employed. This new relationship is bound to have a wholesome effect on labor relations since employees concerned with the success of a company may be expected to subject union as well as business policies to careful scrutiny."

Company Stock-Purchase Plans

Many individual corporations are making part-owners of their own workers. The American Telephone & Telegraph Company has sold stock to more than a quarter of a million of its employees, over 40 per cent of the total. Offerings are made from time to time under a generous buying arrangement. Any employee may elect to purchase stock at the rate of one share for each \$500 of annual wages, to be paid for by a payroll deduction of \$5 a month for each share. The company pays 2 per cent interest on the money, com-

pounded semi-annually, while it builds up and then sells him shares at \$20 below the market price at the time payment is completed.

General Electric and several other companies give stock to their employees. For example, under the General Electric Savings and Stock Bonus Plan, payroll deductions up to \$10 a week may be authorized by an employee toward the purchase of U. S. savings bonds. Employees who deposit their bonds with the company and leave them there for five years get their bonds back with all accrued interest *plus* a bonus in GE stock equal to 15 per cent of the price they paid for the bonds. Furthermore, they get whatever dividends the stock contingently credited to them may have earned during the period.

Twenty thousand GE employees became shareholders in 1954, and an additional 40,000 will become shareholders this year. The company is aiming to have 60 per cent of all employees become shareholders in four years' time.

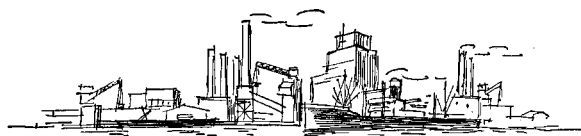
As of March of this year, an American Institute of Public Opinion Survey found that 6,900,000 U. S. adults claim to own stocks listed on a stock exchange.

The National Association of Manufacturers, spokesman for 20,000 companies employing 85 per cent of the nation's industrial labor, believes the spread of stock ownership will be a big boost to the cause of economic understanding in this complex age. Henry G. Riter, 3rd, president of NAM, says: "There's nothing like owning a few shares of stock to lead a person to take an interest in what's happening to the nation's economy. As this movement grows, I look for people everywhere to adopt a much more enlightened attitude toward government spending, taxation and other factors which affect business growth and expansion."

Undoubtedly, too, as ownership of large enterprise comes to lie more and more in the hands of everyday people, there will be a growing awareness on the part of industrial management of its responsibilities to the rest of the community.

The most impressive fact about this grass-roots investing movement is: millions of working people in the United States have reached a level of income where they can become the owners of the enterprises they work for—not in the Marxian sense of state ownership, but through true, private, individual ownership.

This is a new kind of capitalism for the world to contemplate—capitalism for the many, not the few. Communism or socialism will have a hard time matching it.



Death and Taxes— Except for Coops

By LEONARD E. READ, JR.

Not all corporations pay income taxes. Not all dividends are added to income for tax purposes. Not that these corporations and stockholders are evading taxes. Far from it. They simply enjoy a special exemption.

These are not eleemosynary institutions. They are businesses that, like those which have to pay from 30 per cent to 52 per cent of their profits to the government, operate to produce goods and render services and hope to do so at a profit. They are business corporations, in every way, and are different from the non-exempt corporations only in that they are called cooperatives or mutual companies. Because they are so called, they save in the aggregate an estimated one and a half billion dollars in taxes on incomes.

This privileged group of corporations include farm and consumer coops, mutual fire and casualty associations, savings and loan associations, credit unions, mutual savings banks, national farm loan associations, and so on. Farm and consumer coops alone own and operate thousands of processing and manufacturing plants and market just about all the commodities used on the farm and in the home. They operate cotton gins, butter and milk plants, cotton-seed and soybean crushing mills, canneries, food freezing plants, rice mills, cheese factories, wineries, sugar mills, flour and cereal mills. They make heavy farm machinery and home appliances. They run paint factories and chicken hatcheries, saw mills and oil refineries. They manufacture drugs and cosmetics. They even operate funeral parlors.

Coops now handle approximately 75 per cent of all fluid milk, 40 per cent of the nation's butter, 50 per cent of the grain sold locally, 60 per cent of the fruit and vegetable markets. In California and Arizona 85 per cent of the citrus fruit marketing is done by coops. Coops operating under the aegis of the Rural Electrification Administration, as well as under state and local government agencies, generate and sell about 20 per cent of the electric power used in the country. Their banking operations run into the billions. In short, coops qualify as Big Business.

Yet these particular corporations pay no taxes

Cooperatives today are Big Business, yet they operate under special privileges most unjust to corporations that pay high taxes on earnings.

on their earnings. The question is, how come?

It all began on October 3, 1913, six months after the Sixteenth Amendment got into the Constitution. On that day, Congress passed a Revenue Act, which provided for a 1 per cent tax "on the entire net income arising or accruing from all sources during the calendar year to every corporation, joint stock company or association. . . *Provided*, however, that nothing in this Section shall apply to labor, agricultural, or horticultural organizations, or," etc. The reason advanced for the exemption those days was to aid the farmer; it is believed, on the other hand, that political considerations played their part in creating this special privilege. However, nobody paid much attention to the exemption, because the tax itself—1 per cent—was insignificant; it did not give the coops any special edge in the competitive market.

Increased Taxes for Non-Coops

Things have changed since 1913. The main change, of course, has been the increase in taxes which corporations that do not bear the cooperative label must pay. Under the present law, the nonprivileged corporation must send to the federal government 52 cents out of every \$1 of income it has earned during the year. Out of the remaining 48 cents it must pay its stockholders something (or investors will shy away from the corporation's securities) and use the balance to do something about its obsolete machinery, or for expansion. Obviously, the competing coop has an advantage; it can plow back into the business all of its earnings. (It also can plow back the "dividends" it "pays" its stockholders; how that is done will be discussed later.) Taken as a whole, the coops today have a minimum of about 1.5 billion dollars for expansion, which their competitors do not have. It follows that if the coops were efficient in their management and progressive in their policies, they could in time put the taxpaying corporations out of business.

The statutory exemption of "labor, agricultural or horticultural organizations" was broadened in

later legislation to include a host of other coops: mutual savings banks; building and loan associations; mutual irrigation, telephone, insurance and real estate companies; also religious, educational and charitable organizations. As taxes on corporations rose, coops and mutual companies proliferated, and some of them that qualified for the exemption (under Section 101 of the Internal Revenue Code) went in for operations hardly contemplated by the lawmakers.

Not long ago, universities and charitable organizations were buying up and engaging in all sorts of businesses because they could operate them tax-free. The competing taxpayers in these businesses were aroused. Congress took notice; possibly the loss of revenue impelled them to pass legislation to halt the practice, but in the debate the point was raised that the exemption privilege could ultimately result in the elimination of private business. The argument is just as true in the case of coops and certain mutual organizations, but no effort was made to put them on a par with their competitors, tax-wise.

The "Patronage Dividend"

In addition to the exemption enjoyed by the coops as corporations, the members, who are in effect stockholders, can avoid under Treasury rulings the payment of taxes on dividends issued to them. These dividends are not required to be, and seldom are, paid in cash. A share of profits is credited to each member's account, and in lieu of cash the member receives common stock, "revolving fund certificates," "certificates of equity," or paper of similar designations. Aside from common stock, these instruments in most cases bear no interest; they are usually redeemable at a future date, or at the discretion of the coop's board of directors. The "patronage dividend" is in reality a device whereby the coop receives full credit for returning its profits to members or patrons, but is able to keep the actual cash in its capital structure, tax free. The patrons, who are in reality stockholders, do not declare the dividends as income because the dividends are in a non-negotiable form and have no tangible market value.

There are a considerable number of coops which do not operate in accordance with the statute, and these are called "non-exempt cooperatives." (The "non-exempt" status relieves the coop of a requirement that tax-exempt coops must do at least 50 per cent of their business with members.) They file regular corporate income-tax returns and claim they pay income taxes just as private corporations do. However, thanks to what Congress and the courts call "great liberality," the Treasury Department allows these coops to deduct or exclude from their taxable incomes the amounts allocated or distributed as dividends on patronage.

Congress has passed no law which allows the deduction of patronage dividends from taxable income. However, the Treasury Department justifies its failure to tax this income on the ground that it represents a rebate, or an additional cost on the goods sold. The only income tax that must be paid by the "non-exempt" coop is on such small amounts as are paid in cash dividends on stock, and on reserves which have not been allocated to patrons. Naturally, the general practice of the "non-exempt" coop is to "pay out" practically all profits in patronage dividends.

Governmental Generosity

The solicitude of the government for coops goes beyond tax exemption in the case of those doing a banking business. Federal credit agencies actually finance the purchase of equipment and buildings by mutual banking enterprises. This, of course, is done with money supplied by the tax-paying competing businesses. Through such governmental generosity, coops have built up for their exclusive use a complete credit system: the Central Bank for Cooperatives and the Twelve District Banks for Cooperatives. These can offer their member-customers, because of subsidies and exemptions, all sorts of loans at interest rates that the private taxpaying banks find it almost impossible to meet.

It is obvious that the favorable position enjoyed by coops makes competition with them most difficult, and that selling out to the coops is in many cases the only escape from failure. Often the competing corporations are of necessity compelled to shift their status from taxpayers to tax-exempt coops. Meanwhile, new coops are organized to take advantage of the special privilege. In the beginning, coops were largely confined to rural sections; they have now invaded the cities, particularly in the industrial sections. Unions have set up coops for the benefit of their members, offering food, oil, automobile equipment and nearly everything the worker uses, at prices which reflect the tax-exempt privilege. How can the taxpaying store exist in such a set-up?

Whether or not coops are useful or legitimate is not the issue. Nobody can offer any argument against their existence. Certainly one must recognize the right of any doctor to be his own lawyer, or any farmer or group of farmers to operate a merchandising business. The only question at issue is the special privilege enjoyed by the coops. They are nothing but businesses, in every sense of the word, receiving a special dispensation from the government because they operate according to a semantic formula. Equity and justice demand that either they be taxed the same as other businesses or—which would be far better for the nation's economy—the others be accorded the same exemption that they enjoy.

A Strange Alliance

By REV. EDMUND A. OPITZ

Any union of Christianity and socialism must be "a hybrid of love and violence."

Christian socialism is a little more than a century old; under different labels and in various dilutions it is still very much with us. Nearly every modern denomination supports an official agency whose weight is behind political intervention. Interdenominational agencies do likewise.

The Church is an institution which proclaims love as the law of life and aims at saving the soul, the personality, the nature of man; but it is in cahoots with those who promise to improve man's environment by political control of his economic life. Political control means the legal use or threat of violence, and socialism cannot do without it. Christian socialism is a hybrid of love and violence.

Before this union could be consummated, a considerable accommodation had to be made on the religious side. Many people in the nineteenth century had just enough exposure to religion to immunize them against the real thing. Some of them were in Church. They neglected theology because of their preoccupation with social questions, and tended to restrict religion to ethics. God, in their view, was an active agent within the social order, "a guarantor of progress and the assurance of a steady movement in history toward a cooperative commonwealth." They accepted the concept of "a social organism," from which it followed that the salvation of the individual soul ceased to have meaning—there could be no salvation for the individual apart from that of "society as a whole."

This is a long way from the Gospel ethic. In the opinion of Ernst Troeltsch, the greatest modern authority on Christian social teachings, the "first outstanding characteristic [of the Gospel ethic] is an unlimited, unqualified individualism. . . . This absolute individualism leads to just as absolute a fellowship of love among those who are united in God." Political control of some people by others cannot be justified in terms of this ethic, or the theology which it implies.

It was in 1848 that F. D. Maurice, Charles Kingsley and other English churchmen launched a movement designed to vindicate for the Kingdom of Christ, as they put it, its "true authority over the realms of industry and trade, [and] for socialism its true character as the great Christian revolution of the nineteenth century." This group sponsored cooperatives and founded a workingmen's college, and it provided an incentive for

scores of later socialist organizations and journals in the churches of England and America. A slogan once popular among Christian Socialists sums up, rather too neatly, the rationale of their program: "Christianity is the religion of which socialism is the practice."

A counterpart movement in these United States, originating in the post Civil War period, was called the "social gospel." C. H. Hopkins writes that it "involved a criticism of conventional Protestantism, a progressive theology and social philosophy, and an active program of propandism and reform."

Early Christian socialism was non-Marxist, and Marx complained that "Christian socialism is but the holy water with which the priest consecrates the heartburnings of the aristocrat." But by the turn of the century, according to Hopkins, Christian socialism in America had become both Marxist and political. The Christian Socialist Fellowship, founded in 1906, pledged loyalty to the International Socialist Movement as a means of realizing the social ideal of Jesus. Its publication reached as many as twenty thousand clergymen.

Within the first decade or so of the twentieth century, most of the larger denominations appointed official social action agencies or commissions, but "the climax of official recognition of social Christianity was attained in the organization of the Federal Council of the Churches of Christ in America in 1908," writes Hopkins. H. F. May, in a church history, says that by means of the Federal Council, "Social Gospel advocates were able to put American Protestantism officially and repeatedly on record in comparatively concrete terms as a warm supporter of labor's cause."

Today there are not many doctrinaire Socialists left, in the churches or out. Socialism has been put into practice, and the results are not quite up to the promise. Besides, socialistic theory has been so badly riddled that only a few hardy bigots cling to it. So the present strategy of the socializers, whether their motives are religious or secular, is to adopt a pragmatic approach to social problems. This is more slippery than socialism.

Reinhold Niebuhr says in a recent book, "We need a pragmatic attitude toward every institution of property and government . . ." And John C. Bennett, writing about the Evanston report on a Responsible Society says, "The emphasis . . .

has been on a pragmatic approach to economic problems which takes for granted a great deal of state action but which also seeks to give an important place to private centers of economic power . . ." The practical import of playing socialism by ear is to endorse political improvisation on purely expedient grounds, to the neglect of moral considerations. Thus, if it is politically feasible to rob a minority of Peters to pay a majority of Pauls, the fact that the Pauls have votes is the determining factor.

Semantic Confusion

The pragmatic approach to social problems is characteristic of the organization known as Christian Action whose chairman is John C. Bennett of Union Theological Seminary, and whose honorary chairmen are Reinhold Niebuhr of Union and Liston Pope of Yale Divinity School. Christian Action stems from the Fellowship of Socialist Christians, an organization founded in 1932. This group was composed of men who believed themselves to be both Christian and socialist, but who—to stress their primary loyalty—put the accent on Christian and made socialist an adjective. But the socialist faith gradually evaporated, leaving the pragmatic experimental approach as a residue. The group changed its name as well as its platform and emerged as Christian Action in 1951. Perhaps it is significant to observe that Christian is now the adjective, and the stress is on action.

Christian Action was formed in 1951 because of the conviction that "liberal America needs a strong and informed voice on social policy to combat the inroads of both communism and of reaction." The organization's literature further states that "Protestantism needs a new understanding of the relation of the gospel of Jesus Christ to decisions on social issues, and of its own prophetic role in American society." Christian Action's understanding of this prophetic role may be gleaned from the pages of its quarterly, *Christianity and Society*: to find religious sanctions for the New and Fair Deals, to underwrite and promote the social changes that have occurred in this country in the past twenty years. A New York seminary professor, speaking for the group says, "We accept with gratitude the results of the New Deal revolution in America."

What is the current ideology of Christian Action? John Bennett writes, "Christian Action knows that the whole topography of 'left' and 'right' has changed, that no political discussion based upon it makes any sense today. The most fateful development has been the Stalinist betrayal of the left." After laying down a stricture in one sentence and breaking it in the next, he goes on to say, "even democratic socialism is no self-sufficient solution to our problems. . . . Eco-

conomic activities should be undertaken for the sake of the whole society, and economic power should be under the control of the whole society." Semantic confusion is a prominent plank in every social action program.

The group also labors under the delusion that it is a tiny persecuted minority. Liston Pope says, "With the virtual disappearance of the communist left and the others who have departed the movement, the Christians who believe in social action find themselves in camps farthest out. The left, except for Christian social action, virtually has disappeared in the United States." What has really happened, of course, is that the so-called left has disappeared as a protest group, only to emerge as the current conservatism. But although they are powerfully entrenched everywhere, the social actionists still speak in the accents of martyrdom.

Before one can apply moral principles to any situation he must have some understanding of the technicalities involved. There are certain inherent demands and imperatives in a socialist organization of society, and these must be known before a man can determine whether or not they conflict with his system of values. Socialism makes its immediate impact on economic life. Comes the revolution, and government takes over the nation's productive property; its factories, farms, banks, mines, communication systems and whatever else the State wants. Government, the monopolist, controls production and, consequently, consumption.

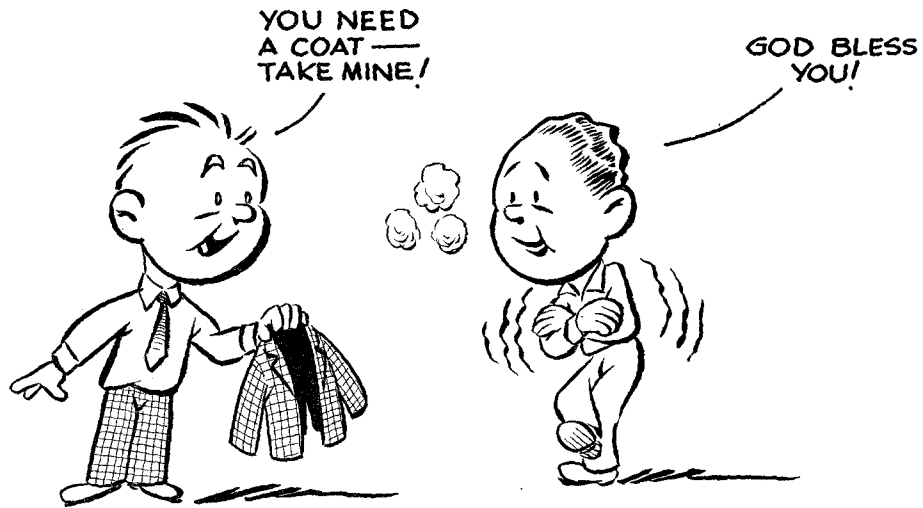
In point of fact, production is only indirectly controlled under socialism; people are controlled. The lives of the vast majority are under the guidance and direction of those who wield political power. This is a denial of the right of every man to make and carry out his own peaceful decisions, of his right to be free to follow the dictates of his conscience. The theory of natural rights is displaced by the theory that human beings have no rights except those provisionally lent them by the State.

The person cannot be sovereign in a collectivized society, and this fact is of great significance for the Christian. The idea of natural rights or personal sovereignty is a secularized version of the Christian idea of man; it merely makes the Christian idea available for political implementation. It is impossible to plan a society from the top down and still maintain the fiction that people have a right to plan their own lives; human rights must be denied in practice and in theory in a socialized society.

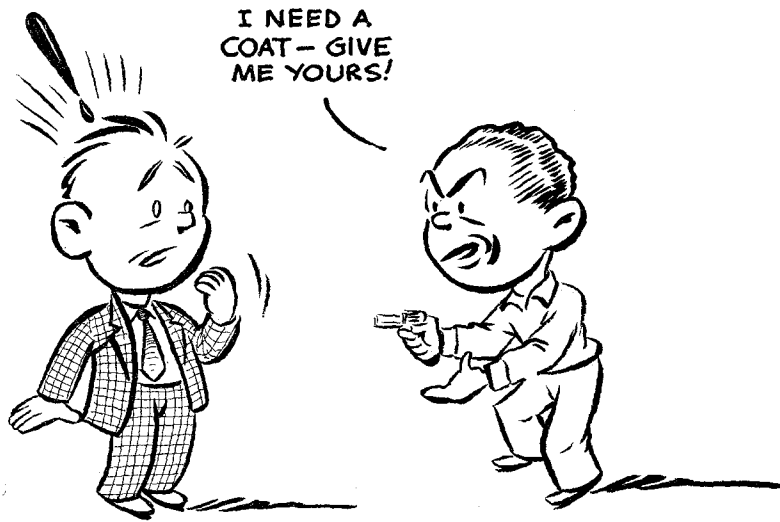
But, having gone thus far, socialist theory must take a further step. Having denied human rights, it must seek some sort of cosmic sanction for putting some men at the disposal of other men. It finds this cosmic sanction in some sort of materialism which denies the God-concept. Christian socialism is a contradiction in terms.

Tale of a Coat

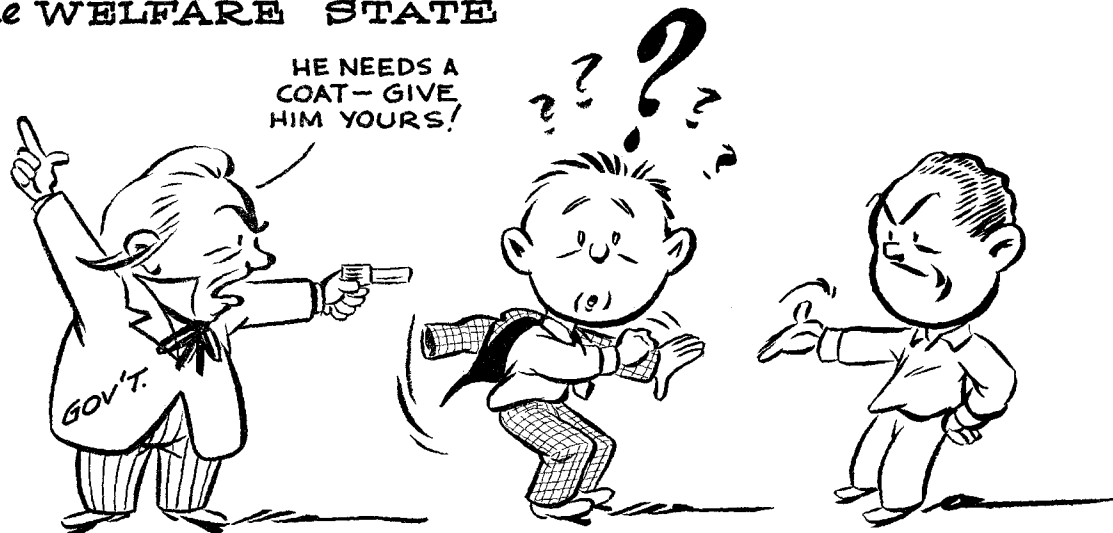
CHARITY



ROBBERY



The WELFARE STATE



(Reprints of this cartoon may be secured at one dollar a hundred from the FREEMAN, Irvington-on-Hudson, N. Y.)

The Experiment— “Noble in Purpose”

By JOHN T. FLYNN

Twenty-three years of government tinkering with our free economy—in the name of “prosperity”—have left us with a fifty-cent dollar and a huge national debt.

During the last twenty-three years we have been moving through an experiment that has been called “noble in purpose”—namely, to guarantee prosperity to a nation through government action. It may be divided into two sectors—the First New Deal of President Roosevelt and the War Deal of Presidents Roosevelt, Truman and Eisenhower.

Looked at superficially, the experiment seems to have been successful. In 1929 there were 31,000,000 non-agricultural workers employed. In 1953 there were 49,660,000. In 1929 the national income was \$87,355,000,000. In 1940 it was 132 billion and in 1953 it was something over 307 billion.

It would be a shocking travesty on truth to leave the matter with this statement. In the first place, the increase in income is not accurately revealed in these bald figures. The income in 1929 was in very different dollars from the income of 1953 or 1954. Our dollars are only fifty-cent dollars compared with the 1929 dollars. What is more, the population has increased. The per capita income of the nation in 1929 was \$700. In 1953 it was \$1,900. But these 1953 dollars had a very different purchasing power. In other words, the per capita income of the nation was \$700 in 1929; it was \$600 in actual purchasing power in 1940 after Mr. Roosevelt had been in office for eight years. By 1945, when the war ended, it was \$1,300—that is, 1,300 fifty-cent dollars or \$650 in actual purchasing power, the dollar having been cut in half as a buying dollar by the vast borrowing of the war and its inevitable inflation. By 1950 the per capita income was 1,500 fifty-cent dollars, or \$750 in actual purchasing power. By 1954 it was \$1,900 in fifty-cent dollars, or \$950 compared with prewar purchasing power.

This small rise of \$250 in average per capita purchasing power was accomplished by fantastic borrowing by the federal government. The income of the nation was increased from roughly 87 billion to 300 billion. But it took two dollars to buy what one would buy in 1929. And this income of 300 billion fifty-cent dollars was not all clear. After the citizen got this income, the government proceeded to share it with him, taking a heavy bite in taxes. I have been using a figure based on per capita income

merely to compare the actual meaning of these figures. But in practice the government did not tax its citizens on the basis of per capita income. It taxed them on the basis of actual individual income, with taxes which began at 20 per cent for the lowest taxable income and rose to 91 per cent of incomes in excess of \$300,000.

The results obtained seem great when stated in terms of dollars, but not in terms of purchasing power—first because the dollar had shrunk to half its value in the market place and, second, because the government confiscated vast billions in taxes and other billions in loans. One thing, however, was accomplished—unemployment was practically extinguished. This was not done until the United States entered the war at the end of 1941.

Failure of New Deal Planning

From March 1933 to December 1941—a period of eight and a half years—Mr. Roosevelt and his New Deal had ample time in which to demonstrate the thesis that the government could take over the planning and direction and financing of the economic system and produce prosperity. His failure in those first eight and a half years was complete. He admitted it. Confronted with this disaster he cried out: “Nobody tells me what to do.” In his four-year term President Hoover had spent an average of \$3,700,000,000 a year. In his eight years (1933 to 1941) Roosevelt spent an average of \$7,500,000,000 a year, almost half of it borrowed money.

In 1932, when Roosevelt was elected, there were on relief 4,155,000 households, containing 16,620,000 persons. In 1940, eight years later, there were 4,227,000 households on relief, containing 16,908,000 persons. In this period farm employment fell off and has never recovered.

There were 11,586,000 unemployed in 1932 when Roosevelt was elected. In 1939, in spite of all the spending and borrowing, there were still 11,369,000 unemployed. In the next year, as the European war got under way and Roosevelt began to turn to war measures, there were still 10,656,000 unemployed. These are the figures of the American Federation

of Labor, at that time the most reliable survey available.

Roosevelt's tragic failure was his inability to note that the task before him was to restore and improve the conditions within which the system of private enterprise could function at its highest efficiency. Its health had been greatly impaired in the years preceding the crash. Mr. Hoover had pointed out these defects. But in 1931, two years after he entered the White House, a Democratic Congress was installed in power, ablaze with eagerness to exploit the depression—which came as a present from Fate to the Democrats to open the way for their control of the government in 1932. Mr. Hoover's warnings, given cautiously to business leaders, about the wild stock speculation, easy credit, bad banking practices, abuses of the corporate system went unheeded. When the Democrats got control of Congress, the great problem of the economic safety of the nation became a mere football for politicians who saw an opportunity to discredit their political enemies and a vision of return to power.

Politicians Prolonged the Depression

No student of government can afford to lose sight of the sobering fact that the powers of government, however small or great, will always be wielded by politicians whose supreme business is to attain office and use it to promote themselves and their party. From the moment Hoover lost control of the House, his ability to accomplish anything constructive against the depression was gone. There is not the slightest doubt that the depression of 1929 could have been kept within narrow bounds but for the unhappy mischance that put the powers of Congress into the hands of a group of politicians interested not in curing the depression but in riding the whirlwind into power. They attained this end just as the disorder was rising to a dramatic climax, as President Roosevelt was being ushered into the White House.

No honest student of this episode can blind himself to the fact that, as already outlined, President Roosevelt made no headway against the depression in his first two terms. An incredible array of alphabetical bureaus was turned loose on almost every sector of the social, economic and political system. Yet no serious impression was made on the depression. None was made until Hitler launched his attack on Poland and thus brought Europe once again into war—the second World War. Out of that war Mr. Roosevelt got his magic rabbit which would produce a wild, disorderly brood of something called "recovery." If it has had any value whatever, it is in making available to our generation the knowledge of the one kind of government action that can create a boom. When, therefore, we are asked if government can assume the obligation of creating and sustaining a high degree of pros-

perity for everybody "from the cradle to the grave," the answer must be in the affirmative. But the means is one which any civilized citizen must contemplate with terror. There is only one magic government rabbit—and that is war.

But out of this experience we have learned what wiser men have known for centuries; that wars launched not for defense but to produce economic booms actually produce only disasters—endless disasters and, among them, when the fever abates, deeper and more terrible depressions. The onset of this disease and its tragic consequences are easily traceable in our own experience—which has not yet come to its end, though the end is discernible through the fog.

The problem, of course, of the bedeviled politician caught in a depression is to create jobs and widely dispersed income. This he usually does by two of the oldest instrumentalities in history—putting great masses of men into the armed services, putting other millions into the war factories, and paying the bills with confiscatory taxes and government borrowing. The borrowing is absolutely essential to the whole monstrous trick. Now let us see how it has worked for us and where it has left us. The figures are eloquent.

In 1929, 31,296,000 persons were employed in non-agricultural pursuits. In 1940 this was little improved. But by 1941 we became entangled in the European war. Mr. Roosevelt, who had complained that "no one tells me what to do," now needed no further advice. Non-agricultural employment rose rapidly. By 1942 it had risen to 44,500,000. More than 13 million additional people had been put to work—3,555,791 of them in the armed services, at sixty dollars a month and keep. At the peak of the war employment, there were 45,000,000 employed. Over 12 million of these were in the armed services.

The government had found work for the idle in the war effort—civil and military. In 1929 the government employed 851,233 persons in the civilian and armed services. In 1945, when the war ended, the number employed by the government in civilian and armed services stood at 15,692,000.

The War Economy

General employment rose rapidly because of the great numbers working in the defense industries. But in addition to these, the great streams of income in the hands of workers created a market for all sorts of civilian goods. Whether our government flung itself into the arms of war in flight from the Old Devil Depression or not is of no consequence here. What is relevant is that eleven years after the crash of 1929 private employment had not increased. In fact, in 1940 total employment, including government civil and military, had risen only slightly. No important impression was made on the depression in the eleven years preceding

Pearl Harbor, notwithstanding the expenditure of \$29,500,000,000 in borrowed money in addition to the taxes collected. The boom came with the war in Europe. It cost a staggering sum in taxes and an increase in the debt from 48 billion to 258 billion as of the end of the war, and 278 billion as I write.

What we have done is to create an increase in the per capita national income from \$700 in 1929 to \$1,900 in 1953, but actually \$950 in real purchasing power compared with 1929 because these are really fifty-cent dollars. To do this we had to take an estimated fifteen million young men and women from their jobs and schools into the armed services. We had to pile on the backs of the American people a debt of 278 billion dollars, with a continuing interest charge of six or seven billion dollars a year as far ahead as we can see—an interest charge twice as great as the total cost of government in 1930. The costliest price we paid was 407,000 men killed and 670,000 wounded in World War Two, and another 33,000 dead and 103,000 wounded in the Korean War. And tragic almost beyond understanding is the appalling fact that communist Russia got one-half of Europe and two-thirds of Asia as the prize, while we remain trapped in a series of foreign complications with war clouds still drifting over us from every continent.

An Ancient Gimmick

Of course, the reckless war spending created a boom here, but a thoroughly unhealthy boom. The immense prosperity created during and after the war was not due to government taxation or even to government borrowing from citizens. Had the government limited itself to taxing and spending there would have been no war boom. It was due to government *borrowing at the banks*. The secret of this ancient gimmick has been known since John Law created the first deposit bank under Louis XV. Nation after nation has blown up booms by wars fought on bank loans. And in every case they have paid the penalty in depressions and even extinction in the end.

Certainly government can aid the private enterprise system by creating a hospitable environment within which it can function at its highest efficiency. But all we have seen here has been an angry and disordered war on the free economic system, first by taxing it to feebleness and then reviving it with

huge drafts of inflationary money gas. The war boom we have witnessed was created, not by taxation, but by the immense confiscation of private incomes under the guise of loans and by borrowing at the banks. When Mr. Roosevelt was elected, the national debt was \$19,400,000,000. He had increased it to \$48,961,000,000 by the time we entered the war. In the years from 1941 to 1946, the government borrowed from 11 to 65 billion dollars a year for a total of 226 billion in five years.

Taxes, of course, figure in this, in that the government went back to the vast streams of income thus created to tax them again and spend them again. This policy has been continued to date by President Eisenhower. In 1953, the federal government employed 6,047,000 persons in the civil and military establishments, as compared with only 851,233 in 1929. As a matter of fact, there are as many or more people employed in the civil and military establishments as there were in 1946, the year after the war ended. In the meantime the nation is saddled with a debt of 278 billion dollars. And the interest on this alone—\$6,475,000,000 for this year—is more than the total cost of all the federal government activities, including the Army and Navy, two years after Mr. Roosevelt took office.

There is no sign of an end to this desperate policy. In 1953 and 1954 the federal budgets were almost twice as great as in 1947, two years after World War Two. This is likely to be true also for the year 1955, when all reports are in. But the problem is that the one great scarecrow that has been used throughout history to make people submit to taxes and debt is now missing. That is actual war—though it is clear our government flirts dangerously with that grim boondoggle. War scares and fantastic invasions of the economic system are used as substitutes for actual war itself. How will it all end? It will end precisely as the orgy of private debt, including bank loans, ended in 1929. How long will it last? Who can tell? Will it end in the collapse of the system of free enterprise—which has already withstood the shock of one dreadful depression and a great and terrible war? Does any leader or any group have a program for the restoration of the free system within the American Republic? The time grows short. Or are we, like England, France, Italy, Spain and almost every country in Europe, to sink down into the prison of a socialist State?

The State makes use of money which it extorts from me to unjustly impose fresh constraints upon me; this is the case . . . when it pretends to regulate my morals and my manners, to limit my labor or my expenditure, to fix the price of my merchandise or the rate of my wages. With the coin which I do not owe it and which it steals from me it defrays the expense of the persecution which it inflicts upon me. Let us beware of the encroachments of the State, and suffer it to be nothing more than a watchdog.

HIPPOLYTE TAINÉ (1828-1893)

Sources of Tax Reduction

By HARLEY L. LUTZ

Analyzing the President's Economic Report, an expert on tax problems shows why total production cannot be increased by getting the government into business.

That the President's annual Economic Report to Congress should place major emphasis on what the government has done was to be expected. After all, it was prepared by a governmental agency, the Council of Economic Advisors. But, in so doing, the Report does reveal at different points and in various ways a philosophy of government that attracts attention; it undertakes, rather unsuccessfully, to steer a course between free enterprise and a planned economy. And since the Council of Economic Advisors is a governmental agency, the views and proposals of the Report carry a weight that no nongovernmental organization could carry in expressing its views.

The tone of the report is set, on page 2, by an enumeration of basic tenets which are said to underlie the Administration's economic actions and its future program. Four of the six propositions advanced there deal with what the federal government is doing or intends to do, and only two relate to the private economy as a matter of major concern. Another example of the emphasis on the superior role of government is in this sentence from page 48: "Budget policies can help to promote the objective of maximum production by wisely allocating resources first, between private and public uses, second, among various governmental programs."

This is a disturbing statement because, in my view, it points directly toward the planned, and eventually the socialized, economy. It says in so many words that maximum production can be promoted by permitting the budgeting authority, in its superior wisdom, to determine the allocation of total resources between private and public uses. From this it follows that if the budget authority should decide to increase the public share of total resources, the private share would be correspondingly diminished. Concretely applied, this means that if in its superior wisdom the government should increase its budget in order to apply more of it to the production of particular goods such as steel, rubber, aluminum, electric power, or other things, there would be less private resources and a smaller total of private production than would otherwise be the case. It is impossible to avoid the implication that total production can be increased by getting the government into business through absorption via the budget of a larger share of total resources.

Economic production is the peculiar domain of private capital and effort. Government encroachment into that domain is not conducive to a larger total, particularly in a society which is as well equipped as is our own with private managerial competence and all else that contributes to productive efficiency. Long ago Adam Smith observed that the functions of sovereign and trader could not be merged without detriment to the performance of one function or the other. The business of government is to govern, and our society will advance most rapidly if the public functions and services are kept within that sphere, and if the portion of total resources drawn into public use is held to the minimum required for the efficient performance of the necessary public services.

The "Money Pump" Delusion

This conception of the nature and function of the budget rejects the doctrine that the chief purpose of the budget, and of the spending and taxing power, is to pump money into or out of the economy as determined by the aims and intentions of a superplanning agency. Adam Smith said that when a ruler attempted to superintend the industry of private people and to direct it toward the employments most suitable to the interest of the society, he was undertaking a duty in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient.

I would direct particular attention to the gap between certain expressions of our national objectives and aspirations, on one hand, and the omission from the Report of adequate recognition of the actions required if these lofty and worthy ends are to be attained.

On page 4 is this statement: "Our economic future depends on the full use of the great treasure house of intelligence, skill, energy and confidence of the American people." And again, from the same page: ". . . unless there are satisfactory jobs for those who seek useful employment, and unless human labor is devoted increasingly to the production of goods and services that improve the quality of life, our gains in productivity may be dissipated."

One more statement, this one on page 6:

Public policy must also protect incentives and encourage a spirit of enterprise and innovation among people. The man or woman who, in the hope of personal betterment, works harder, designs a new product, creates a new method, invests in a new business, moves to a better job, or suggests a new idea to his employer must believe that the rewards of initiative and effort are worth while. Through all of its policies the government must encourage enterprising action by business managers, investors and workers, in an environment that is kept basically free and competitive.

These are splendid statements of our personal and national objectives and aspirations. They are entitled to command, and I believe that they do command, universal approval and support. With a platform such as these passages provide, anyone who continued to read through the report would expect to find an equally forthright and constructive program whereby the objectives set out there are to be attained.

In this respect, however, the report is disappointing. It fails to recognize adequately the great importance of private capital formation as one of the most essential conditions for the provision of satisfactory jobs, for the increased production of goods and services that improve the quality of life, and for the desired advance of the level of well-being. There are references to the things that government is doing to aid small business, to curb monopoly, to expand so-called "public" assets, and to extend social security benefits. These and the other actions described, which constitute a combination of policing and paternalistic measures, may have beneficial effects. They cannot possibly serve however, as adequate substitutes for the growth of the nation's stock of the private capital which increases our productive potential.

This lack of emphasis on, or adequate recognition of, the importance of steady growth of our capital is the more surprising in view of the rate at which the labor force is growing, and of the capital investment which is required, on the average, to provide a productive, well-paid job for each new worker. It is equally amazing to find that, although there is a clear grasp of the bearing of heavy taxes on incentive and the provision of job opportunities, there is so little concern about the defects of the federal tax structure. On page 49 it is said:

It should nevertheless be recognized that present taxes are still a heavy burden. Lower taxes would tend to encourage work, promote more efficient business practices, and create more jobs through new investments.

This is an excellent description of an important line of action that must be taken if we are to have that glorious economic future which, on page 4, we are told may be ours. But on the subject of tax relief, the report offers stones instead of bread. It is said that there can be no tax reductions this year, not even those that were agreed upon a year

ago. Maybe there can be something next year, if expenditures are reduced. As for next year, the Report says, page 49:

Congress might then consider enacting a general, though modest, reduction in taxes and, at the same time, continue the program which was begun last year of reducing barriers to the free flow of funds into risk-taking and job-creating investments.

In my judgment, here is another weakness of the Economic Report, namely, the failure to carry through from the perfectly clear perception of the bad effects of heavy taxes to a firm and definite position on the necessity of prompt corrective action. The removal of other barriers to the free flow of funds into risk-taking and job-creating investments is a desirable step but it will be relatively futile unless there is also removed the very obstructive barrier of the high taxes on incomes, and the gross discriminations of the steeply progressive rates of taxes on individual incomes.

The Factor of Economic Growth

There are two sources of tax reduction. The traditional measure of such reduction has been the amount by which the public spending has been, or can be, reduced. The Economic Report places the principal prospect for tax cuts on this traditional basis.

Another source of tax reduction which hitherto has been generally disregarded is economic growth of the country. This factor has been recognized in the President's recent messages. The National Association of Manufacturers has recently published a new tax program which proposes to utilize the growth factor as a source of tax reduction. This is, of necessity, a long-range program, the projections of which are based on the historic growth trend without regard to the annual variations or temporary reversals of that trend. As a first step, a series of reductions in the rates of corporation and individual taxes is projected over a five-year period.

The two points at which the tax-rate reductions would be made, under this plan, are the corporation tax rate and the progressive element of the individual rate scale. By a series of annual reductions over five years the top rate in each case could be brought down to 35 per cent. On the assumption that there would be, on the average over this period, a continuation of economic growth at the historic rate of 3 per cent, there would be provided as much revenue through the period as is now obtained from the present high rates.

As an illustration, if the federal revenue requirement over the next five years were not to exceed, say \$60 billion a year, this level of revenue could be maintained because of the expansion of the taxable corporate and individual income bases, even with the proposed annual rate reductions. The possibility of a serious military crisis cannot

be ruled out in any period, much less the present; but this ever-present possibility provides no reason to forego constructive planning for national growth and prosperity. If and when the nation should again be faced with a great military crisis, it will be better prepared to meet the situation if investment and production have been maximized in the meantime.

The reason for concentrating the reductions that are realizable from the growth factor on the high rates of income tax is that these rates are the most penalizing on incentive, effort, enterprise and capital formation. The case for action here fits perfectly with the excellent statements which I have already read from the Report concerning the release of our creative energies, the provision of enough satisfactory jobs, the importance of letting every industrious, ambitious, creative person realize that the rewards of his effort will yield personal betterment. The reduction of penalizing, discriminatory taxes is the one effective and convincing way of demonstrating that we really mean what is said on this matter.

The plan does not deal expressly with the first bracket rate of the individual tax, but it is emphasized that during and after the execution of the plan, every opportunity of further tax reduction arising from budget cuts or a more rapid rate of economic growth than the plan assumes, should be applied to a reduction of the first bracket rate.

If it be said that inasmuch as the plan assumes continued growth, why should the available tickets for tax reduction be used in this particular way, my answer is that there is no assurance that the growth will continue, and especially is this so if we do not work and plan for it. The Report says, correctly, that there is no way of lifting more than a corner of the veil that separates the present from the future, and that we shall achieve the grand economic future awaiting us only by wise management of our national household. The best assurance we can give that economic growth will continue is to remove the barriers and impediments most likely to prevent it. Chief among these impediments is the ball and chain of high and discriminatory tax rates.

Even Lincoln Said It

By MALLORY CROSS JOHNSON

If you don't understand the problem of the "public debt," you are in good company. Abraham Lincoln didn't understand it either. In a message to Congress, December 6, 1864, he wrote: "Men readily perceive that they can not be much oppressed by a debt which they owe to themselves."

This idea has often been repeated, especially since 1933. It is a standard reply to those who express anxiety about the size and rapid growth of our public debt: 278 *billion* dollars, and still growing.

In Lincoln's day nobody bothered about the national debt because there wasn't any to speak of. Before the Civil War, the federal government generally balanced its budget; a few small debts were cleared up within a few years. Lincoln's remark about the people owing the national debt "to themselves" was purely academic.

When the government spends money, it first has to get it from someone who has earned it—by taxing or borrowing. To repay what it borrows from Tom, the government must get the amount by taxing Dick (and Tom). When the government doesn't dare raise taxes enough to pay Tom all it owes him, it waters the currency by printing dollars or granting credit to itself backed by its own bonds: this is inflation, a deceitful form of taxation. Then Harry, who has retired on his savings;

Dick, who is taxed to pay Tom in part; and Tom, who finally gets his money back—all three find their dollars are worth only fifty cents compared to ten years ago when they first began to "borrow money from themselves."

Where has the other fifty cents gone? Why does it take a dollar to buy things that cost fifty cents ten years before? Until Tom, Dick and Harry figure out how the government operates its shell game—begin to wonder what happened to that other fifty cents—the game will continue to work. The "other fifty cents" was spent chiefly on goods that have been destroyed or used up: ships, planes, ammunition, barracks; or given away in the form of machinery for Russians, food for Greeks, tractors for Hindus, a movie industry for Indonesians, pensions for Frenchmen, dentures and wigs for Englishmen. The money was spent and is gone. It cannot be returned to us any more than the things it paid for can be returned.

If they understood it better, Tom, Dick and Harry might say to their officials: "All right, we'd have paid for the reasonable costs of war if we'd been asked to; we're not so sure we want to give money to everyone in the world who asks for it, if we won't get any of it back. Of course we'll give, through private charities, to those who are really starving. But regardless of what we would or

wouldn't have paid for, we don't like being fooled. You were lying when you promised to return our money. There's something about this debt business that doesn't seem right."

It isn't right. You won't get back one cent, yet you have precious little to say about how it will be spent. The government propagandists will do all they can to convince you that you *do* have a say about where the money goes, and that you *do* owe it to yourself. They will insist you can control spending by the way you vote; but politicians have been promising to balance the budget for more than twenty years, and breaking their promises with monotonous regularity. Voters continually elect officials who say they'll spend no more than they take in. No candidate to my knowledge has ever been elected on the promise that he would get us further into debt.

The Debt We "Owe Ourselves"

But how can you "owe it to yourself"? Suppose you had saved a hundred dollars, put it in the bank, then spent half to buy a new coat. Would you go home and say to your wife: "I bought a new coat for fifty dollars today, dear. Since I owe myself the fifty dollars, that, plus the fifty left in the bank, is still worth a hundred, so we're no worse off than before." Sounds silly, doesn't it? The only way to bring your bank balance up to a hundred dollars again is to earn fifty dollars more and deposit it.

That is what the government has us do. Since we are the only source of the government's money, it sends us out to earn what it owes us, which it then takes from us to pay ourselves back. Then it says: "Now you have been repaid; you have your hundred dollars again." But before we recovered the hundred dollars in our account we had to earn, besides the first hundred, another fifty—which adds up to a

hundred and fifty. What happened to the other fifty? The government spent it, just as you spent your money on your coat. The only difference is, if you spend it *you* have the coat. If the government spends it, Englishmen get wigs, Indonesians get movies, and more bureaucrats get a living without producing anything.

Maybe you think this money is being well spent. Maybe not. But whatever your opinion, don't kid yourself. Whether you think it outrageous or admirable doesn't affect the truth of the matter: that is, a fraud is being perpetrated on the public (you and me) by the government. Our bank deposits, life insurance premiums, and other forms of personal savings are heavily "invested," in the form of government bonds, in this debt "we owe to ourselves." Therefore, we as a group can collect on those savings only to the extent we pay another premium (tax) enabling the government to redeem those bonds, so the insurance companies and banks can fulfill their obligations to us. Isn't "owing it to ourselves" wonderful! It only costs us double.

What do you think of the neighbor who borrows five dollars from you and never pays it back? The kind who always promises to give it to you "next time"—but next time he "hasn't got it on him right now." He's hardly the kind you would willingly lend money to, is he? When politicians come to beg, borrow, or tax more dollars from you, insisting that you can't be much oppressed by a debt which you "owe yourself"—don't believe them. Face the fact bravely that if you want your government to dispense "benefits" to all the world (including yourself), the money is coming out of your pocket—and staying out.

Whether or not we approve of inflation and a 278 billion dollar debt, let us stop deceiving ourselves and face the truth. Certainly we owe that to ourselves.

A New Libertarian Magazine

The staff of the FREEMAN is most pleased to welcome a new libertarian magazine. The first issue will appear this month. Titled *Ideas on Liberty*, it is published by the Foundation for Economic Education, Irvington-on-Hudson, New York. This bi-monthly, 96 page, pocket-sized journal of opinion will contain from fifteen to twenty articles on the general subjects of economics, government, religion, law and education. The articles will be about half originals and half reprints from other sources—both classical and current. The originals may be staff-written or contributed.

Ideas on Liberty will be sent to each person on the Foundation's mailing list. If you are not on that list, you may get a complimentary copy on request.

What Would You Call Mr. Hoiles?

By THADDEUS ASHBY

I wrote to a friend, asking about R. C. Hoiles who had offered me a job writing editorials for one of his newspapers.

"Know only rumors about him," my friend replied. ". . . rumor says he owns ten newspapers . . . is the richest man in Orange County, California . . . hated by people who don't know him . . . loved by those who do know him . . . may get your dander up . . . will give you the freedom to write as you please so long as you answer questions without evasion about what you believe. . ."

But who is R. C. Hoiles? Briefly, he is chief executive and philosophic mentor of Freedom Newspapers, an empire that stretches from Bucyrus, Ohio, down through five Texas cities, includes one paper each in New Mexico and Colorado, bounces through two California cities. At 76, Hoiles is looking around for new territory.

Why Hoiles is hated is interesting. But first, who hates him?

Time calls him "terrible-tempered." *The Nation's Schools* says Hoiles pours "poison into the public consciousness." The *Milwaukee Journal* classes him among the "bigoted, stingy and lunatic" elements. *McCall's* magazine says that Hoiles is "lacking in public spirit," "eccentric," and a "menace to public education." The *Milwaukee Journal* reports that "his editors and printers grind their teeth to the roots as they handle his copy." *Time* says "He shouts his letters and columns to a long-suffering secretary. . ."

The "long-suffering" secretary, who has taken dictation from Hoiles for nine years and seems to grow prettier in his service, notices these things about her boss:

"Every morning a new rosebud in his lapel, picked from his rose garden.

"The twinkle in his eye when he asks for your reaction to an idea he's mulling over—to 'have it tested.'

"His keen interest in marriage and children—and even the little romances that sometimes bud in an office. I well remember his interest when I received roses for my desk in my 'courting days.'

"He stresses and demonstrates his belief that an employee is an 'associate' who doesn't work for an employer, but *with* him.



R. C. Hoiles

"He admits to being 'biased' about his grandchildren."

As for those editors who "grind their teeth to the roots as they handle his copy," I can tell you about that: I was editor of the *Colorado Springs Gazette Telegraph* editorial page for two years and handled Mr. Hoiles' column six days a week. The only time I ground my teeth was when his dictated sentences ran into non-stop marathons. *Time* thought some editors grind their teeth over his ideas. I never met them. The ones I knew qualified as such ardent individualists themselves they either agreed with Hoiles or went even farther than he did with their individualistic ideas.

A Foe of Compulsion

Hoiles won much of his fame in the field of ideas by opposing tax-supported schools. He contends they are immoral because they are based on compulsion. "Teachers can't discuss tax-supported schools intelligently because they are victims of the system. How can an inmate of a house of prostitution discuss chastity? It is no more possible to make constructive suggestions about tax-supported schools than about murder, arson, robbery or any other crime. The only constructive suggestion would be to discontinue murder, etc."

Hoiles has a standing offer of \$500 to any superintendent of schools in the circulation area of the Freedom Newspapers who will answer several questions within a limit of one minute for each question. Since he is a firm believer in the Golden Rule, two of the questions are:

If Bill Smith sets up a private school and forces John Jones to either help pay for its upkeep or leave town—would he be violating the Golden Rule? If the majority of the community set up their own school and force the minority to either

help pay for its upkeep or leave town—would they be violating the Golden Rule? The point of the questions is that “the government has no right to do anything which is immoral for the individual to do.”

As yet, no school superintendent has tried to pick up the \$500.

One of the first things Hoiles does when he buys a newspaper is to refuse to sign a closed shop contract with the union. He has a strike on his hands. (Characteristically, when the union struck his plant in Santa Ana, California, Hoiles walked back and forth with the men on the picket line, trying to make them see his point of view.) You would think that the men thrown out of jobs would be filled with hatred for him. Here is the testimony I got from one of his make-up men:

“I was in sympathy with the union. Of course, I quit when the strike was called. I went to Pueblo to work on a union paper. I soon got tired of it. I could do as much work in an hour as a union man did all day. They told me to slow down. Then, one warm day I opened a window and was promptly informed by the shop steward that there was a union man who got paid for opening windows, and was I trying to throw him out of work? I came back to Hoiles. I like working here and wouldn't go back to a union shop under any circumstances.”

Principle is ever the guiding star with Hoiles, whether in a contest with the union or in his relation with advertisers. At one time he was running news stories about a group of local businessmen who had formed what constituted an anti-chain-store organization. The reporter was called into the front office and asked whether the stories were true. The reporter said he would vouch for them. “Wait a minute,” said Hoiles. A few minutes later there came from the inner office this bold challenge to Hoiles' biggest advertisers:

“You can take your advertising out of my paper. That's your business. But I'm running this paper and I'll say what is to be printed in it. If the stories are true, and we think they have news value, they're going to be run whether you like it or not.”

In his early days Hoiles exposed a case of corruption involving a Cleveland paving contracting firm. Shortly afterward he was awakened by a terrific explosion which ripped off the front of his home. A little later a hired hoodlum wired a few sticks of dynamite under the hood of Hoiles' car. Hoiles tramped on the starter, heard some coughing in the motor and drove to a filling station. A white-faced mechanic discovered the dynamite, which had not, God knows why, exploded.

One of Hoiles' associates wrote during the days of the bombing and dynamiters: “During these

hectic times, all of those who worked with Mr. Hoiles did so because they knew he had guts and because he inspired loyalty, hard work and admiration. Almost at once, Mr. Hoiles could be the most lovable yet the most exasperating man; the most stimulating and the most depressing, depending upon the current operation of his exceptionally active mind and intellectual pursuits.”

Time says that Hoiles has a Stone Age philosophy, but concedes “one touch of liberalism in the Hoiles record: during the war, he campaigned to give the Japanese-Americans a break.”

That's not quite his only touch of liberalism. Hoiles is completely liberal in the classical, Frédéric Bastiat sense. He opposes the Smith Act and all laws which outlaw Communists. He opposes the McCarran Act and often fights for better treatment of “wetbacks” as well as all other immigrants. Crusading for a liberal immigration policy, Freedom Newspapers often quote the poem on the base of the Statue of Liberty:

Give me your tired, your poor,
Your huddled masses yearning to breathe free.
Send these, the homeless, tempest-tossed to me,
I lift my lamp beside the golden door!

Hoiles fights the draft and UMT because he is convinced that all initiated force is wrong: he's against the draft, emergency or no emer-

The Faith of R. C. Hoiles

I have faith that to the degree we have free trade and no immigration quotas we will have peace and good will amongst men.

I have faith that our country would be better protected by voluntary soldiers than by drafted soldiers.

I have faith that our government would better protect every person's unalienable rights if it was supported on a voluntary basis rather than by taxes.

I have faith that we will be better educated by voluntary, competitive schools than by government schools.

I have faith that competition will create both material and spiritual development.

I have faith in myself and my wife and children and grandchildren, and in all men who will answer questions without evasion about what they are advocating.

I have faith that man is perfectable even if he is fallible.

I have faith in work.

I have faith that life is good.

I have faith that a government is a good government that only does what each and every individual has a moral and ethical right to do.

I have faith that gaining understanding of nature's laws is the best way to be useful to one's self and to his fellow-man.

gency. In fact, he believes the draft created the emergency. "We wouldn't get into foreign wars without drafted men forced to fight them." He believes we are absolutely wrong to defend Formosa (or Europe) with drafted men and tax money. "If men want to volunteer to fight for Formosa, that's their right."

Another liberalism of Hoiles which *Time* missed is his uncompromising belief in free trade. He frequently denounces self-alleged libertarians who advocate protectionism. Hoiles often quotes: "I am for free trade because I believe that mankind will trade or fight." "If goods do not cross borders, soldiers will."

Time called Hoiles a "prune face"—it was the nearest thing to complete accuracy *Time* said about him. He wouldn't win a beauty contest. He wouldn't win a popularity contest either. "I'm not entered in either one," Hoiles says. His face is usually all squeezed up into a question mark. "Why?" is one of his mottoes.

"Define Your Terms!"

He will sit and talk to you all day if you have something to say. He probes at you, coming in from all sides. "Define your terms if you would discourse with me," he says. When you're through defining them, you know a lot more about what you believe than you did before. He sharpens your wits.

Though a good golfer and able to move comfortably in the country club set, Hoiles remains the most unsophisticated millionaire I ever met. Sitting at a table for six in his club, he talked politics with me all through dinner, ignoring everybody else at the table. We discussed Bastiat's theory of value—none of the golf-bridge set knew what in blazes we were talking about, but Hoiles paid them no heed.

When he finds a man with an idea he is off like a hound after a fox. If you know any young libertarians seeking a career in the newspaper business, send them to Hoiles; if they want to work he might find a place for them; if he does they will learn to work, while taking part in the practical battle of man vs. State.

Hoiles may find some young-minded libertarian at a party; he then loses all track of time. Like a philosopher in the Athenian grove, he will continue asking questions as long as your batteries return his bright fire. His wife has to tell him that the guests are leaving and won't he say goodbye to them and go to bed? "Oh? In a moment," he says, and turns back to you, asking, "But how do you know Jesus actually said 'Render unto Caesar'?"

Intelligent men find it a pleasure to argue with Hoiles. He will, on rare occasions when proved wrong, change his position. Whenever this happens he talks about it for years, shaking his head

with admiration. "There's one man who made me change my mind," he'll say, marvelling at the event.

He still talks about Frank Chodorov as "one man who proved me wrong." The issue was taxes. "Taxes are all right," Hoiles used to say, "as long as people pay them voluntarily; I believe in voluntary taxes."

"That's a contradiction in terms," Chodorov said. "The one thing that distinguishes taxes from voluntary contributions is the element of force. There's no such thing as voluntary taxes."

Hoiles thought that over, screwing up his face. "You're right," he admitted. "Then I'm against all taxes." He has been ever since.

Of all the columns by R. C. Hoiles I remember, I thought the one called "The Faith of R. C. Hoiles" was the best, for it sums up those individualist beliefs which make his enemies call him a "crackpot" and his friends revere him. Some excerpts from it are in the box on page 482.

Once a big publisher in the West asked me: "What kind of man is Hoiles? Is he a genius or a scoundrel? I've heard both."

I thought a while. "He's the kindest man I ever met," I said. "You've heard he's against tax-supported schools, tax-supported old age pensions, social security, child labor laws, taxes of any kind. You've heard how he throws labor unions out on their ears. But I say he is kind because he respects men as individuals. You feel he wants to find the best that's in you and drag it out of you where you both can stand and admire it. He looks for the truth in a man."

I remember how I met him. I was a steelworker. I had spent my days working as a second helper on the open hearth, my nights writing a novel about it, and my meals drinking beer. I came down with a mild case of t.b. After a year recuperating, I felt ready to go back to work on the novel.

I first read about Hoiles in that vitriolic article in *Time*, which made him sound like the meanest man alive. I thoroughly agreed with the sentiments *Time* attributed to Hoiles, especially his opposition to tax-supported schools. I sent Hoiles four articles on schools. He bought them. Then I asked him to finance the novel I was working on. He wrote back and said he wouldn't subsidize me but he would give me a job writing editorials in Colorado Springs; the climate would be good for me. He believed that a steady job with responsibility would do more for me and my novel than a subsidy.

Maybe you wouldn't call Hoiles a charitable man. But he has a capacity for bringing out a man's best self. I call this the highest kindness.

William Johnson, editor of *Faith and Freedom*, wrote to Hoiles on his seventy-fifth birthday: "If there were a typical individualist, you would be my standard."



A Reviewer's Notebook

By JOHN CHAMBERLAIN

Once upon a time, for my sins, I spent a month for *Fortune Magazine* reading practically every novel about a businessman that had ever been written in the United States. The amount of concentrated bilge that I passed through my mind is horrendous to contemplate even in distant retrospect. Practically every young novelist who came out of a family that made its living by business seemed to be fighting a Freudian war with his father. If the old man was in finance, then the son saw him as a pirate like Dreiser's Frank Cowperwood. If Pop was a big shot in railroading, he was a power maniac like the Collis P. Huntington of Frank Norris' *The Octopus*. If he belonged to Rotary or Kiwanis, he was a Babbitt. If he was a war manufacturer, he loaded the government down with defective airplanes or paper shoes. And so it went, through a long and dreary catalogue of villainy.

The penchant for stereotypes has had a forty-year run, and it is only recently that one or two brave souls among our novelists have come to question it. Three years ago, in *Executive Suite*, Cameron Hawley dared suggest that businessmen might proceed from a variety of motivations, just like other human beings. *Executive Suite* may have been rough-hewn as a work of art, but it was the first refreshing treatment of a business theme since Sinclair Lewis' *Dodsworth* and Booth Tarkington's *The Plutocrat*, both of which included a fair measure of sympathy for the life of conjuring productivity out of a matching of men and money. And now that John P. Marquand has gotten around to the subject of business in *Sincerely, Willis Wayde* (511 pp., Boston: Little, Brown, \$3.95), we have another departure from the stereotype.

It is a departure, however, only because Mr. Marquand is such an

observing creator of character that he can triumph over a defective sense of values. The portrait of Willis Wayde is sensitively done—but the intellectual schematization of the book through which Willis Wayde moves is all wrong! The Romans had a saying about money, "*non olet*"—it does not smell. But the "commercial instinct," which is what Willis Wayde had from birth, may or may not smell, depending upon the uses to which it is put. Mr. Marquand understands the workings of the "commercial instinct" wherever it appears, whether it is in an older generation of businessman or among the modern breed. But Mr. Marquand, who hails from that "settled" part of the United States which one finds in the old communities to the north of Boston, has an inherited or an ingrained prejudice. To him "*non olet*"—it does not smell—applies only to money which is inherited. Money which is in process of contemporaneous creation inevitably involves the making of compromises by businessmen—and this compromising is what offends Mr. Marquand's patrician nostrils.

So the patrician proceeds to misread his own story. Marquand rightly sees that the third and fourth generations of Harcourts in Clyde, Massachusetts, are not up to running the old Harcourt Mill, an ancient integer in the rubber belting industry, with the efficiency that makes for good wages and decent profits. Old Henry Harcourt is the last of his breed with the "commercial instinct." Son Bryson Harcourt hasn't got it—he is an outdoor man who prefers yachting at Marblehead to worrying about rubber belting patents. As for grandson Bill, he is a nice guy, but he just doesn't want to be bothered. Bill's sister Bess might have made a good inheritor of the Harcourt Mill, but the mere fact

of her sex was against her. At any rate, nobody thought of training Bess to take over, whether in her own name or in the name of whatever husband she might acquire.

The family circumstances being what they were, old Henry Harcourt did the best he could when he turned to young Willis Wayde, the son of a mechanical engineer from the West who had advised the Harcourt Mill to acquire the Klaus patents. Young Willis was dazzled a bit by the rigidities and subtle distinctions of Clyde society. Since the "commercial instinct" was in-born with Willis, he proceeded to use it to gain personal acceptance in Clyde. But Bess Harcourt was ambivalent about Willis. He was an attractive boy, no doubt, but he was certainly no aristocrat. His external humility, a protective thing with Willis while he was learning his way around in Clyde, made Bess think of Uriah Heep. Bess couldn't take that.

Uriah Heep or not, it took Willis to save the Harcourt Mill. This happened years after Willis had gone to New York and New Jersey. He did it by the process of merging Harcourt with his own Rahway Belt. And then he did the unforgivable thing: he put both Rahway and Harcourt into the larger firm of Simcoe, with headquarters in Chicago—and closed down the Harcourt factory in Clyde because it was an inefficient unit.

To Bill and Bess Harcourt, this was an outrageous failure of *noblesse oblige* toward a whole set of Clyde retainers who had worked for years in the old factory. Moreover, Willis' wife Sylvia, the daughter of a Harvard geology professor, thought it a bit cold-blooded on Willis' part. But Willis' attitude was that business was business. You had to do what was good for the stockholders, and you had to make a profit or go under.

As a patrician, Mr. Marquand is

obviously on the side of Bess and Bill Harcourt. What he does not see is that the young Harcourts had forfeited their right to be critical of Willis Wayde when they refused to take responsibility for the property they would some day inherit. The true aristocrat does not turn over his ultimate moral decisions to an agent; he stays with his responsibilities, and lives or dies by the result. The trouble with both Bess and Bill was that they wanted it both ways. They liked the money which Willis Wayde made for them. But they were unwilling to do the hard work that was necessary if the fate of the Harcourt Mill were to remain in their own hands.

Marquand understands the "why" of Willis Wayde's decisions. But he can't resist making fun of the man for being a business climber. He does this by giving Bess the last word in the book. The last word should have been Willis', however. For Bess, after all, is the fundamentally stupid victim of a perverted code that only recognizes energy when it is ancestral. Bess should have married Willis in the first place, as her grandfather wished in his secret heart. If she had, the Harcourt Mill would have slugged it out with both Rahway and Simcoe and won the battle. And she would have remained in the driver's seat, a true aristocrat instead of a phoney one.

As always, Mr. Marquand carries off his novel with deft command of his flashback technique. The method is not original with him, but he is such a master of it he has made it peculiarly his own. And he has set a style: for example, Hamilton Basso's recent *The View from Pompey's Head* (409 pp., New York: Doubleday, \$3.95) reads, in its conceptual outline, like a southern version of Marquand's *Point of No Return*. But Mr. Basso's values are sounder than Marquand's happen to be in *Sincerely, Willis Wayde*. To Mr. Basso, both ancestor worship and commercial climbing are variant forms of a single human urge—the urge to establish one's own personal identity in a world that can be harsh and alien no matter where one is born. Mr. Basso sees his characters *sub specie*

aeternitatis—and he comes close to turning his own *Point of No Return* into Sophoclean drama. Whether he is writing about southern "Shintoists," or about "you can't go home again" refugees who seek success in New York City, or about a novelist who has climbed up out of the "mudsill" world of Alabama white trash only to discover that he has a touch of the tarbrush through an octoroon mother, Mr. Basso comprehends that everyone is caught in the same sadness. The record of humanity is a struggle to make patterns against the enduring dark, and nobody can escape the human lot. The most that any novelist can do is map the contours of the darkling plain where the ignorant armies clash by night.

Novels can be written in two fundamental ways—the "social" way of Henry James, which Marquand and Basso both accept as their particular convention, and the poetic-symbolic way of Nathaniel Hawthorne. Ralph de Toledano's *Day of Reckoning* (179 pp., New York: Henry Holt, \$3) is in the latter tradition. Mr. de Toledano's method is to concentrate so much reality in a single vehicle that it becomes not reality but poetic allegory.

Into a story about communist immoralism and the individual answer thereto, Mr. de Toledano has thrown the Carlo Tresca case, the Juliet Poyntz case, the Krivitsky case and the Trotsky case, plus a number of overtones of the Spanish Civil War. Since the Western world, through some process of corruption which few people have the wit or the patience to understand, has manifestly welshed on its duty to bring the murderers of Tresca, Poyntz, Krivitsky and others to justice, Mr. de Toledano's Paul Castelar decides to take justice into his own hands. This is always dangerous to do, for it implies that there are times when the functions of prosecution, judge, jury and hangman must be exercised by a single individual who is willing to accept a terrible responsibility. Mr. de Toledano's point is that evil must be confronted somehow—and he apparently believes that God speaks

through the Paul Castelars of this world when "society," as represented by a corrupt or weakling D.A. and a complaisant police, refuses to be the agent of Divine Justice.

The moral ambiguity of Castelar's position is accepted by Mr. de Toledano as one of those individual crosses that must be borne in an age that refuses to make moral sense of its own predicament. The dilemma is the old one of John Brown. Was he saint, or was he fanatic? And if fanatic, was he God's chosen vessel nonetheless? There are no pat answers to any of these questions, but human beings must on occasion try to answer them. Right or wrong, Paul Castelar is a figure of transcendent importance to our time. And it is part of our time's disease that most of our literary media refuse to look our Paul Castelars in the face. They are part of the corruption that has let the murder of Carlo Tresca go unsolved and unavenged.

Having used up my space on the most provocative of the recent novels, I haven't room to deal justly or adequately with Clinton Rossiter's *Conservatism in America* (327 pp., New York: Knopf, \$4). Like other books of its type, this raises more questions than it settles. Rossiter writes a fluent, agreeable prose; he has learning; and he is obviously on the side of the angels in the contemporary struggle against communism. But he lacks any clear conception of the dependence of the good community on individual variation.

Rossiter prizes certain phrases such as the "primacy of the community," but he offers no principle, nor even any good rule of thumb, by which an individual may distinguish between the community as a society of free men and the community as a constrictive social mechanism which throttles for the sake of throttling. His conservatism is distinctly "without tears." The good and bad points of it should be discussed at essay length—and the essay would have to come to grips with a more important question: is the issue really between "conservatism" and "liberalism," or is it between coercion and the voluntary way of life?

He Adds Little to Philosophy

The Public Philosophy, by Walter Lippmann. 189 pp. Boston: Little, Brown & Company. \$3.50

"The public philosophy" is apparently Mr. Lippmann's private language for "natural law." With the major premise of his thesis one can fully agree: that the possibility of constitutional democracy depends upon the acceptance of permanently valid principles of morals and politics as supreme over the desires and power of majorities no less than of minorities. The larger part of the book is devoted to the statement of this premise, a statement which has been made much better before and to which Mr. Lippmann adds little, if anything.

Nor can one disagree with his minor premise, that a decay in the understanding of these principles, together with the growth of an anti-constitutional subservience to the majority, has brought about a serious danger to the very survival of constitutional democracy.

The conclusions, however, which he draws from his premises made this reader, at least, wonder if Mr. Lippmann had studied the same American Constitution and the same philosophical sources that the rest of us have—and whether he lives in the same twentieth-century world we do. His main practical conclusion, that the result of the rise in the power of the masses in the United States and the Western democracies has been a strengthening of the legislative arm and an "enfeeblement, verging on paralysis" of the executive, would seem in the light of the history of the past fifty years to be a flat contradiction of the facts. Never have Presidents held in their hands anything like the cumulatively increasing power of Theodore Roosevelt, Woodrow Wilson, Franklin Roosevelt, Harry Truman and Dwight Eisenhower. It is true that there is a "functional derangement" in our political society, but it is the exact reverse of that which Mr. Lippmann invents. It is the enormously swollen power of the executive. This is the effect of crude democracy and the attrition of constitutionality, and this is the "derangement" from which we suffer.

As with the relationship between the executive and legislative, so with some of his other conclusions. The inalienable right of the individual vis-à-vis the State, which is the underlying principle of the American Constitution, becomes transformed into the civic duty to bridle the power of the "ruled" and strengthen the "rulers." Freedom of speech and the rights of property become privileges to be granted by the State within the limits of the necessities of the "good society." From beginning to end the book refuses to recognize that such an entity as the individual exists. The entire realm of discourse is that of social groups—"masses," "rulers," "the ruled," "the corporate nation."

Despite all his discussion of natural law and his appeals to the Founding Fathers, what in actuality Mr. Lippmann seems to be concerned with is the aggrandizement of an "elite" and the further removal of checks upon their power. It is not necessary to disagree with him when he attacks unlimited power in the hands of "the people" and of the demagogues who speak in their name, to condemn his mid-twentieth-century version of the philosopher king, his demand for full governmental power for those who possess "the inwardness of the ruling man. . . the noble master of his own weaker and meaner passions."

The American idea is equally hostile to either kind of power. It is hostile to *power*; and the framers of the American Constitution created the first governmental structure in history consciously designed to protect the individual by preventing the concentration of power, whether in "aristocratic" or "democratic" hands. The issue today is not whether power should rest in the hands of majorities or of minorities; nor were the conclusions the Founding Fathers drew from their understanding of the natural law, of which Mr. Lippmann writes so glibly, concerned with that issue. The true issue, then and now, was and is between those who stand for the aggrandizement of power, in whosoever hands it may rest, and those who wish to check power and control it.

The American principle—derived from natural law, which places the inalienable value of each individual above all other political considerations—is that power should be shackled by checks and balances, so that the individual remains free and government restricted and limited. The true disease of our commonwealth is not Mr. Lippmann's romance of the pitifully enfeebled executive. It is the attrition of that principle (and of its corollary, that the economy must remain free of government control). A return to that principle is undoubtedly of the gravest urgency for the welfare of the Republic, but Mr. Lippmann's rhetoric is a will o' the wisp, leading the unwary reader not toward but still farther away from it.

FRANK S. MEYER

The Rathole

Billions, Blunders and Baloney: The Fantastic Story of How Uncle Sam Is Squandering Your Money Overseas, by Eugene W. Castle. 278 pp. New York: Devin-Adair Company. \$3.50

In fast-moving style this book gives everything the title promises. Chief target for Mr. Castle's wit is the United States Information Agency.

Last March USIA requested \$88,500,000 for the coming fiscal year. On that occasion James Reston of the *New York Times* wrote: "The United States spends more money and energy on Government information and propaganda than any nation in the Western world, yet is more widely misunderstood than any other leading nation."

More than half of Mr. Castle's book focuses on this sad fact. After reading his story of incredible naiveté and waste, one has the key to Mr. Reston's puzzle.

There may be a few errors in the recount. But as a whole Mr. Castle aims well. Besides its main theme, the book also shows why government agencies are so permanent. For instance, USIA bureaucrats assign the agency's top brains to the worthy cause of selling the American taxpayer on the absolute need for an agency which costs him almost 90 million dollars a year.

I wish Mr. Castle had scanned and printed some of the stuff the

"Voice" beamed out in recent years. At any rate, several years ago I listened to it in Europe. Among other beauties there was one broadcast which featured in detail a dog's funeral in New York.

The smaller part of the book pleads for ending "foreign aid." Mr. Castle asks why we should spend money, for instance, to teach natives somewhere how to read (most likely free pamphlets brought in by Moscow) if our own children get less and less education because of inadequate schools?

It is interesting that "liberal" reviewers of the book took the merciless attack on USIA much better than the brief and quite moderate criticism of the foreign-aid mania. "Point Four" must be dear to them.

As expected, a frank book on so delicate a topic got hit with the full arsenal of the collectivistic book-review circuit. And that is cant, ridicule and hypocrisy. For instance, the *Saturday Review* piece took offense at Mr. Castle's blunt language. Singled out were his words "rathole, giveaway, slush fund, do-gooders, shakedown, One-Worlders." Yet the very same review saw fit to hurl against Mr. Castle: "Ranting, sneering, the charming objectivity of the *Daily Worker*. He fouls himself up at a higher rate than permissible even to a cub."

Fortunately, American anthropologists working abroad report ever more evidence showing the whole "Point Four" approach was utterly unrealistic and possibly detrimental to all concerned. Apparently, what kept those countries undeveloped was (and is) a social climate of the kind our "liberals" and Britain's Socialists are so eager to foment and expand everywhere. It is the almost universal myth that any success of someone must mean loss to someone else.

Ironically, "underdeveloped countries"—that is, their leaders—pledge themselves the more emphatically to socialism the louder the United States talks about her "obligation" to keep them from collapsing economically. Ever since the new Asian aid program cropped up in Washington, Nehru's India displayed an even bolder, almost obsessive commitment to the luxury of a socialist society.

HELMUT SCHOECK

The Cost Was High

What Price Federal Reclamation?

by Raymond Moley. 72 pp. Washington, D. C.: American Enterprise Association, 1012 14th Street N. W. \$1.00

Reclamation—the word calls up a vision of arid deserts transformed into verdant farms by the magic of water. Uninhabited wastes become busy, populous countrysides. The grim day of mass hunger, foreseen by Malthus, is pushed further into the future.

After reading Raymond Moley's account of a half century of socialized reclamation in the United States, one suspects the vision is a mirage.

When the first reclamation act was passed in 1902, the farmer was given ten years in which to pay the cost of reclaiming his land. This period was soon doubled, and in the 1920's it was raised to forty years. In 1939 all pretense that reclamation would pay for itself was given up.

The reason, apparently, is the cost. For example, the three million acres or so which the Reclamation Bureau plans to bring to fruition by 1959 will cost (according to the Bureau's own estimates, which in the past have proved to be about one-third of the actual cost) an average of \$700 an acre. True, this includes the cost of power development, but it does not include interest on investment, which over the years will run to several times the construction cost.

Never since the program was started has Congress required farmers to pay interest on the government's investment in bringing water to their land. On some projects which combine power with irrigation, that part of the power earnings which should constitute interest on investment in power facilities is being used to amortize the irrigation plant. This practice was branded by Senator Knowland as "double-dealing" and "financial sleight-of-hand."

Is reclamation of arid lands the practical way for growing America to keep the pantry full? Moley thinks not. He points out that in the sub-humid East, South and Middle West there is unused farm land equal to six times the arid acres which the Bureau has earmarked for watering. And land now in use can be made to

produce more, at no cost to the taxpayer. Farmers of the Southeast are applying supplemental water to their land, boosting crop yields. In Indiana it has been proved that irrigation of light soils doubles the yield of corn. By heavier fertilization, use of improved seeds and better control of weeds, the production of American farms in the last fifteen years has been increased 40 per cent, and agronomists state that this is just a beginning.

Moley might well have pointed out that the government's reclamation program is not only extravagant but is a major assault on freedom. Like other government excursions into production, it uses money taken from all the taxpayers to finance additional competition for some of them. Being forced to subsidize your competitor is not the American enterpriser's idea of fair play.

OSCAR W. COOLEY

"Robber Barons"

The Banditti of the Plains, by A. S.

Mercer. 195 pp. Norman: The University of Oklahoma Press. \$2.00

The Banditti of the Plains could be offered as proof that the "robber barons" did exist; that the big cattle owners of fifty to a hundred years ago unquestionably resorted to murder to impose their wills upon the "little people" who established homes and farms on the cattle ranges. Yes, it could be so used. But the main point that this book proves is the unquestionable fact that the "robber barons"—in industry as well as in agriculture—could not have operated without the help of government. Our officials—presidents, senators, governors and sheriffs—either joined in with or tolerated this evil of some persons using legal or illegal violence to impose their wills upon other persons. Unfortunately, this evil still exists, though now in quite another form. DEAN RUSSELL

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The Unreal Dream

Reflections on the Failure of Socialism, by Max Eastman. 128 pp. New York: Devin-Adair Company. \$2.75

Sometimes a powerful and passionate refutation of a wrong idea turns into an affirmative vindication of a right idea. Burke started out to expose the fallacies of the ideologues of the French Revolution—fallacies which were restated more than a century later by the leaders of the Russian Bolshevik Revolution. He ended by presenting a memorable picture of an organic society which does not spring from the mind of some facile theorist, but is enriched and strengthened by a hundred ties of history and tradition.

When Friedrich Hayek wrote *The Road to Serfdom* he set up important signposts for the road to freedom. And Max Eastman, in a brilliant and penetrating exposure of the reasons for the moral and material failure of socialism, comes up with some very challenging and stimulating ideas as to what should be the goals of a free society. In rejecting the false utopia of collectivism, he offers the dream of a state of affairs where free citizens "are normally found to be possessors of land or capital or both."

Forty years ago Max Eastman, editor of a radical magazine successively known as the *Masses* and the *Liberator*, believed that Marxian socialism was a scientific blueprint for the enlargement of human opportunity and liberty. Now his disillusionment is complete; his recantation is without reservations. He characterizes the whole idea of extending freedom, or justice, or equality, or any other civilized value to the lower classes through common ownership of the means of production as "a delusive dream, a bubble that had taken over a century to burst."

"When I am denounced as a turncoat by the true believers it does indeed bring a blush to my cheek, but only because it took me so long to turn my coat."

A principal reason why socialist experiments failed, from the bloodless experiment of Robert Owen in New Harmony, Indiana, to the sanguinary tyranny of the Soviet Union and Red China, is that the

original dreamers of the socialist faith failed to reckon with the realities of human nature. The aggressive, competitive, pugnacious elements in the make-up of the normal being were overlooked.

Eastman tosses away the unreal dream of a social order from which the element of individual and group struggle and competition is banished. What he proposes is to extend the check-and-balance theory which dominates the political institutions of the American Constitution to economic and social life. In economics, as in politics, no one power or interest should be all-powerful. He shows a keen sense of the necessity of giving the right economic answer if freedom is to prevail in the age-old struggle against tyranny. As he puts it, and he possesses in unusual measure the gifts of elegant expression and lucid exposition:

"We can choose a system in which the amount and kind of goods produced is determined by the *impersonal* mechanism of the market, issuing its decrees in the form of fluctuating prices. Or we can choose a system in which this is determined by commands issuing from a *personal* authority, backed by armed force. . . We have to choose. And the choice is between freedom and tyranny."

WILLIAM HENRY CHAMBERLIN

Oil and Imperialism

Oil Diplomacy: Powderkeg in Iran, by Nashrollah Saifpour Fatemi. 405 pp. New York: Whittier Books, Inc. \$4.50

It is written that a people without history is a happy people. Iranians might still be enjoying the blissful, unchronicled obscurity to which they were entitled after eclipse of their ancient Persian splendors—if only they had not been afflicted with the kind of riches which attracts modern international burglars: oil.

For most of the last hundred years, a compulsion to bestow or withhold foreign economic concessions has enlivened Persian records. In 1867 the imperial Russians muscled in on Caspian Sea fishing, which explains why the Soviets, not the Iranians, still hold the world

market for caviar from Persian sturgeon. When an early shah gave a British firm the tobacco monopoly, his enraged subjects forgot he was "the Breathing Image of God." First they stopped smoking. Then they assassinated him. Exclusive concessions were handed around for nearly everything. One of them, to the French for archaeological diggings, raised the first hard clue to petroleum—and thereby provoked a large amount of history.

It all began in 1901 with the ill-famed concession to Australian promoter William Knox D'Arcy of "special and exclusive privileges to prospect, obtain, exploit, develop, prepare, export and sell natural gas, petroleum, asphalt and mineral wax throughout the Persian Empire for sixty years." These rights were spirited over to a British company. Young Churchill, converting the Navy from coal to oil, put His Majesty's Government in as partner.

Rivals when the field was clear, England and Russia collaborated when third parties threatened. Twice they partitioned Iran into ever wider "zones of influence." In World War One they joined against the Germans, who were spreading rumors that the Kaiser had obligingly turned Moslem. Later everybody wanted Iranian oil, even the Japanese. American oil companies, *invited* by the Iranians to save them from Anglo-Russian attentions, were tricked or bamboozled off.

In 1946, after failing to extort an oil concession, the Red Army grabbed at all of Azerbaijan—and failed again, this time due to American firmness. Five years later the Iranians firmed up, too, and blasted out the Anglo-Iranian Oil Company, along with Britain. In August 1954 Iran agreed to let an international consortium reopen giant Abadan.

Dr. Fatemi reports an appalling amount of imperialist iniquity. Red machinations occupy a large place, but British knaveries even more, presumably because the British were most successful. His evidence confirms that the Anglo-Iranian Oil Company was intolerably arrogant; London unconscionably bullying.

But the Iranian story still remains to be told. Except for barest mention, the author ignores entirely the local greed, corruption, fanaticism and sheer Parliamentary bedlam which contributed so much to

Iran's disaster. Further, the book is a triumph of bad structure. Two out of twenty-two chapters seem to have benefited from rewriting. The rest are jumbled beyond the permissible limit. Dr. Fatemi quotes without attribution, introduces names without identification, and plunges forward without possibility of pursuit.

HAL LEHRMAN

Diplomacy of Brawl

Popular Diplomacy and War, by Sisley Huddleston. 285 pp. West Rindge, N. H.: Richard R. Smith, Inc. \$3.50

Sisley Huddleston had watched the diplomats at work for forty years and had covered their conferences between world wars. In this book, which was his last, he attributes to "the advent of the masses" the disasters that have overtaken mankind since World War One.

Diplomacy, he says, is no longer the affair of experts, negotiating secretly in the world's foreign offices and often, like Disraeli before the Berlin Congress of 1878, averting war while the war spirit is rampant. Our present diplomats are "clamor boys"—prime ministers, foreign ministers, ambassadors-at-large—who fly from capital to capital and conference to conference, holding futile conversations and cloaking their futility in mendacious communiqués.

Mr. Huddleston defines the diplomacy of true statecraft as "the art of doing just enough . . . to achieve national objectives that must in the nature of the case be limited." But the crowd, he says, ignores limitations. It is excitable, emotional, belligerent. The crowd and its manipulators—the demagogues, the press, radio, television—"have all but ruined scientific statecraft, rational diplomacy, and the prospect of world peace."

The crowd, he says, was at the Conference of Versailles, both through the press and through the bloodthirsty wartime promises of the peacemaking politicians. Its pressures resulted in an unviable and vengeful treaty which led inevitably to a second world war. He deals caustically with the League of Nations, always an obstacle to a quiet and reasonable European readjust-

ment, and at the end manipulated by Litvinov into a pro-Soviet "popular front" whose influence still poisons Western thinking. And he regards the UN as an organization which has already made a reality of the Orwellian slogan, "War is Peace."

He points out that Soviet expansion could easily have been stopped in 1944 and 1945. But Roosevelt and Churchill, instead, gave Stalin all the aces. Although it is now too late to recover our vast losses, we can at least, he suggests, play our remaining cards with greater skill. The crowd must stay silent and leave the game to the experts.

This seems a forlorn hope. For the crowd is the bulwark of the Fourth Estate (including radio and television) which is at once its manipulator and the means through which it exercises power. Upon that power depends the fate of politicians, in the West at least. The politicians do not dare ignore the crowd, and the Fourth Estate must continue to manipulate it, for that is the condition of its own importance.

Besides, where *are* the experts? Mr. Huddleston himself cites the appalling ignorance of modern diplomats. Certainly the counsel of

Ludwig von Mises comments on Max Eastman's new book:

"In this thoughtful essay Max Eastman explains why socialism was bound to fail and why it really failed. He analyzes the resentment and envy that made such self-styled fighters for freedom as Bernard Shaw and the Webbs turn into uncritical champions of Stalinism. His book is the most devastating critique of the fashionable bigotry of our age."



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those rated experts has helped us little in recent years; *vide* the futile and expensive "containment" policy of our "top expert" on Russia, Mr. George F. Kennan.

Possibly there is no answer to the problem that Mr. Huddleston poses, but it must be said that he has posed it courageously and ably. His book goes far toward explaining the tragic dilemma of our time.

SUZANNE LA FOLLETTE

God Is Liberty

Approaches to God, by Jacques Maritain. 128 pp. New York: Harper and Brothers. \$2.50

Individualism without belief in God is a philosophical basket case. Individualists who argue their interpretation of politics or history without the certitude of God, a certitude in His existence which must be as physically real as a banged-up shin, talk rubbish; usually at length. If God is not acknowledged, the premises become ridiculous. M. Maritain puts it: "[without belief in God]

It is not possible rationally to justify fundamental moral notions such as . . . inalienable right, or the intrinsic dignity of the human person." That's why conservatives who are skeptical of the Divine should read this book.

It is not necessary to be a philosopher. As M. Maritain shows, there are approaches to God quite apart from the philosophical. There is, for example, the "natural or pre-philosophic knowledge of God," an intuitive approach which cannot help but be apparent to the person who asks himself, as M. Maritain makes us ask ourselves, *I exist?* The question mark refers not to the truth of our existence, a fact which the author calls "formidable, sometimes elating, sometimes sickening or maddening," but to the implications which naturally arise out of this fact. M. Maritain develops these implications in such an informal way that we come easily to an intuitive knowledge of God, which, in its own way, is as precise as mathematics.

There are other ways of knowing God without struggling for the discipline of philosophy. God is immanent in the artistic personality, in the creation of beauty. He is natural to the moralist. And the person inclined to mystical experience becomes a "friend" of God, predisposed to discover Him. It remains only a matter of seeing how such traits in our character lead us logically to God. M. Maritain is successful in nudging us from such unformalized inertia to the full recognition of "the natural desire to see that First Cause whose existence is shown to us through the natural approaches to God [which] is, in human reason, the mark of the possibility . . . of a knowledge of God superior to reason. . . ."

M. Maritain does not neglect philosophy. With a jolt, he takes us into the perplexities of Thomas Aquinas. The jolt comes from the fact that Thomas Aquinas is so wonderfully clear when edited by Jacques Maritain. He modernizes the great theologian's five philosophical proofs of the existence of God without doing violence to them. A comparison with the original can be made through the appendix; it will show that M. Maritain has retained the thunderous logic of Aquinas while pruning terms of

purely philosophical interpretation and discarding outmoded empirical examples. Maritain replaces twelfth-century analogies to the physical world with twentieth-century ones which help us follow the reasoning. The only fault one can find with what he did to Aquinas is that he sometimes failed to do it to himself. In the section of his book dealing with Thomistic approaches to God, he is sometimes noetic in his choice of language (he uses this word himself; it means "purely intellectual apprehension"). My three dictionaries yielded to me that *entropy* means "a mathematical factor which is a measure of the unavailable energy in a thermodynamic system" (huh?), but no amount of search enlightened me on his use of *univocity*. For your information, when you run across *amanké stênai*, it means dire necessity; you may still wonder whether it was necessary to be so dire.

F. R. BUCKLEY

Trade or War

How Can Europe Survive? by Hans F. Sennholz. 336 pages, including index. New York and Toronto: D. Van Nostrand. \$4.00

Lest the title mislead, this book should be of interest to every person whose urge is to live at liberty and in peace. In the title and text, Europe is hardly more than the stage. Any other geographic setting would also serve to mirror the eternal drama of individuals seeking ways and means for survival and progress within society.

"How big is society?" men ask themselves, and many have thought that a United States of Europe was the proper answer. In this study, Dr. Sennholz critically examines such recent theories of unification as the Federal Union of Democracies of Clarence Streit, the Socialist Movement for the United States of Europe, and the European Federalist Union. He also analyzes the Benelux Economic Union, the European Payments Union, the European Coal and Steel Community, the North Atlantic Treaty Organization, and similar attempts at partial application of the larger plans for European federation.

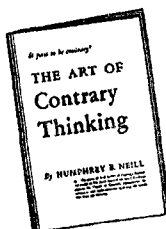
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and trade, those particular chapters do not make scintillating reading. The author had no choice; political history is bound to be dull when there is nothing to record but repetition of the same old mistake. With infinite patience he explains how that mistake is embodied in each of the latest attempts at the political integration of nations. If government indulges special interests within its own sphere of national sovereignty—if it is a "Welfare" State—then it is a mistake to assume a common interest with any other "Welfare" State.

A nation which attempts tariff protection and price support for its agriculture or industry, or places restraints upon the movement of people and capital into and out of the country, or otherwise interferes with trade at home and abroad, can hardly expect the people of other nations to support those designs to injure them. Nor can international cartels and similar treaty efforts ever lead toward peaceful unification, because those measures also involve a use of force, the consequences of which are counterforce and war.

Those who gain political power in time of war are reluctant to return that power to the people. Instead, they try to persuade the people that government is their great defender, and pretend that private enterprise instead of war has failed. In the periods of hardship which accompany and follow wars, the people still trust government to protect them from the rigors of open competition. They surrender their liberty, and the government uses its power to further clog the channels of trade.

If people understood this relationship, Dr. Sennholz contends that they would not search for peace through intergovernmental alliances. They would simply proceed with the peaceful business of industry and commerce, first insisting that their own government leave them alone in their domestic trade. In other words, those who value freedom and understand the advantages of unsubsidized and unhampered market relationships will see the fallacy and will abandon the attempts at a national Welfare State. Then they will be ready for peaceful cooperation and economic unification with those who are

willing to trade in other lands. The only help needed from any government is that it protect life, liberty and property without prejudice, and stop meddling with the freedom to move and the freedom to trade private property and sound money. But governments will never volunteer to curb their own powers. That has to be done by people who have faith in their own competitive abilities. Dr. Sennholz has given the explanations, ideas and principles upon which to build such faith.

PAUL L. POIROT

Stubborn Finland

The Memoirs of Field Marshal Mannerheim, by Carl Gustav Baron von Mannerheim. 540 pp. New York: E. P. Dutton and Company, \$5.75

People ill to the point of pain with reading about how we—the West—have knuckled under to the Communists again are entitled to some literary relief. There is a fine palliative dose of it for them in the memoirs of Finland's Field Marshal Mannerheim.

Mannerheim's book is an account of his country's stubborn and virtually unique habit of standing up to the Soviet Union. He tells of the trouble this habit has got Finland into, and (more important) of the troubles it has spared her. The old warrior-patriot explains the inspiration for Finland's defiance of her gargantuan and voracious neighbor: the generation that bled the Republic of Finland into existence is with her still.

Mannerheim's memoirs are entertaining as well as instructive. In 1917, after the Bolshevik pterodactyl had displaced the Tsarist eagle, one of its reptilian eggs hatched in Finland. Against this "workers' government" General Mannerheim, late of the Imperial Russian Army, mustered his compatriots' pitchforks and fowling pieces. When victory and independence had been won, the former Russian Grand Duchy pondered becoming a monarchy. While it did, Mannerheim served as regent. He subsequently helped in the drafting of the republican constitution—this despite his wholehearted preference for a royal form of government.

Then came the Winter War of 1939-40—a war which American Communists and their kissing cousins would dearly love to be allowed to forget. The rampant bear was flung to his haunches by a fierce little adversary. Mannerheim's superb generalship had made up for his country's lack of military preparation and for a time seemed likely to overcome the Soviet Army. The field marshal, in this part of his memoirs, makes authoritative and enlightening comment on the old question of whether Stalin deliberately threw inferior troops at the Finns in order to dupe Hitler on the real quality of the Red Army.

In this war Finland survived as a nation, but Finnish earth and people were cleaved from the fatherland. The Finns, Mannerheim writes, took solace in their bereavement from what had happened to Latvia, Esthonia and Lithuania—they parleyed (as we are doing) and disappeared down the red gullet.

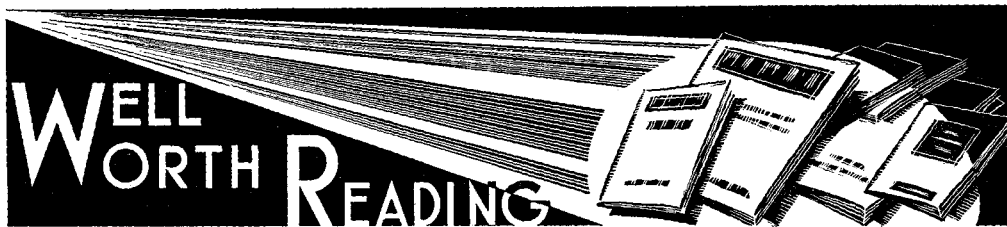
In 1941, when Finland again battled Russia, it stood with a strange ally. Some people might like Mannerheim to be more apologetic about the German collaboration, but then they are people who never felt queasy about our love-feast with the Soviet Union. Victorious Russia, still bent on bleeding Finland into helplessness, put away the sword and resorted to the leech. Mannerheim's memoirs do not tell all the story of how the free world suffered Finland to be fined for valor, but he describes the preposterously Draconian reparations which Russia demanded of her tiny and exhausted neighbor. Readers can fill in from their recollections of recent newspaper reports how Finland has again survived with honor and integrity. RICHARD M. PALMER

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Leaders For Leadership, by David F. Austin. 12 pp. Write to: J. Carlisle MacDonald, Ass't to Chairman, United States Steel Corp., 71 Broadway, New York 6, N. Y. Free

SMEARs

Although Facts Forum has consistently backed radio programs carefully designed to present both sides of current topics, this organization has been the target of sanctimonious liberals in a gutter campaign directed at taking the programs off the airways and ruining Facts Forum. The liberals are in full battle dress, using the weapons most dear and most familiar to them—the distorted fact, the personal slur, the blatant lie. What makes Drew Pearson, Marquis Childs, the *Herald Tribune* and the *Daily Worker* wax so wroth is that the conservative side of an argument is presented along with the liberal side. Comparisons must be odious—to them.

Case History of a Smear Campaign, by Hardy Burt and Associates. 28 pp. Dallas, Texas: Facts Forum. Single copy free

FREEDOM

Herbert Hoover warns: "Among the delusions offered us by fuzzy-minded people is that imaginary creature, the Common Man. It is dinned into us that this is the Century of the Common Man. The whole idea is an-

other cousin of the Soviet proletariat. The Uncommon Man is to be whittled down to size. It is the negation of individual dignity and a slogan of mediocrity and uniformity." Freedom is not won, it is not retained, by the monstrous uniformity of the mass. It is the individual of talent who is at once the flower and the trunk of liberty.

Freedom . . . Triumph of the Uncommon Man, by Ben Moreell. 14 pp. Public Relations Department, Jones & Laughlin Steel Corporation, Pittsburgh 30, Pa. Single copy free

ONE WORLD

By a vote of the Supreme Court, 5 to 3, President Truman was constrained from seizing the steel industry. Those judges who dissented, did so on the grounds that certain provisions of the UN Charter gave the President the authority for an action which would otherwise prove unconstitutional. According to these three judges, we are bound to the UN by treaty, and treaty overrides internal law. Recently, in *Rice vs. Sioux City Memorial Park*, the Supreme Court split 4-4 on the same interpretation. The Constitution was upheld by the grace of one judge. Can we afford to do without the Bricker Amendment any longer? How long will we have a choice?

Repair the Broken Chain—Pass the Bricker Amendment, by Clarence E. Manion. 4 pp. Manion Forum of Opinion, South Bend, Ind. 10 cents

From an editorial in the *New York Times*, April 8, 1953: "The resolution is dangerous because it forbids any treaty that would allow any foreign power or any international organization to control the constitutional rights of American citizens within the United States." This quotation refers, of course, to the proposed Bricker Amendment. The editorial is shocking evidence that an amendment must be passed. Attempts to define which executive agreements should be required to receive the sanction of national legis-

lation before they become effective as domestic law, and which should not, are impractical. A blanket prohibition is necessary if freedom and sovereignty are to survive.

The Increasing Need for a Constitutional Amendment on Treaties and Executive Agreements, by Frank E. Holman. 31 pp. The Argus Press, Seattle, Wash. Single copy free

ECONOMICS

By 1975, the only chance for respectable living by growing numbers of older citizens is a current acceleration of real savings and investment programs. Building the supply of capital goods fast enough to keep ahead of a surging population is the one way to have a rising standard of living. This requires a lot more business investment and a lot less dependence on the social security scheme of taxing others for one's livelihood. The greater the number of individuals with personal savings and with shares in cooperative industrial programs, the greater the assurance that proper distribution of the production of the future will be achieved.

Economic Challenge of Longevity, by Allen W. Rucker. *Harvard Business Review*, Nov-Dec, 1954. 12 pp. Reprints: Harvard Business Review, Soldiers Field, Boston 63, Mass. \$1.00

LABOR

Abuses of power by labor leaders must be eliminated or our government will be changed to labor socialism. Constitutional liberties and the free economy of a free people will disappear. Labor leaders demand monopoly control of all employments; this is the Marxian socialist dictatorship of the proletariat disguised as an evolutionary instead of a revolutionary program. The truth is that lawlessness by organized labor reflects the increasing lawlessness of the American people.

Lawlessness in High Places, by Donald R. Richberg. 20 pp. Donald R. Richberg, 1000 Vermont Avenue, N. W., Washington 5, D. C. Single copy free

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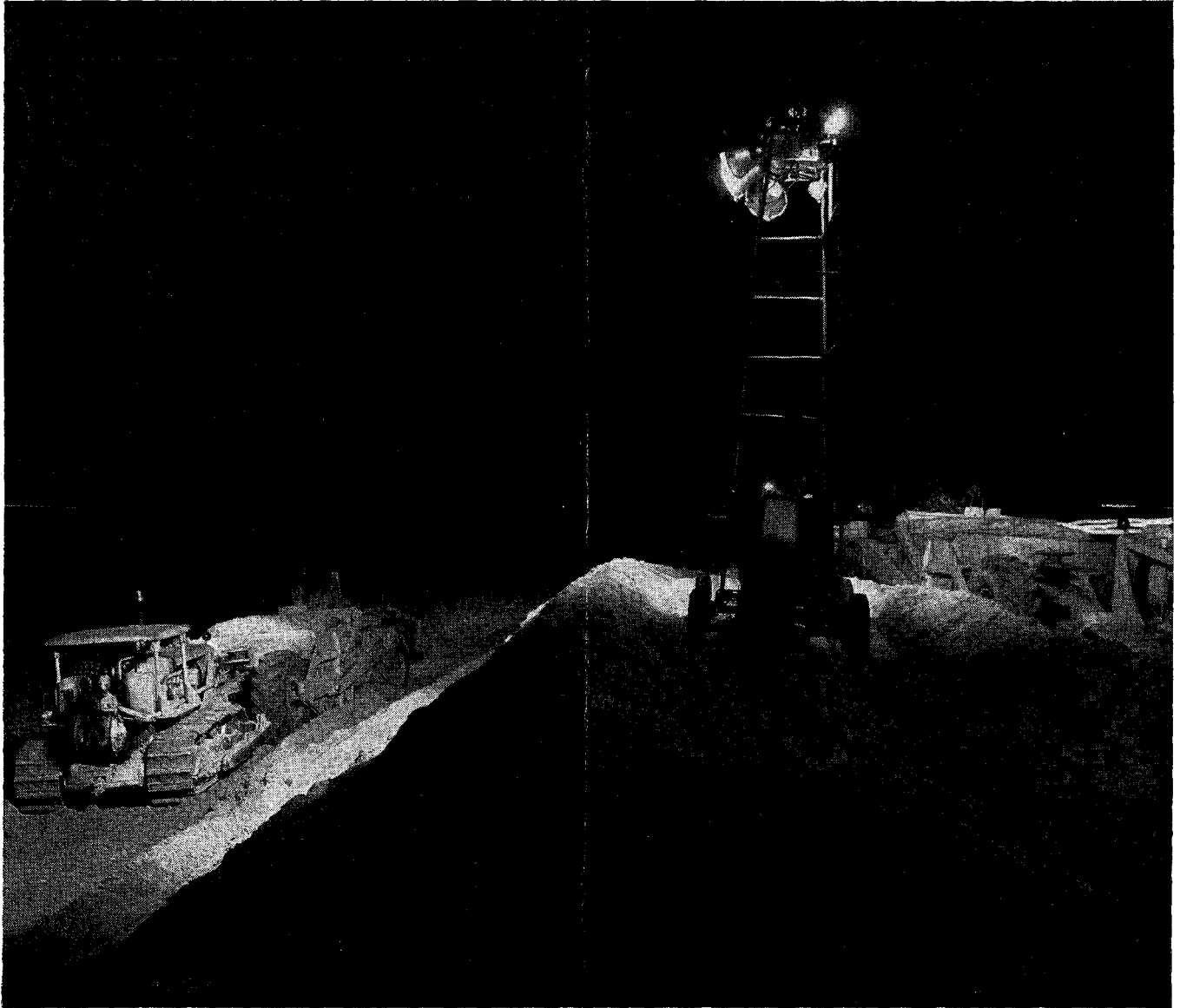
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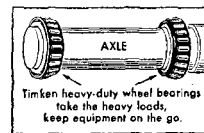
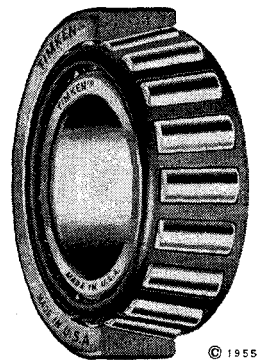
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