

# THE *Freeman*

IDEAS ON LIBERTY

APRIL 1963

## The American Tradition

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THE  
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APRIL 1963

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## 1. *There Was an American Tradition*

CLARENCE B. CARSON

IN A RECENT conversation with the president of a small college in the South I pointed out that I supposed I was what is most commonly called a "conservative." Somewhat perturbed, he asked if I associated myself with a particular group — one which has been given a bad reputation by the press. I answered that I knew of this group only by hearsay, and that I belonged to no organiza-

tions engaged in promulgating such ideas. I went on to explain briefly some of my central beliefs. But, he said when I had finished, that is simply Americanism. I agreed that I thought so myself. And thereby hangs a tale.

How pleasant it would be if the matter could be handled so simply, if one could say that he believed in the individual, in individual liberty, in limited government, and in free enterprise — and let it go at that. How refreshing it is to pass, if just for a moment, from the clouded atmosphere of competing ideas and ideologies into the clear air of simple agreement. There was a time in American history when such general agreement existed that men seldom bothered to recur to principles. Such consensus no longer exists, though

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Many readers will recall his 1962 series in *THE FREEMAN*, "Individual Liberty in the Crucible of History." That series will constitute a major part of a book, *The Fateful Turn*, to be available later this month from The Foundation for Economic Education, Irvington-on-Hudson, N. Y. (256 pp. \$3.50 cloth, \$2.00 paper).

*Illustration: National Archives*

national leaders frequently try to make it appear that it does.

I suspect that it would have been easy, in the conversation alluded to in the beginning, to have found that we were by no means of the same mind. It would only have been necessary for me to point out a few practical applications of these American ideas to show that this has not been the trend of recent years at all. I did not do so, preferring for the moment an illusion of harmony to the possibility of acrimonious debate. The point I would make is this. The American tradition has left a residue of live coals which still glow when breathed upon. Many Americans still respond positively when these ideals and ideas are called to their attention. There are, however, a great many clinkers among the coals — these clinkers being mainly the deposits from more recent accretions of ideas. It is not possible at the moment to build a fire upon the live coals of the tradition because of the interference of clinkers. These latter must be separated and removed from among the coals before a healthy fire can be built.

#### ***A Multiplicity of Traditions***

This metaphor, however, assumes too much. It assumes that there is or was an American tradition, that it can be defined and de-

lineated, and that it has continued value and validity. If, as I have already said, there is no general consensus upon these things, then they must be demonstrated, not assumed.

Would it not be more correct to refer to a multiplicity of traditions in America? One theory has it that America was a vast melting pot, combining elements from many countries, cultures, and traditions. The result of this, according to some accounts, is a profound antitraditional bias in America. In this view, Americans became a race devoted to the sloughing off of tradition, to perpetual change, to ever new movements in a framework of social mobility. Along with this, they developed a pragmatic temper consisting of experimental adjustment to changing circumstances. Following this line of description, America is an open society; Americans are casters-off of tradition, a people in constant rebellion against the fetters of established ways and patterns.

Of course, one can focus upon America in such a way that no tradition will come into view. That has been done in the above account. Suppose, instead, that one begins in the belief that there is a tradition and searches for it. He may then be struck by the number of traditions which have been

lodged here at one time or another. Depending upon the locale (and the point of approach), there has been an English tradition, a Southern tradition, a New England tradition, a Puritan tradition, a Spanish tradition, and so on through all the cultural variants that have had an existence in America. Or, to look at the matter from the widest possible angle, there has been only the Western (or Christian) tradition.

But, one may observe correctly, none of these is an American tradition; they are either too narrow, too broad, or clearly non-American. The difficulty in locating the tradition is twofold: in not being clear about what we are looking for, and in not having our sight correctly focused.

### ***Tradition Defined***

The first difficulty can be surmounted by a definition. A tradition is a body of beliefs, customs, habits, ways of doing things which are handed down from generation to generation. The manner of its being taught would not seem to be essential, whether by schools, by parents, by associates, or by churches. It is not so much a matter of law as of the manner by which laws are enacted, what is an appropriate matter for legislation, and wherein the authority resides for enacting it. Anyone

who doubts that there is an American tradition should observe a group of Americans organizing for some new undertaking. They will, predictably, adopt a constitution and by-laws, establish certain offices of which one will almost certainly be that of a president, elect certain of their members to fill these offices, and so on. That they will almost certainly do just this speaks eloquently of the existence of a tradition. The above, too, gives us a hint of the American tradition, for it is certainly of that.

The matter of correct focus is more difficult. If a tradition is understood as being prescriptive, there are many aspects of life and human activity which lie outside the American tradition. One may doubt that there is an artistic tradition, or a religious tradition (though there is a tradition of having a religion), or an aristocratic or class tradition, or, in many ways, a social tradition. The tradition, in America, may define attitudes toward these things but it does not prescribe them. It is, or was, the very essence of this tradition that it was limited. The very existence of these United States has depended upon limited prescription. In fact, there have been, and still are to some extent, many traditions in America, but they are local and regional in

character. The American tradition must generally be, then, one which lies above these and does not ordinarily intrude upon them. It is in this restricted area that we should look for the American tradition.

### **Three Major Developments**

If we focus our attention upon the restricted public arena in which there has been an American tradition, this is what we should discover. Historically, in that period since the English began to come in numbers to America, the outlines of not one but three traditions can be described in the course of our history. They are — to give them names — the authoritarian, the American, and the collectivist. I call the second the American because thus far it has been the central tradition to emerge here. Other names have been applied to it, but they have been subjected to such distortions that I prefer a more neutral terminology until I have delineated it more fully.

There was an attempt to transplant the authoritarian tradition from Europe to America in the seventeenth century. By authoritarian I mean the tradition of authority being vested in a man or men. It carries overtones, too, of reference to some external coercive authority. Those who pre-

fer semantic arguments to clarity of thought may argue that men have always lived under some external authority, and that it only changes its name from time to time. The distinction, however, is that implied between *subject* and *citizen*. The *subject* clearly recognizes the existence of the authority of a man over him; *citizen* implies an equality of condition in regard to the exercise of authority.

At any rate, America was initially settled by men accustomed by law and tradition to hierarchical authority. Authority over various colonies was vested in joint-stock companies, proprietors, or in some body by charter. In turn, these were grants stemming from the monarch. Everyman's rights and privileges were either confirmed or tacitly granted by the king. But the whole tradition was permeated by authoritarianism. Puritans, who doubted the king's authority in matters of religion, did not doubt that authority over men had been vested in the leaders of church and state. The emerging economy of the time — mercantilism — was authoritarian. Individuals engaging in economic activity frequently procured charters, grants, and monopolies from the crown. The state exercised extensive authority over commerce by way of tariffs, boun-



ties, and regulations of quality and quantity. In the home, authority was vested by law and usage in the father, who exercised it not only over minors in the home but also over women of whatever age.

But this transplanted authority withered in the American soil. Rebellions against it were numerous, even in the seventeenth century. Virginians took unkindly to the derivative authority over them, and soon they established a legislative assembly. The Puritan oligarchy was soon under pressure to extend the franchise and to yield up its exclusive control. The economic controls established by the early companies soon gave way to a great deal of private and relatively free trade. Roger Williams and Anne Hutchinson would not bow to the Puritan orthodoxy. The Old World class structure hardly took root in America at all. Religious toleration and representative assemblies were increasingly used as lures to draw settlers to the newer colonies. Those who would hold settlers found it advantageous to offer land which could be acquired as private property. The vestiges of Old World authority were maintained well into the eighteenth century, but another order was clearly emerging. One might almost say that the American colonists tolerated

the theoretical claims of the older authority until George III and his ministers attempted to effectuate it.

### ***Animated by Liberty***

We can discern almost from the beginnings of American settlement the making of an American tradition. This emerging tradition was one of individualism, voluntarism, constitutionalism, representative government, government by law, equality before the law, the recognition of a moral order in the universe, natural rights, and personal independence. It was, in essence, a liberal tradition, despite the semantic difficulties which the use of the phrase introduces. It was liberal in that it was animated by liberty as an ideal, embraced means consonant with liberty, and limited that authority over men which might intrude upon their liberty.

There are at least two difficulties in the way of calling the central American tradition liberal. One is that the term has been taken over in the twentieth century by those who are trying to graft collectivism onto the American tradition. The other is that "liberal" gained a partisan connotation in English-speaking countries in the nineteenth century. It was used to refer to the followers of Jefferson, Jackson,

Mill, and Gladstone. It became associated with the opposition to established ways and traditions.

When I refer to the American tradition as liberal, I intend to convey neither the collectivistic nor partisan meaning. By liberal tradition, then, I refer to the institutions by which liberty was established, the beliefs which supported liberty, and the customs, habits, and folkways that promoted liberty. So conceived, the liberal tradition was not the possession of a party but of a people, not a political program but a way of life, not simply a thrust for change but a means of maintaining order and continuity. It was the American tradition. It began to emerge around 1650, gained sway and was instituted between 1760 and 1800, and was maintained virtually unchallenged until around 1900.

#### **A Non-Revolutionary Growth**

In view of certain historical controversies, the point needs to be emphasized that the American tradition was *not* revolutionary. There are in American history no parallels to the revolutionary happenings of the French and Russian revolutions, no abolition of calendars and starting anew, no wholesale changing of street names, no reconstruing of the whole social system nor attempts

to remake man in the image of some ideology. On the contrary, Americans took gladly from their own past experience and practices, and from those of other people as well. The posture of the Founding Fathers is not that of men who know better than anyone ever has how to do things; it is rather one of attempting to build upon *both* the successes and failures of the past a little better edifice for protecting liberty within a framework of order. This made it more of a tradition because it rested on other traditions.

By calling it the American tradition, then, I have not meant to imply that it took its whole shape and substance from America, or that Americans broke entirely from their European past. Far from it! There is a sense, of course, in which Americans have consciously sloughed off a part of the European heritage. But much more evident is the fact that they built upon it.

The concept of natural law upon which American liberty was based goes back at least to the time of Cicero. The debt of Americans to John Locke, Montesquieu, and Edmund Burke, to Athens and Rome, to Medieval France and Renaissance Italy, and to the whole Old World Heritage is beyond measure. Regarding the classical influence upon the found-

ing of the American republic, a recent scholar has said: "In no field were Greek and Roman sources more often invoked; and at no time were they more frequently cited than during the preliminary discussions, the debates on the Constitution, the ratifying conventions, the *Federalist* papers and such publications as John Dickinson's *Fabius Letters*. The framers of the Constitution did not merely echo or imitate this ancient material: they applied it to the task in hand and transmuted it into workable form."<sup>1</sup> The imprint of the English heritage is writ large in the forms of American institutions. Moreover, there has been continual interaction between Europe and America from the outset.

Yet for all that, the tradition is peculiarly American. Even when the form is derivative, the articulation is American. Thus, the form for the office of President may have been derived on the one hand from monarchy and on the other from colonial governors, but the President is neither the one nor the other. The concept of right was fostered in America by a knowledge of privileges which monarchs granted, but the rights

which Americans came to prize had no basis any longer in monarchical grants. Such a strictly limited government as they conceived had no precise model anywhere. How aptly it was designed for the American condition, not to bring unity out of diversity but to achieve sufficient unity for protective purposes while permitting the greatest diversity and liberty. Beliefs and practices on this continent acquired their own peculiar turn.

#### ***The Past Is Prologue***

That the tradition which I have been describing is by right called the American tradition should be apparent. It was neither liberal nor conservative in partisan senses of those words. Rather, it was conservative in that it preserved from and was builded upon the past; liberal in that it was designed to protect liberty. It was in this frame that the state governments were constituted and the United States government instituted. It is American in that it grew out of the American situation and took shape in American conditions. There is, in fact, not even now any other tradition which can be called American.

That the central American tradition was erected around the goal of liberty is manifest in the great documents of our history. It was explicitly stated in the Dec-

<sup>1</sup> Richard M. Gummere, "The Classical Ancestry of the United States Constitution," *American Quarterly*, XIV (Spring, 1962), 4.

laration of Independence and implied in the structure of government provided for in the Constitution of 1787. Liberty was declared to be the object of the Massachusetts Body of Liberties of 1641, and was undoubtedly the purpose of the first ten amendments to the Constitution. The writings of Americans for two centuries are filled with declarations of devotion to liberty. This is true of Roger Williams, John Wise, Patrick Henry, Samuel Adams, Alexander Hamilton, George Washington, James Madison, Andrew Jackson, and Henry David Thoreau.

Of the "Colonial Mind" just before the American Revolution, one historian has said: "Rarely if ever in the history of free government has there been so unanimous a 'party line' as that to which the colonists pledged their uncritical allegiance. And rarely if ever has the party line been so easily reduced to one comprehensible concept, even to one wonderful word: *Liberty*. . . . One of the authors of the *Independent Reflector* spoke for almost all colonial thinkers when he adopted as his 'principal Design . . . opposing Oppression, and vindicating the *Liberty of Man*.'"<sup>2</sup>

### **Massive Departures During the Twentieth Century**

There have, however, been massive departures from this tradition in the twentieth century. Around 1880 thinkers began to lay the intellectual foundations for a new direction—that of collectivism. From the late nineteenth century on, elements of this new way were inserted piece by piece into the American frame. The most dramatic movement in that direction was made in 1933, but it has been gaining ground for most of the century.

Collectivists have not yet established a tradition in keeping with their ideas in America. Indeed, they have displayed a tendency to draw back in horror before actual examples of a more thorough carrying-out of their ideas, as in the Soviet Union. Collectivism begins with a conception of social unity which when carried through to conclusion leaves no room for diversity of practice or custom. Collectivists conceive of the purpose of society in such a way that common action must pervade every area of life. The society must be homogenized, as it were, in order that it have only common needs which can be met.

The accomplishment of this tremendous purpose requires a coordinated central authority which is greatly hampered by the sepa-

<sup>2</sup> Clinton Rossiter, *The First American Revolution* (New York: Harcourt, Brace, 1956), pp. 225-26.

ration of federally distributed powers. Congress is a continual affront to collectivists because it will not act with that unanimity which all-pervasive collective action requires. The natural institutions of collectivism are totalitarianism and dictatorship. The natural (or unnatural) tradition of collectivism is the homogenized society, the centralized authority, the collective (i.e., government) ownership or control of the means of production and distribution of goods, and the merging of all individual, local, and regional autonomy with a vast social whole, in which it will be submerged and lost.

### ***Changing the Meaning***

American collectivists (at least those called "liberals") shrink from many of these implications. Rather, they have attempted to achieve collectivism within the American tradition, however much they might stretch it in doing so. Their collectivism they call by the generic name of democracy, and their programs they advance in the name of the general welfare of the people. They have, of course, wrenched these words out of the context of the earlier American tradition and distorted their meaning. But this has been a usual tactic, whether wittingly or not, to distort the American

tradition and to make it appear to fit the collectivists' ideas.

A frequent tactic of historians has been to describe the making of American tradition within a purely temporal and environmental framework. Thus, earlier practices were in keeping with the American environment and conditions. But these conditions, they say, have changed. Thus the American tradition must be reconstrued to fit changing needs and conditions. Individualism, they tell us, was appropriate to an earlier day, but its day is past. The state divisions were all very well in a more primitive America, but the growth of "urban complexes" has made of them silly anachronisms. The real American tradition, they add, has been one of pragmatic adjustment to new and changing conditions. Thus is collectivism advanced.

By these methods the real American tradition has been obscured, much of its meaning lost, and its vitality drained off into collectivism. My purpose in this and the ensuing articles is to try to recapture some of the central features of that tradition, to describe how they emerged and were instituted, and to call attention to their rapid submergence in the twentieth century. It is not my contention that back there

somewhere was a perfect tradition, pure and undefiled, waiting to be discovered. Our ancestors were fallible men, even as we are. Let it not be forgotten that the justly revered Founding Fathers recognized and accepted human slavery in the Constitution. They fell short of their ideals in practice even as we do. All too often they compromised and bartered

away liberty. Yet they conceived the noblest experiment in individual liberty that has yet appeared on this continent, or perhaps anywhere else, and if those live coals which are the memories of the tradition they bequeathed to us can be made to glow in such a way as to kindle a new flame, we shall have been repaid for recurring to that earlier tradition. ♦

- *The next article in this series will treat "Of Constitutionalism and Higher Law."*

### ***Federal Aid: Bane or Blessing?***

THIS PATERNALISTIC IDEA of what government should be always involves an elite of bureaucracy which actually is no different from you and me, but imagines itself divinely commissioned to decide what all of the rest of us should do with our lives.

I should not really confine this elite to officeholders, by any means. There are many all around us — ministers, professors, club women, businessmen, social workers, who have the notion that everybody else, except them, doesn't know the score, can't earn enough money for a living, can't use what he earns intelligently for himself and his family, can't understand the simple rules of health, can't organize his leisure time, so must be putty in the hands of those who are blessed with these special insights — especially those who have control over tax money. Whatever its source, it is an utterly false notion that the mass of people have to be looked after by a few, not only utterly false but degrading to the personality of those who are the intended beneficiaries. To help people, yes; but to help people help themselves is the only help that really helps. The idea, therefore, that the federal treasury is both inexhaustible and a resource for personal advantage is a weakening force upon our national and individual character.

WILLIAM H. BOOK, Executive Vice-President of the Indianapolis Chamber of Commerce, from an address before the Electric League of Cleveland, Ohio, February 7, 1963.

# WE CALL IT

# *Freedom*

ROBERT L. GATES

I'M NOT a very educated man. I have no degree, no certificate that says, "Genius, type a, b, or c." I can't find my birth certificate, so legally I can't even prove I was born.

The only thing I have stamped on me is common to all mankind. We call it freedom.

Each of us is born free. Yet by our own great misunderstanding of what freedom is, we shackle ourselves with the bonds of government and spurious intellectualism.

The basic concept of freedom is lost. For God — not government — gave us freedom. The law — the government — did not give us life, liberty, property, or anything else.

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Mr. Gates, who does machine accounting work at Pensacola, Florida, also finds time to consider the meaning of freedom.

The purpose of government is only to help us protect our right to these gifts from God.

The reason we are losing our freedom is simply because we don't know what it is. We even ask "government" what freedom is. We ask the officials to define it for us and to write it down. But the officials in Washington are supposed to protect our freedom, not to tell us what it is. If they tell us what it is, we don't have it. If we ask them what it is, we have already lost it.

I am an I.B.M. operator. If I speak of anything outside this area, I'm considered some kind of nut. Well, in truth, I guess I am some kind of nut. I don't have to ask anybody what freedom is or where it comes from. I'm an I.B.M. operator because I like it. But I refuse to limit myself to that. I also study, read, write, think, and dream. I practice freedom, my gift from God.

So I'm laughed at. So what! One usually is scorned today when he points out that we are losing our freedom to our own government. Perhaps it is not even government's fault. If we don't know what freedom is, they will tell us what it is. If we don't know where it comes from, they will tell us it comes from them. If we won't protect it ourselves, they will protect it for us. ◆

# Is ECONOMIC FREEDOM possible?

*A careful examination of the charge that a free society would be controlled by private monopoly.*

BENJAMIN A. ROGGE

THE REAL DEBATE on domestic policy in the United States at mid-century concerns the proper role of government—and those who wish for less government in economic affairs are obviously losing. The judges, in this case the voters of the United States, have been giving verdict after verdict to those who argue for more government intervention.

Those of us who are losing the debate often ascribe our losses to the work of men in academic life and elsewhere who are preaching socialism and trying to subvert the traditional American system of free enterprise. This easy and tempting explanation implies that our un-American opponents should

be silent, and thus permit true American principles to prevail.

This explanation is both untrue and dangerous. It is dangerous because it could lead us to impose restraints on freedom of speech and of press that would indeed be un-American. It is dangerous because it leads us to relax our efforts to prepare and present our own case as powerfully and persuasively as possible. It is untrue because not one in five hundred of those who favor more government intervention is a committed socialist or even basically opposed to free private enterprise. On the contrary, most of them are committed to the free market arrangement and believe that their proposals are designed to strengthen rather than to weaken it. Specifically, they argue that the market arrangement can survive only if certain of its weak-

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Dr. Rogge is Dean of Wabash College, Crawfordsville, Indiana.

This article is recorded in the "Seminar Library" series of LP records available from the Foundation for Economic Education, Irvington-on-Hudson, New York. \$3.50. Write for complete list.



nesses and failures are offset by appropriate government action.

For example, it is alleged that the free market economy tends to be unstable, alternating between boom and bust, and that this instability will destroy the economy unless corrected by appropriate government action. Though this is a serious charge, I believe both the analysis and the call for government action are mistaken.

What I prefer to discuss here is an equally serious charge made against the free market by its friends.

Their charge is that economic freedom, though desirable, is not strictly possible—that in an unhampered market the individual would not be truly free but would be imposed upon by monopolies of various kinds and degrees. This charge appears in the preamble to one piece of interventionist legislation after another. Thus, the worker is said to need special protection because of the monopoly power of the employer. The farmer must be protected against monopolies on both sides of his market. Certain kinds of business firms must be protected against certain other kinds. Certain price decisions must be influenced by government because of the monopoly power of the firms involved. And on and on it goes. Clearly, if private monopoly is in-

deed this ubiquitous, a presumption is established in favor of a substantial role for government.

In my opinion, however, and this is to be the central thesis of my argument, the unhampered market tends to be a competitive market. In fact, strong action by government is all that can prevent its being a competitive market.

Phrased another way, my thesis is that positions of monopoly power tend to be short-lived and relatively ineffective, except as they receive the positive assistance and protection of government. Or phrased still another way, government in the United States has done far more to promote monopoly than to promote and permit competition.

### **Good for Others, Not for Me!**

In developing the argument, I admit that there are certain very human attitudes which tend to work against competition. Although each of us may approve of competition as a general principle, we are less than anxious to face competition in our own personal activities. Competition is good in principle, we say, but not in our particular industry or occupation, or not when it comes from overseas, or not when it comes from people improperly trained in this occupation.

A natural outcome of this attitude is the attempt to reduce competition by cooperative action among would-be competitors. This tendency was clearly recognized by Adam Smith, the father of free market economics. In *The Wealth of Nations* published in 1776, he wrote as follows: "People of the same trade rarely meet together even for merriment and diversion except that it end in some contrivance to raise prices."

A second reason for questioning the possibility of a truly free economy is the influence of advancing technology on the size of the firm. The continuing technological revolution has produced a situation in one industry after another where, to be efficient, a firm must represent a large accumulation of capital, translated into buildings, machinery, and distribution organizations of great size and complexity. This growth in the size of the efficient firm is another challenge to the maintenance of the competitive economy.

A third reason often advanced for skepticism about competition is the difficulty of keeping oneself informed on the alternatives facing him in the multiple markets in which he operates, and the associated difficulty of retaining the mobility to shift his course of action in response to changes in those market alternatives.

### **A Temptation To Connive**

The modern economic world is indeed a complex and confusing world, and these charges deserve serious attention. Let us take the charge that collusion rather than competition tends to be the distinguishing characteristic of the unregulated market economy. It is true that men are always tempted to practice collusion. However, it is equally true that the same forces which lead to the formation of cartel agreements tend to destroy those agreements.

The principal force involved here is simply the desire to make money. For example, suppose that a number of farmers agree to hold livestock off the market in a local area. The effect of this, of course, is to cause livestock prices to rise in that area. But with each increase in price, the individual farmer is under greater temptation to break the rules of the cartel and sell his hogs or beef cattle. At the same time, each increase in price attracts more livestock to that local market from farms outside the agreement area. The members of the cartel must then battle both their own members and outsiders to maintain the effectiveness of their operation.

In the same way, if a number of business firms agree to divide the total market into exclusive

territories, the resulting price increase tempts each firm to try to increase its sales so as to increase its profits. However, each firm's own territory provides only limited opportunities for increased sales, and the temptation is enormous to expand sales by poaching on the neighboring, forbidden markets.

### ***Cartels in America***

The history of cartels in America is a history of brief initial successes followed by increased cheating on the agreement, then serious internal conflict, and eventual breakdown and dissolution of the cartel. This was the history of cartels long before the government made such agreements illegal *per se*, when the only restraining influence was the time-honored common law practice of court refusal to enforce cartel contracts. I could provide one case history after another to support my thesis. At the same time, I know of no cartel agreement in the history of this country that has been both effective and long-lived except those that have had the explicit support of government.

The farm program in this country in the last 35 years has been nothing more nor less than a government sponsored and operated cartel arrangement among otherwise competing producers. The

nonfarm citizens have had to pay both the higher food and fiber prices and the cost of operating the cartel producing those higher prices.

In the same way, the trade union, a cartel arrangement among otherwise competing sellers of the services of labor, has been given the explicit support of government. In addition, trade unions have been permitted methods of enforcing their cartel rules that have made a mockery of the legal prohibition against assault.

In the same way, certain business and professional groups have been given legal protection in their cartel arrangements through licensing and franchise protection and through so-called fair trade laws.

### ***Justice Encouraged To Peek***

The seriousness of these actions by government lies not only in the economic consequences but also in the violation of an important cornerstone of the free society—equality before the law. The union member, the farmer, and certain businessmen have been encouraged and assisted in doing precisely that for which other businessmen are sent to jail. The blindfolded goddess of justice has been encouraged to peek, and she now says with the jurists of the ancient regime, "First, tell me

who you are, and then I will tell you what your rights are."

To summarize the point: although there is a natural tendency toward collusion among those who otherwise would be competing, there is an equally natural and ultimately stronger tendency for such collusive agreements to break down. The greatest contribution the government can make in this regard is to stop assisting and encouraging cartel groups.

Adam Smith followed the words I quoted above on "people of the same trade," and so forth, by saying, "There is no law that would be consistent with either liberty or justice that could prevent such meetings, but surely the government should do nothing to encourage such meetings, or to make such meetings necessary."

We have in the traditions of our common law refusal to enforce cartel agreements all that is really needed to prevent such agreements from destroying the basic competitiveness of the American economy.

### **Growth in Size of Firm**

I turn now to the second argument: the threat to competition that is said to be posed by the growth in the size of the firm. Here again, there is no disputing the fact that advancing technology has led to larger and larger firms

in many industries. However, in some industries advancing technology has made it possible for small, even household units to compete successfully with the giant firms. The development of efficient and relatively inexpensive tools, for example, has made it possible for many a husband to run a basement factory for producing furniture, at least for use in his own home.

But rather than rest the case on this possibility, I would further point out that the growth in the size of the firm often has been matched, or more than matched, by the growth in the size of the market. It is the size of the firm relative to the market that is important, and not the absolute size of the firm. Advancing technology also has been at work in transportation and communication, and this has had the effect of widening all markets.

For example, as a result of the automobile, no giant supermarket today has as much control over its market as did one small store in the small Midwestern town where I was raised. The United States Steel Corporation has less control of its market than did many a small backyard iron foundry in the last century. Transportation costs shielded the backyard operation from competition located no more than a few miles

away. U. S. Steel, on the other hand, faces competition from firms in every steel producing country in the world.

In the same way, the worker living in a small town with only one major employer usually has the real alternative today of driving no more than 25 miles to dozens of other employment opportunities. Thus, in many cases, improved transport and communication facilities have widened markets more rapidly than firms have grown in size, and competition has increased rather than diminished.

A second way in which markets have been widened by advancing technology is through the development of substitute products and materials. Thus, the major steel companies, in almost every use for steel, face tremendous competition from substitute materials — aluminum, wood, concrete, plastics — even glass. In fact, it is quite unrealistic to speak of this arrangement as the steel industry. There really exists an entire complex of firms and industries, and no one firm — no one industry even — approaches monopoly power when so used. The typical textbook, man-on-the-street way of defining industry — and hence, of evaluating monopoly power — is both unrealistic and dangerous. It leads to a gross exaggeration of the market

power actually possessed by the firms involved.

But again, let us not rest the case on these possibilities of widening markets. In spite of these powerful influences, there still can exist situations in which a given firm, or small group of firms, dominate a given market — no matter how wide that market has become. Do these not constitute hard core cases of monopoly, calling for government action to break them up or offset their consequences by creating counter monopolies of labor or agriculture or other business firms? My answer is no!

### ***Success Through Service***

To begin with, it is extremely unlikely that a firm can acquire market power except by laudable efficiency in serving the wishes of consumers. Is this firm to be rewarded for its efficiency by government antitrust action? And, if so, what of the consumer and the service he has been receiving?

Furthermore, if this firm uses its market power to raise prices above the competitive level, other firms will be tempted to enter the industry. These other firms can include large, diversified companies with adequate capital to invade any market. In this country in recent years we have seen many cases of large firms in a given in-

dustry suddenly finding themselves facing the competition of other large firms, already established in other fields, but coming into this market to reap the rewards of diversification and higher profit margins. The result is that even the powerful firm in a dominant position in its own market must behave as if it faced immediate important competition, because a failure to do so would soon attract that competition.

Beyond this, the very process of technological progress which may have created this dominant firm tends, over time, to weaken its position. Other firms with newer, better ideas will come into the field, and the original firm will find its share of the market shrinking. Thus, in spite of the fact that the Supreme Court decided long ago against breaking up the United States Steel Company, that company's percentage share of steel sold by American producers has declined steadily from over 75 per cent to around 35 per cent.

It is the little foxes, indeed, who nibble away at the market, who improvise and experiment, whose administrative simplicity permits daring moves, who reduce the stature of the giant to one quite consistent with almost any meaningful definition of competition. This process of short-run

market power being replaced by someone else's short-run reign, in turn supplanted by a third, and so on, was eloquently described by the late great Austrian and Harvard University economist, Joseph Schumpeter. He argued, not only that the dominance attained through technological advance is short-lived, but also that it is this possibility of at least short-run market power and security that induces firms to undertake the technological explorations which are revolutionizing the modern world.

In summary, then, although the process is not perfect nor instantaneous, there are powerful forces always at work in the modern world to create a dynamic and effective competitive process, protecting each element in the economy from each other.

***"Individuals in Modern Economy  
Lack Knowledge and Mobility"***

Turn now to the third charge, to the claim that individuals in the modern complex economy do not possess the necessary knowledge and mobility to force competitive practices on those with whom they deal.

I would first say that the modern economy, with its advanced techniques of communication and transportation, provides the individual with more information

and better and cheaper means of transport than ever before in the history of the world. But beyond that, it is not necessary that all individuals in a given market be completely informed and completely mobile for adequate competitive pressures to exist.

For example, I know almost nothing about the workings of a television set. What protects me then, when I buy a television set or have one repaired? It is the fact that there are a substantial number of men who do have the required technical knowledge. The television dealer who expects to prosper and survive must meet the demands of all with whom he deals, or quickly lose out to other more reputable and reliable dealers. On the other hand, in certain areas I am the better informed buyer, and in these areas I protect the less well-informed.

In the same way, I have a personal commitment to the college where I work and the community where I live which seriously reduces my mobility. Here, I am protected in part by the good will of those who employ me, but I am protected as well by the fact that the college must offer a general program of working conditions and salaries that will retain the uncommitted and that will attract the appropriate staff replacements and additions.

### **Not All Must Move at Once**

This same process works to effect the many adjustments that must continually be made in a dynamic economy. Usually, in a dying industry or area, not all workers must leave at once. The process customarily takes years. The adjustments are made by the sizable mobile element in every work force, thus protecting the less mobile from loss of employment or exploitation. The adjustment process can be left to each individual and does not require that everyone have complete knowledge and complete mobility.

Another variant of this argument is the charge that the consumer is deliberately misled and confused by advertising, and hence falls easy prey to noncompetitive sellers. I have heard this argument presented by many people from all income levels and all walks of life. But I have yet to find one of them who would admit that he himself was the helpless victim of Madison Avenue. It is always "they"—a vague and never identified "they"—who are thus bamboozled. The fact is that advertising itself is competitive, an expression of the basic competitiveness of the American economy, a process through which all of us receive the necessary information for the making of decisions.

In summarizing my answers to the charges that have been made against the possibility of a truly competitive free market, let me repeat, I do not insist that the processes at work produce instant pure competition, in every market in the country, at every moment of time. I say only that the forces are sufficiently strong, and work in good enough time, to give us a workably competitive economy, an economy that does not need government action to offset the non-competitive elements.

#### **More Harm than Good**

When I have admitted that the system is not perfect, does this not leave a case at least for government antitrust legislation to handle the imperfections that remain? In theory, a case might be made for this; but in practice, I see no evidence that antitrust legislation and action ever can be devised to correct the few imperfections without the greater possibility of destroying dynamic competitive firms.

How is one to distinguish between the firm that has acquired temporary market power through greater efficiency and the one that has acquired power without being efficient? To break up the firm that is efficient is to work against true competition rather than to promote it. Nor can we

seek to maintain competition by maintaining competitors. This has been a common thrust of our antitrust action. Yet, in fact, it thwarts competition rather than promotes it. Under true competition, the resources come under the control of those firms which have proved themselves the most efficient in serving the interests of consumers. The weeding-out process is severe and effective. To stop that process, to try to maintain a given number of competitors, is to promote inefficiency, not competition.

Another direction taken by our antitrust laws has been that of prohibiting unfair competition. Unfair competition has been defined as selling below cost in order to drive out rivals and thus gain a dominant position in the market. In practice, though, it is virtually impossible to distinguish between low prices that are a natural part of competitive maneuvering and those that are designed to establish market dominance. In practice, then, this legislation has done much more to reduce the competitiveness of the economy than to enhance it. In addition, it has contributed to a general climate for business decision-making characterized by uncertainty and confusion. Thus, one major electrical manufacturing firm recently was under indictment for charg-



ing prices that were thought to be too high and at the same time for charging prices that were thought to be too low.

Antitrust legislation generally has been subjected to such varied interpretations that the most experienced legal staff in the country cannot, with any certainty, advise a company on what practices will be illegal under the legislation. Surely, this reflects the basic philosophical and practical weakness of the antitrust approach itself.

In conclusion, then, I would offer as the only meaningful definition of monopoly the following one used by Adam Smith: "Monopoly

is a government grant of exclusive trading privileges." If this definition be accepted, it follows that what the government must do, and all that it must do, to promote competition is to stop fostering and protecting monopoly, whether it be in business, or in the professions, or in agriculture, or in labor. In the words of the great Belgian historian, Henri Pirenne, in his study of the emergence of competitive capitalism from the blight of the government-protected guild economy: "Capitalism is not in itself opposed to the tendencies of human nature, but its restriction is. Economic liberty is spontaneous."

**IDEAS ON LIBERTY***Ten Thousand Commandments*

THE BREAKUP of the leading integrated companies and the divorce, divestiture, or dissolution of the biggest producers and distributors, whether integrated or not, is a luxury the country cannot afford. Its "great concentrations of economic power" in American industry are more essential to the nation's defense than its great concentrations of administrative power in Washington.

The new interpretations of the antitrust laws endanger the political structure of the country. They disintegrate the law, making it a respecter of persons, which tends to be no law at all. They upset the balance of power between Congress and the courts by judicial legislation, which is a usurpation of Congress' role. Whatever "power" they take away from business organizations will not revert to the people but is automatically being appropriated by government agencies.

HAROLD FLEMING



## THE KASPAR FAMILY

Old Kaspar and his two equally fictional grandchildren, Peterkin and Wilhelmine, first came to public notice when an incident in their simple lives was described by the English poet, Robert Southey, in his world-famous poem, *The Battle of Blenheim*.

Over a century went by without any mention of the Kaspar family in the literature, except for the preservation of Southey's poem in anthologies of English verse. Shortly after World War II, all three of this family were taken from their ancestral home in Blenheim, Germany, and brought to Arkansas, where they were supported by a few friends until Old Kaspar was granted a generous monthly stipend by The Foundation for Economic Education, Inc. Under the terms of this grant, Old Kaspar allows H. P. B. Jenkins to observe and report on the actions and conversations of the Kaspar family at least one evening a month. THE FREEMAN then publishes these monthly com-

muniques for the edification of its readers.

The somewhat whimsical turn of mind which some readers detect in Old Kaspar's remarks on the contemporary economic situation may perhaps be explained by the conflict between two diametrically opposed influences on his thinking. During his long residence in Blenheim he acquired the prudence, frugality, wisdom, and self-reliance of his sturdy German ancestors. Opposed to that excellent cultural heritage is the influence of the intellectual climate he encounters in the United States, where men in places of power and influence are contemptuous of eternal economic laws and dedicated to the establishment of the welfare state. Although Old Kaspar is reluctant to question the benevolence and sagacity of the leaders of his adopted country, his lifelong attitudes prevent him from giving wholehearted loyalty to their plans. Hence his mental conflicts and his concern for the education of his two grandchildren.

# ILLEGAL LABOR

or — FEDERAL OCCUPATION OF THE WHEAT BELT



It was a day in early spring  
When fields were getting dry.  
Old Kaspar thought of other times  
When he was young and spry  
Like Peterkin and Wilhelmine  
Who watched the television screen.

They saw a rider coming hard  
Along a muddy lane  
Toward an isolated farm  
Upon the rolling plain,  
Where tumbleweed and early dust  
Were showing through the winter crust.

“Is that another Paul Revere?”  
Asked little Peterkin.  
“His job is just about the same,”  
Said Kaspar with a grin.  
“For he’s the local farmers’ scout  
Who warns when federal men are out.”

“Are farmers making moonshine now?”  
The little children cried.  
“It comes to something close to that,”  
Old Kaspar soon replied.  
“They’re all suspected of a quirk  
That makes them try to do some work.”

“What happens to a farmer, then,  
If he is caught at work?”  
“The federal men descend in swarms  
From places where they lurk  
To seize the property he owns  
And cut him off from grants or loans.”

“What’s wrong with work,” asked Wilhelmine;  
“Is it against the law?”  
“If you’re a farmer,” Kaspar sighed,  
And have agreed to draw  
A federal grant for idle soil,  
You’ve sold your right to honest toil.”



H. P. B. JENKINS  
*Economist, Fayetteville, Arkansas*



# ECONOMIC GROWTH

DEAN RUSSELL

THE WORD "democracy" now has a rival for popularity; it is "economic growth." And like democracy, economic growth seems to mean whatever the user wants it to mean. Ordinarily, the growth of our economy is measured by the gross national product figures, and thus refers to total national spending (government and private) without regard to what the spending is for. By that popular measurement, however, we shall see that a *decrease* in our material level of living can occur during a period of high economic *growth*, as is often the case during wartime. Obviously, that type of growth is not what one ordinarily has in mind when he thinks of a prospering economy.

To avoid such confusion, I define economic growth as any increase in the production of goods

and services that consumers want and will pay for voluntarily. If economic growth (that is, a higher level of living) refers to anything else, the term becomes not only meaningless but actually misleading.

For example, as I have defined it, an increase in the production and sales of canning machinery, hula hoops, and vacation tours represents real economic growth; we consumers want them, are willing to pay for them ourselves, and are confident that they increase our level of living in one way or another. Otherwise we wouldn't buy them. But the current inclusion of the cost of bigger armies and more bomb factories in our economic growth figures is surely a distortion of what we all visualize when we speak of a growing economy. For clearly, those projects mean that fewer (not more) goods and services are available for our daily consumption. While

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I am highly in favor of giving up a part of my income to build nuclear submarines, surely it is misleading to add the cost of them to our economic growth figures, as is now done.

### **Gross National Product**

Millions of intelligent and responsible persons are obviously in disagreement with my definition and concept of economic growth. Most economists and practically all officials of the United States, as well as those of the Soviet Union, define economic growth as *any* increase either in capital goods or in consumer goods and services, government or private — that is, any increase in gross national product. By their measurement, it makes no difference at all whether the consumers want the goods and services and are willing to pay for them. Nor, apparently, does it make any difference to them whether our level of living is thereby increased or decreased, so long as the figures themselves are rising.

According to them, any increase in the capacity to make tanks or hydrogen bombs should be included, along with houses and bread, as economic growth. The building of dams to water deserts to grow food to be stored in surplus ships are *all* included in our economic growth. As now meas-

ured, our gross national product (and thus our economic growth) could be increased dramatically if our government printed the money to pay unemployed workers to tear down one-half of all the houses in the United States, and then paid them again to build back the houses. Our gross national product (and thus our rate of economic growth as now measured) would be increased by the *destruction* as well as by the *construction*. Further, if the government today were to forbid the production of automobiles and require the manufacturers to spend the same amount of money on the production of buggies, our economic growth figures would not necessarily thereby decrease. I am of the strong opinion, however, that my level of living would fall sharply if I had to travel by horse and buggy instead of by automobile.

Since governmental decisions and activities now play such a prominent part in our economic growth, perhaps a comparison of how the American economy has performed under different degrees of government control would be of interest at this point. You understand, of course, that it is impossible to find two periods in economic history that are truly comparable. Further, measurements such as gross national product are,

at best, merely rough and often erroneous estimates of what happened in the economy as a whole in the past. So while these statistical devices are of some value to economic historians, the figures must be interpreted with extreme care.

### **Variable Growth Rates**

Economic growth figures for the United States are rather sparse before 1900. Even so, economists consider them adequate for indicating general trends. For example, from the founding of the United States as a nation in 1789, and continuing until 1830, the growth rate per capita, as measured by rough estimates of gross national product in dollars of the same general purchasing power, was poor indeed. In fact, it barely moved forward during that entire 41-year period. But for the next 100 years, from 1830 to 1930, the rate of growth by the same measurement was truly phenomenal. While economic historians are far from unanimous in their estimates, it seems reasonably certain that the per capita real level of living of the American people at least tripled during that 100-year period, and perhaps quadrupled. And if one chooses to count as growth the longer life expectancy, the shorter work week, and the increased variety and quality of

the goods and services produced, the Americans of 1929 might well have considered themselves six or eight times better off materially than were their great-grandparents of 1830.

That fantastic growth record accounts for the oft-heard statement that the level of living in the United States tends to double with each generation of 30 years or so. But from 1929 through 1962, our growth rate has been well below the preceding 100-year average. And for the past five years, the rate has been much like that of 1789-1830; that is, it has been just barely moving forward. If one is interested in advocating and supporting policies to help our economy prosper again, he is obligated to search for probable reasons to explain the differing growth rates during those periods. So let us first briefly examine the early economic history of our nation.

### ***Mercantilism in Early America***

Most of us are unaware that the United States did not have a free market economy during its early history. Our forefathers generally endorsed and supported the mercantile philosophy that existed throughout the Western World from around 1500 to around 1800. True enough, the sad results of that semicontrolled economy as

practiced by Great Britain was *one* of the causes of the American Revolution. But the economic causes of the revolt were inspired more by the place assigned to the American colonies in the general scheme than by a repudiation of the philosophy of government intervention as such.

Throughout the War for Independence, and continuing for the first 40 years or so after the colonies became a nation, the leaders of the national and state governments of the United States generally continued to follow the old mercantile and semifeudal policies of the government-directed economy. On the national level, there were vast public works projects, irresponsible manipulation of the money supply that resulted in ruinous inflation, and heavy controls of various kinds on all foreign trade. Human slavery was a national policy. In itself, that sad and uneconomic practice necessarily meant that the economy was far from free.

On the state level, the politicians generally continued their customary controls over wages, hours of work, working conditions, and apprentice regulations. They encouraged certain businesses and professions with tax concessions and subsidies. They discouraged, and sometimes prohibited, other professions and businesses.

The evidence is clear that the economy of the United States did not prosper during its early history of mercantilism. We cannot prove that the various controls *caused* the stagnant economy; we can only say with certainty that the economy did not move forward under them.

The philosophy of mercantilism (that is, a type of controlled economy) came under increasing attack during the last quarter of the eighteenth century. The free market philosophy that was formalized by Adam Smith in his *Wealth of Nations* in 1776 found increasing acceptance in both Great Britain and the United States. The free market did not come to Britain until 1846 and the repeal of the so-called Corn Laws. There is no comparable and specific date for the emergence of the free market economy in the United States. But with the exception of the still-feudalistic and slave-owning South, it is reasonably safe to say that the economy of this nation was generally free from serious government restrictions by 1830.

### **A Century of Rapid Growth**

The most fantastic material growth record the world has ever known then began in the United States and lasted for the next 100 years. Wages were left to find

their own levels — and they soon became the highest in the world. The feudalistic guild policies and restrictive apprentice regulations were repudiated. Labor unions as we know them were nonexistent. While the federal government did continue to encourage and subsidize various projects it considered to be of national importance (railroads, for example), at least it abandoned its former policy of direct ownership and control. With the exception of the Civil War period, those great increases in production throughout that century of progress consisted almost entirely of goods and services that consumers wanted and paid for with their own money. Further, the increase here referred to was on a realistic per capita basis that included the millions and tens-of-millions of immigrants who clearly preferred our free market system to the still-feudalistic continental European system. It was during this period — probably around the end of the nineteenth century — that the United States became the most powerful nation, with the highest level of living, that the world had ever known.

Some persons claim that our rapid growth and high level of living were due primarily to our vast areas of land. But several other nations with vast areas of

land continued to stagnate during the same 100 years.

Others point to our vast mineral, forest, and water resources. But that hardly explains why other nations with similar natural resources made little if any progress.

Nor are Americans innately more intelligent than the people of other nations. Nor did they work longer hours here than elsewhere. Nor did they begin with a stock of machines and factories (capital) that was not available on equal terms to others.

After considering all possibilities that might account for our rapid growth rate during those 100 years, I am forced to the conclusion that the primary reason was our essentially free market economy and the “hands off” policy generally followed by our government.

### ***Back Toward Intervention***

But just as the philosophy *against* government controls over the economy began to find increasing acceptance around the end of the eighteenth century, just so did the reactionary philosophy for a return *to* government controls begin to find increasing acceptance in the United States early in the twentieth century. The Republican President, Theodore Roosevelt, discovered that political



campaigns to restrict "big business" found ready acceptance among the voters. The Republican President, William Howard Taft, was in favor of the Federal Reserve Banking System of 1913 with its national control of our money and banking policies. Those two Republican Presidents also favored the Sixteenth Amendment and the new tax system of penalizing the successful and subsidizing the unsuccessful. Campaign pledges to "conserve our natural resources" proved to be the surest possible way to gain high political office. The American people even turned to the federal government for a constitutional amendment to control our drinking habits and to abolish an entire industry!

State regulation of wages, hours, and general working conditions grew apace. The labor union movement gained millions of members and became a powerful force in the economy. Even so, our economy was still the freest in the world, and it continued to forge ahead for the next 30 years at about the same rate of growth and increasing level of living as those of the preceding 70 years.

Then came the stock market crash in the fall of 1929. It was another of those setbacks that invariably follow an expansion of credit and "paper investment" that are based on inflation instead

of real savings. In previous similar occurrences (1907 and 1921, for example), the policy of our government had still generally been to do nothing during such periods of business failures and increased unemployment. Thus, as usual, those two "money and credit" depressions quickly ran their courses—the unsound investments were liquidated, and the economy surged forward again. But by 1929, a new philosophy concerning the purpose and functions of government had been accepted by most of our political leaders and the American people in general.

#### *Prelude to the "New Deal"*

A direct result of this new (actually, old and reactionary) philosophy was a sharp increase in positive government action to get our economy rolling again. The Republican President, Herbert Hoover, rushed in with his Reconstruction Finance Corporation to help business, and thus to prevent unemployment. He also advanced and supported several agricultural programs to help the hard-pressed farmers. He encouraged the idea of shorter hours of work in order to decrease production and keep prices high. He also encouraged industrial leaders to keep wages above the competitive free market level. He clearly endorsed the con-

cept of creating prosperity and economic growth by deficit financing and make-work projects.

In short, contrary to what is generally believed, Mr. Hoover fully committed the powers of government to the positive task of ending the recession and, as he phrased it, to put two chickens in every pot. But under increased government controls and spending, the recession turned into a depression and became worse, year by year. By 1933, our level of living had dropped back to that of 1906, as measured by gross national product on a per capita, constant dollar basis.

Then Mr. Roosevelt took office, with still greater controls over the economy to make it move forward again. He increased sharply both deficit spending and make-work projects. The depression continued. There was a partial recovery in 1936-37, followed by another crash in 1938. More than ten million persons were still looking for jobs. In fact, mass unemployment — and a sharply reduced level of living for the American people — continued in an extreme form until we went to war in 1941.

These facts and comparisons cannot correctly be used to *prove* that the longest and most severe depression in our history was positively caused by government in-

tervention in the market place, even though one may logically suspect that such is the case. But these figures do prove one thing beyond any shadow of a doubt: While there may or may not have been other reasons for the continuation of the depression, our level of living positively declined during that 12-year period of increasing controls and deficit spending by government to get our economy rolling forward again.

#### **World War II, and After**

It was not until 1942 and our all-out war effort that the actual gross national product reached a level that was in harmony with the long-time growth rate of 1830-1930. At that point, and for the next three years, the growth rate as measured by gross national product leaped forward to new levels. Much of the growth was real; that is, more products per capita were produced for consumption. But the products that caused most of the increase — tanks and battleships — contributed nothing to our level of living. If, as I recommend, the growth rate were measured only in real terms of voluntarily-bought houses, cars, clothing, and similar products, our per capita level of living was still low in 1945 — in fact, lower than the 1929 level per capita,

even though the nation's *total* production that now counts as economic growth had increased markedly.

Now let us see what happened to the growth rate and level of living under continuing government controls and deficit financing from the end of World War II through 1962. During about half of that period, we made considerable progress. But throughout that 18-year period, our rate of growth has been well below the 1830-1930 average. Only during the Korean War was there any marked increase in it, as measured by gross national product. But once again, that temporary spurt was due primarily to the production of guns and bombs, which hardly add to one's level of living. For the past five years, the actual annual growth rate for the increasingly controlled American economy has been well below one per cent per capita—less than one-half what it was in the comparatively free economy that generally prevailed for the 100 years before 1930 and the initiation of positive government action to move our economy forward. Further, that disturbing decrease in our long-time rate of growth has included a heavy and still increasing amount of government services that few people really want or are willing to pay for.

### **Disposable Personal Income**

So even when we use the *socialistic* measurement for economic growth—that is, *all* production, government or private, wanted or not wanted—our economy has not performed at all well under government direction. A more realistic measurement of economic growth—one that is reasonably close to the measurement I recommend—is the money you and I have left after taxes to spend for goods and services we want. So here is the comparison for disposable personal income in constant dollars per capita for two periods of the same length—1897 to 1930, and 1930 through 1962.

That figure doubled itself between 1897 and 1930 in our essentially free economy. Even with the tremendous immigration that occurred during that 33-year period, real per capita take-home pay increased by at least 100 per cent. But since 1929—during the following 33-year period—disposable personal income has increased by only around 65 per cent.

Our government is now engaged in an extensive program to increase our faltering rate of economic growth and level of living. The actions already taken, and those proposed for the coming years, are markedly similar to the measures followed by the government from 1930 through 1945—

that is, deficit spending, inflation, and make-work projects, plus a huge increase in armament production. Most definitely, those measures were a failure then, as measured by the production of consumer goods and services to increase our level of living. I can find no logical reason to suppose these schemes will be any more successful now.

Statistically, however, the government has the power to increase our rate of growth considerably — if we count every product or service that the government buys or produces (wanted or not wanted), as is now the case. By the customary and popular means of deficit financing and inflation, our government can indulge in all sorts of grandiose “economic growth” projects — urban redevelopment to tear down large sections of our cities and build them back again, draining swamps and irrigating deserts in order to increase the amount of arable land we can pay people to keep out of production, trips to the moon, increased production of all the items that are used to fulfill our foreign aid commitments, more price supports and subsidies that consumers won’t willingly pay, and so on through 10,000 and more similar projects. All of these will probably increase our gross national product, and thus will also in-

crease our economic growth rate as now measured.

### “New Frontier” Psychology

Personally, I fail to see how any of these projects can truly increase our level of living by producing more goods and services that consumers want and are willing to pay for. But, worse still, and in spite of the sad record of government interventions in the economy in the past, most of us now look to the federal government as the mainspring of our economic well-being. If you doubt this, ask the next five persons you meet what *they think* would happen to our economy if the “cold war” suddenly ended and our military machine were dismantled within the next year, even with a corresponding decrease in taxes. Ask any economist what *he thinks* would happen to our gross national product and employment levels if the government immediately reduced its nonmilitary spending by one-half, even with a corresponding across-the-board tax cut. Ask those who are protected against both foreign and domestic competition, and those who receive subsidies, what *they think* would happen to total production in our nation if their subsidies and protection and government guarantees were removed. Put those same questions to the top management

of the privately-owned corporations all across the nation. Nearly all the answers will be the same. That is, whether or not it is true, they honestly believe that if our government discontinued any or all of those things, our economy would be in serious trouble.

Now stop and think! Our economy *is* in serious trouble, and it has been in trouble most of the time since the government began directing and controlling it so extensively in 1930.

More than one-third of our national income is now taxed away and spent by government on all levels, and we have serious economic difficulties. Suppose the government taxed and spent one-half of our incomes; would that solve any problem now before us? Surely the answer is no.

Suppose the government were in total control of our economy, instead of merely in partial control; do you imagine that we consumers would thereby get more goods and services we want? Again, surely the answer is no.

When you get right down to it, though, those are the only two positive actions that our government can take to "get our economy moving." That is, our officials can tax more and spend more — directly, or indirectly by means of planned inflation. And they can impose more controls. Those are

the only positive "economic growth" weapons in the government's arsenal. Yet, beyond any shadow of a doubt, our rate of economic growth has been comparatively low under increased government spending and controls in the past. But in spite of that record, millions of sincere and good Americans are imploring our government to take positive action to get us moving again — with more spending and more controls!

#### **But What Do They Cost?**

Now it is logical to assume, of course, that the increase in some economic services that have been traditionally provided by government actually does represent real economic growth in much the same sense as similar private services. For example, education is a service that all parents want for their children. And presumably, we are willing to pay for it — in whatever form the bill is presented to us. This applies also to highway construction, fire departments, and to perhaps one or two other products or services for which the government has assumed almost total responsibility. But even when government does provide consumers with services they want and are willing to pay for — services that actually do increase our material level of living — there is no positive way to meas-

ure their economic values. And even at best, I am confident that we are paying more for them than would be the case in a market economy.

Now I am well aware of the claims advanced by the disciples of John Maynard Keynes concerning the secondary (or multiplier) effects of government spending, even when the spending is for the production of goods that cannot be used in our daily living. That is, the persons who are paid by government to produce the goods for our military and foreign aid programs will, in turn, use the money to buy consumer goods and services. That new or increased consumer purchasing power will thus contribute to real economic growth in the sense I have defined it.

That appears to be the reasoning behind the present Administration's planned deficit of \$12 billion or so for next year. But if we are to avoid continuing inflation, the government must first tax the money away from the people. If that fiscal policy is followed, the tax payments will necessarily decrease the taxpayers' ability to purchase consumer goods and services themselves, or to invest in the growth of our factories and machines. Thus any new jobs and production created by government spending from taxes will merely

replace the jobs and production destroyed by the taxes themselves.

### ***An Illusion of Progress***

If the spending is by deficit financing and inflation instead of taxation, it is true that the result is often a pseudo prosperity, for a short period of time. Then, since the increased industrial activity is based primarily on government spending and inflation, the stimulating effect is brought to a halt as soon as prices catch up with the increased money supply. Many formerly profitable investments then become unprofitable. Thus, in order to keep the illusion going, the economic pump must be primed again and again — as has clearly been the case in the United States since 1929. Sooner or later, that bankrupt policy must collapse here, as it has in scores of other nations that have adopted it. The inevitable result is then revolution or dictatorship — or both. That probable result of a policy of continuous inflation should be given serious thought by all Americans who are, actively or passively, now deciding the type of economy we will have for ourselves and our children for the next 50 years.

To help us decide, this final fact from economic history should also be considered: I cannot find even one historic example to show

that a controlled economy has ever resulted in a higher level of living than a comparable free economy over a significant period of time. I can, however, find many examples to the contrary. The most dramatic one currently is, of course, the comparison of East and West Germany. Comparisons of current versus past economic policies in Japan, Italy, and various other nations also give the same answer.

I am convinced that we American people are not now following a realistic path toward economic growth when we turn to government "to get us moving again." We forget that the only positive

ways the government can use to attempt this are to tax, inflate, spend, and control—that is, to leave you with less real money to spend, and to restrict the ways you can spend what you have left. Thus we are clearly not choosing the means and policies that will increase the long-time production of goods and services that we consumers want and are willing to pay for. I am convinced that the only possible way to accomplish that goal is to reject *totally* the restrictive influence of government controls and ownership and deficit spending, and to return to the free market economy that is the hallmark of a responsible and prosperous people. ♦

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Reprints of this article available at 10 cents each.

### *The Greater Contribution*

The proper purpose of the economist-tractarian is not that of selling whole schemes of immediate action but that of influencing, if he may, the course of democratic discussion and thus perhaps affecting the course or long-term direction of action rather than the detailed, immediate steps.

HENRY C. SIMONS  
*Federal Tax Reform*

# “Business is entitled to a fair profit.”

LEONARD E. READ

THIS IS actually a cliché of socialism, but it often goes unchallenged because the businessmen who repeat it are rarely suspected of endorsing ideas with socialistic overtones.

The notion that a business is entitled to a fair profit has no more to commend it than does the claim that workers are entitled to a fair wage, capitalists to a fair rate of interest, stockholders to a fair dividend, landlords to a fair rent, farmers to a fair price for their produce. Profit (or loss), regardless of how big, cannot properly be described as fair or unfair.

To demonstrate why *fair* should not be used to modify *profit* as a right to which someone is entitled, merely imagine a businessman, heedless of the market, persisting in making buggy whips. If no one were willing to exchange dollars for whips, the manufacturer would fail; not only would he have no profit but he would lose his capital

to boot. Would you have any feeling of guilt or unfairness for having refused to buy his whips? Most certainly not!

We do not think of ourselves as unfair when we search for bargains. We have no sense of unfairness when employing a competent as against an incompetent helper, or borrowing money at the lowest rate offered, or paying a low instead of a high rental. The idea of guaranteeing a fair dividend to one who invests in wildcat schemes never enters our heads. When we shop around, our choices cause profits to accrue to some businessmen, losses to others. We do not relate these exercises of free choice to fairness or unfairness or consider that anyone's rights have been infringed.

In market-place parlance, there is no such thing as a right to a “fair” profit. All that any person is entitled to in the market place, be he businessman or wage earner,



is what others will offer in willing exchange. This is the way believers in the free market think it should be.

However, when it is claimed that business is entitled to a fair or reasonable profit, the claimers must have something else in mind than what they can obtain in willing exchange. Otherwise, they wouldn't mention the matter.

While the "something else" these businessmen have in mind is rarely understood in its full implications, it must, perforce, mean something other than individual freedom of choice. In short, it must mean the only alternative to freedom of choice: authoritarianism. When the market — freedom in exchange — is cast aside, there remains but one other determiner as to who will get how much of what, namely, government! And when government determines or controls profits, prices, wages, rents, and other aspects of production and exchange, we have socialism, pure and simple.

When "fairness" is demanded as a substitute for what can be obtained in willing exchange, the asker, consciously or not, is insisting on what naturally and logically follows: a planned economy. This means all forms of protectionism, subsidies, maximum hours, minimum wages, acreage allocations, production schedules imposed by

the state, rent control, below market interest rates, free lunches, distressed areas designated and financed by governmental confiscation of peoples' capital, federal urban renewal, TVA, state unemployment insurance, social security, tax discrimination, inflation, and so on. These measures — socialism — are government's only means of "fairness," and they institutionalize *unfairness*!

The declaration that business is entitled to a fair profit connotes equalitarianism; that is, a coerced evenness in reward to the competent and incompetent alike. From what does this type of thinking stem?

It may very well be a carry-over from the static society which, as in a poker game, can award no gain to anyone without a corresponding loss to someone else. It is to overlook the economics of the free market and its willing exchange where each party to the exchange gains. If each party did not believe he gained, there would be no willing exchange. There couldn't be!

Or, this type of thinking may stem from the labor theory of value which holds that the worth of a good or service is determined not by individual evaluations but by the amount of effort exerted: if as much effort is used to make a mud pie as to make a mince pie, they

are of equal worth! Marx, acting on this theory, evolved his system: in essence, to have the state take from the mince pie makers and give to the mud pie makers. After all, goes the cliché, aren't the mud pie makers entitled to "a fair profit"?

Assuming the market is free from fraud, violence, misrepresentation, and predation, the economic failure or success of any individual is measured by what he can

obtain in willing exchange — fairness being a state of affairs that is presupposed in the assumption. Everyone, according to any moral code I would respect, is entitled to fairness in the sense of no special privilege to anyone and open opportunity for all; no one is entitled to what is implied by a fair price, a fair wage, a fair salary, a fair rent, or a fair profit. In market terms, one is entitled to what others will offer in willing exchange. That is all! ♦

Reprints of this article available at 2 cents each.

#### IDEAS ON LIBERTY

### *The Freedom To Fail*

BECAUSE FAILURE is repugnant to a welfare-oriented society, we see continued efforts made to put a floor under everything.

This includes a spreading attempt to bolster up faltering business firms or even whole areas or industries by government grants, loans, subsidies, defense contracts, and the like.

Ironically, the greatest danger to our economic system today lies not in a direct attack on profits, but in a well-meaning effort to insure everyone against failure. To put it bluntly, this means subsidizing inefficiency; it is the antithesis of the effective operation of the profit motive.

We are in danger of losing one of our greatest freedoms: the freedom to fail. Profit and loss are two sides of the same coin; take away one side and you take away the whole coin. Our greatest economic asset is the right to invest private capital in the hope of making a profit, but at the risk of losing our shirt.

GEORGE CLINE SMITH, senior partner, MacKay-Shields Economics, Inc., before the semiannual meeting of the Manufacturing Chemists' Association, Inc.



# WHAT HAPPENED TO THE CONSTITUTION?

CHARLES H. ROE

IT WAS A SELECT GROUP of men who sat in Philadelphia through the warm summer months of 1787 hammering out the Constitution of the United States. James Madison, who was one of them, tells us: "There never was an assembly of men, charged with a great and arduous task, who were more pure in their motives, or more exclusively or anxiously devoted to the object committed to them." The results of their labors support this opinion. It is doubtful if a body of men could be assembled today as unanimously devoted to a great

cause and the results of whose work would survive as long.

Our Constitution remains unsurpassed in conciseness, clarity, and masterly organization of concept and content. It has the virtue, unusual among basic documents, that it can be understood by almost anyone. The language and arrangement are such that a high school student can easily prepare a one-page outline of its principal components, although few today are required to do so. It was the first basic charter in history to be written and adopted in advance of organization of a new government; and it stands today

Mr. Roe is an engineer, retired, after many years in editing technical publications.  
*Illustration: National Archives*

alone, the oldest written and still living constitution in the world.

But our people are amazingly unfamiliar with their Constitution. To some it is merely an antique document in a glass and bronze case in the National Archives in Washington, guarded and revered, but only a relic and not something to be read and studied. Gone are the days when eighth-grade scholars declaimed Webster's reply to Hayne on a vital aspect of the Constitution. It is true that United States history and the Constitution still remain in high school syllabi, but they have to share time now with social studies, including instruction in automobile driving and in dating the opposite sex, to say nothing of the United Nations and the facts of communism. The result is inevitable. In any social group, no matter how well-educated the individuals may be, let someone raise a question about the constitutional basis of any pending legislation or recent court decision, and note how quickly the group disperses or turns with a laugh to other subjects. The Constitution is no longer a vital element in our national life. We are close to the time predicted by James M. Beck, formerly Solicitor General of the United States, when he wrote that "that noble edifice [the Constitution] will one day become as the

Parthenon, beautiful in its ruins, but nevertheless a useless and deserted temple of Liberty."

### **Times Have Changed**

There are good citizens who would not agree that we are putting the Constitution in mothballs. Some of them say we are merely reinterpreting it, that we are following today the road favored by Alexander Hamilton leading to a strong central government. To the charge that we are no longer a federal republic comprising freely participating states, it is said that the usefulness of the states in these days of rapid and universal communication has greatly declined and the states could wither away to mere paper organizations without detriment to our way of life. It is alleged that our vast technological attainments have brought situations never visualized by the founders and that it is therefore necessary to interpret the Constitution very broadly indeed. The old concept of a federal government of enumerated powers cannot fit the needs of the mid-twentieth century, hence the current recognition of the "general welfare" clause as authority for the federal government to do anything—and proponents of this point of view seem to mean *anything*.

Well, reams could still be writ-

ten in addition to those already completed explaining how and why many enactments of Congress, many decisions of the Supreme Court, and many actions upon initiative of the President in these days cannot be made to appear in conformity with the Constitution, no matter how it is reinterpreted. But instead of threshing over a few instances among thousands, it is desired here to attempt a look ahead, to see if it can be determined "whither we are drifting."

### ***Drifting***

And "drifting" is the right word, for it seems that no one is deliberately trying to sabotage the Constitution. No one bears it any ill will. Few have any definite ideas about improving it or replacing it with something else. Whatever is happening seems to be the result of neglect and indifference. Those who in former times would have been most deeply concerned—the legal profession—are saying very little about it today; like the rest of us, they seem to be too busy with other things. A couple of cynical remarks, the first made by a Chief Justice of the Supreme Court, are frequently quoted, usually with humorous intent: "The Constitution is what the judges say it is," and "What is a constitution be-

tween friends?" Such expressions would not have been heard in former times.

### ***Trend Marked by Amendments***

In the first place, a trend has been marked out by amendments to the Constitution. Jefferson contemplated an amendment to enable him to purchase Louisiana from Napoleon in 1803 but was persuaded to proceed without it, as there was no opposition. This was the first deviation and might be unimportant if it did not head a list of increasingly serious instances. There is no constitutional provision for purchase and annexation of territory. Jefferson's concession to expediency established a precedent and was followed without a qualm by the Gadsden Purchase in 1854, Alaska in 1867, and the Virgin Islands in 1917.

The Fourteenth Amendment in 1868 lectured the states on the elements of humanitarianism. Although they all had somewhat similar provisions in their own constitutions and statutes, here was the central government at Washington telling them (at bayonet point in several instances) how they should treat their own citizens. That the amendment was intended to bring recognition as citizens to the recently freed slaves is beside the point, as are

also the highly questionable manner of its ratification, its validity, and its effectiveness. It was an assertion of authority by the central government in matters usually considered to concern only the states and their own citizens.

### **The Income Tax**

The Constitution had prohibited any "direct" tax, carrying over from the Articles of Confederation the idea that any general taxation must be apportioned among the states upon the basis of population. This preserved a standard of equity which recognized the states as units. But the Sixteenth Amendment, adopted in 1913, empowered the Congress to collect taxes upon income, ignoring the states; and this has since become the method of obtaining four-fifths of the national revenue. Although few noticed or objected to this by-passing of the states, it marks the second and a most important step in the process of downgrading the states and aggrandizing the central government through the amendment process.

The third step came only a few months later, still in 1913, with ratification of the Seventeenth Amendment. This provided for direct election of senators by the people instead of by the state legislatures as originally provided—blow Number 3.

The Eighteenth Amendment, prohibiting manufacture of and traffic in intoxicating liquors, and the Twenty-first Amendment which repealed the Eighteenth, represent a fiasco which one is reluctant to associate with a document as noble in purpose and as dignified in style as the original Constitution. The Prohibition Amendment was an experiment in sociology, a hang-over from the Puritans, and it failed miserably. But the point here is that sumptuary laws are not mentioned in the original Constitution and have always been considered, if they are necessary, as enactments appropriate to the states. This excursion into practical morality was, therefore, further indication of the trend of all government toward Washington.

These are all bits of evidence showing an increasing divergence between the aims of the growing republic and the principles of the Constitution. But at least the amendments cited were the results of efforts to bring the old Constitution up-to-date. The people were looking more and more to the central government for what they wanted. This goal can be criticized but it must be admitted that they used the proper methods to obtain it. Valid criticism can be directed, however, against efforts to obtain temporary advantage by

simply ignoring constitutional limitations and hoping no one inserts a stumbling block. Instances of this kind of "progress" are innumerable but a few will be cited.

### **Two Methods of Departure**

By two separate methods Congress has subverted the Constitution, usually at the behest of the Executive: (1) The blank check to the President, granting him vast sums of money to spend at his discretion without accounting; and (2) setting up the so-called independent agencies which operate without the customary supervision of the President and his Cabinet. There are a great many of these independent agencies, some of them very powerful and expending vast sums. The degree of constitutional relationship varies. Some of them have a well-defined authorization in certain areas but are then found to be operating in related areas quite outside any possible constitutional coverage. At least some of the activities of the following, for example, are clearly outside any provision of the Constitution, no matter how broadly it may be interpreted:

Department of Agriculture  
 Department of Labor  
 Department of Health,  
 Education and Welfare  
 Farm Credit Administration

Federal Mediation and  
 Conciliation Service  
 Federal Power Commission  
 Housing and Home Finance  
 Agency  
 National Aeronautics and  
 Space Administration  
 National Labor Relations  
 Board  
 National Mediation Board  
 National Science Foundation  
 Small Business Administration  
 Tennessee Valley Authority  
 United States Information  
 Agency

### **Monetary Manipulation**

It would require volumes and many specialized minds to record all the devious paths followed by our government in the financial area. The Constitution merely lists among the powers of Congress, "to coin money," and "regulate the value thereof." Nothing is said about prohibiting the people from owning gold nor about substituting a managed currency for that with the traditional metallic base. In expressing his dissent in the "gold clause" case in 1935, Associate Justice McReynolds stated: "As for the Constitution, it does not seem too much to say that it is gone."

The Constitution gives Congress the power to declare war but this, too, is now ignored. A

headstrong Executive leads us into war, sometimes not even bothering to inform the Congress or to ask for confirmation. A more cynical disregard of our basic law could hardly be imagined. We also have had two recent instances of highhanded use of the armed forces within states, without request of the governors, in both cases by initiative of the Executive, although the wording of the Constitution is clear: "Congress shall have the power . . . to provide for calling forth the militia to execute the laws of the Union, suppress insurrections and repel invasions."

#### **Authorized Expenditures**

Expenditures under authorization by Congress show the most flagrant disregard of constitutional limitations: forty billion dollars, in installments, to place a man on the moon — a project which isn't even represented as related to national defense; three million for a private yacht for Emperor Haile Selassie of Ethiopia; hundreds of millions in foreign aid to countries demonstrably unfriendly to the United States; millions for the development of recently freed colonies of European nations in Africa, as though it were a duty of the American people, through their government, to pay for the hit-or-miss evolution of young na-

tions which their European sponsors cannot or will not support. And what possible sanction can be found in the Constitution for the hundreds of millions we pour into the United Nations where it is spent without our control and sometimes for objectives contrary to our interest?

#### **Ignoring the Constitution**

Even learned and respected scholars and judges of the Supreme Court were not content to settle the 1954 school segregation case upon their reading of the Constitution, but cited the views of a Swedish sociologist — a socialist at that.

A former President wrote to a member of the House Ways and Means Committee in relation to a law he wanted passed: "I hope your Committee will not permit doubt as to constitutionality, however reasonable, to block the suggested legislation." Compare that with the conscientious scruples of Jefferson in the Louisiana Purchase matter, and his first plan to seek a constitutional amendment to substantiate his authority. Can there be any question that over the years the respect with which the Constitution was originally regarded has been replaced with a contemptuous disregard in the highest echelons of our government?



**Expecting Too Much?**

Perhaps no written constitution could ever survive. Perhaps the American people have changed to such an extent that continuous adherence to a written set of principles, no matter how high, is not within the scope of their desires and maybe not within their capability. Perhaps an unwritten constitution, playing by ear for a few centuries while we build up an intangible code of precedent and custom and honor, like the British, would better suit these times in America.

Perhaps. But there is a nobler way, better fitted to a nation in a position of world leadership. Let the people be fully informed of the basic changes in our form of government that have taken place and are still continuing. As the original conference which drafted the Constitution was composed largely of men with training and experience in the law, and as our Congress all through the years

has always included a majority of lawyers, just so in this situation the legal profession could take an important part in informing the people. Various publications could contribute, much more than most have done, to warn the citizenry of what is happening. The schools and colleges, recognizing the current changes in our way of life, could also help by seeing that every graduate understands the basic principles of our Constitution and the form of government it contemplates. After making a serious effort along these lines for a few years the attitude of the people could then be accepted as controlling. Being fully informed, if they still want to scrap the old Constitution, it could be done deliberately, instead of by neglect and default. But it could well happen that there might be a resurgence of interest in maintaining freedom—the high purpose for which the Constitution was written and adopted. ◆

WHEN YOU THINK about it, robbers and socialists are not bad for what they do with what they have taken from other people—they might be doing good. It is taking from other people which is so wrong. That robbery is illegal and socialism legal, does not make either of them morally right.

A  
MATTER  
OF

DEFINITION

JOHN CHAMBERLAIN

"YES," said the student, "but Batista was corrupt."

The statement, delivered with an air of assurance, was a variation on a familiar theme. Fifteen years ago it was Chiang Kai-shek who was "corrupt." And before that it was the government of the Czar.

Well, one can hardly deny that the followers of Batista made a good thing for themselves out of Cuba, or that Chiang's officials had their methods of exacting "squeeze," or that Rasputin had an unholy influence at the Russian Imperial court. But the truly interesting thing about the student's pronouncement on Batista was its implied narrow definition of the word "corruption."

In almost any older dictionary you will find that "corruption" means (a) decay, or (b) depravity, or (c) impurity, or (d) bribery.

But modern political usage has pretty much eliminated the first, second, and third meanings of the word. To the present-day student of political science, "corruption" means only one thing: it is what happens in capitalist countries when insiders use bribery or pressure to feather their own nests. It is never — or hardly ever — used to describe what happens in a nation once Marxist or totalitarian statist of one sort or another get control of a government in the name of the "people."

The student who took off on the subject of Batista's "corruption" was by no means a supporter of "Fidelismo." But it had obviously never occurred to him that, under the older, wider definition of corruption, Castro is far more reprehensible than the dictator he has supplanted. When the Cuban

Information Service reports that Castro's firing squads have killed 6,000 since last August, it is certainly "corruption" in the sense that it represents "depravity" and "impurity." That is, it represents "depravity" if the Mosaic injunction against murder has the same force as the other prohibitions enumerated in the Ten Commandments. It also represents "decay," for the nation that can't handle political dissidents without killing them has suffered an egregious lapse from all civilized standards of debate.

In Mao Tse-tung's China, the corruption of bribery may no longer be an issue. But when peasant families are deprived of their bits of land and herded into agricultural communes, it certainly comes under the heading of theft. Again, this is corruption in the sense that it represents a decay of civilized standards. Moreover, Mao Tse-tung's government has not been sparing of human life. Artificially induced starvation is surely a form of murder, and this comes under the heading of "depravity" or "impurity."

The popular image of dictators like Castro and Mao Tse-tung is that, whatever else you may say about them, they are puritanical when it comes to rejecting bribes. But so was that bloody monster of the French revolutionary epoch,

Robespierre, who was called the "sea-green incorruptible" by Thomas Carlyle. Robespierre climbed to power over mountainous piles of corpses. He was just about as depraved and impure a political monster as the world has ever known. Thus he was "corrupt" in the wider, older meaning of the term, even though he may have been a Puritan when it came to money temptations. Castro and Mao Tse-tung are Robespierres of the modern age — and in comparison to them the "corrupt" Batista and the "corrupt" Chiang Kai-shek are almost lily-white.

In the annals of the Russian Revolution you will not find descriptions of a "corrupt" Stalin. Yet this man who robbed banks to raise money for the communist revolutionary cause was corrupt under every meaning of the word. When he ordered the elimination of three million peasants in order to saddle the Soviet nation with a collectivized agriculture, he was acting in a "depraved" and "impure" manner. Corruption? The business stank to high heaven.

The moral is: let's not shrink the usage of perfectly good words. It keeps us from making valid moral and political judgments about a host of corrupt enemies who have sworn to bury us. ♦

THINK  
SMALL

IN THIS big world with its mammoth oceans and mighty rivers, majestic peaks and endless plains, with its big governments, big organizations, big schemes, and big talk, in an age of powerful planners and stupendous spenders — make way for a little coward. I am awed by it all, confused by the contradictions, flooded by the facts, and bowled over by bigness. So, at the risk of excommunication by the public relations profession that I represent, I timidly offer my point: think small, young man, think small.

You are a fleck on this earth, and this world is a speck in the universe. The very swell of size can swallow you, tumble and toss you through eternity, a helpless and hopeless glob in the mob, unless you put your feet down. You risk all the great principles that have evolved in the brief course of mankind, you risk all that is dear

and right and good, you risk your own sanity, your very being — overwhelmed by bigness. Unless you pause. There is a still small voice. Listen to it.

God didn't hire a consultant firm of angels to gather statistics upon which he based a seven-day plan. He acted on his own. As he created, he looked at what he had as he went — one day at a time. He didn't plan big — for the dinosaur and the mammoth. He thought small — for man.

God planted some guideposts along the way. There's nothing big or overwhelming or confusing about the Ten Commandments. They have never been repealed, despite all this relativity talk. There are those who would have us believe that Christ brought with him a new set of commandments. He didn't. Jesus himself said, "I am not come to abolish the law . . . but to fulfill it." He distilled the law for us: "You shall love the Lord your God with all

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Mr. Hochderffer is Director of Public Relations for a hospital in Fort Wayne, Indiana.

your heart, and with all your soul and with all your mind. And you shall love your neighbor as yourself." Not humanity. Not the world. The little guy next door.

When the President of the United States gets on television, as he did one day recently, and tells me that I can no longer think of my neighbor as being next door, but that I must think of him as the slum dweller in Los Angeles or the starving orphan in Pakistan, I shoot him down like a sitting duck. I do not know any slum dwellers in Los Angeles or any orphans in Pakistan. My neighbor lives next door, where he has always lived.

Graphs frighten me, mainly because I am afraid there is someone who understands them. Numbers, especially when they follow dollar signs, are staggering to one who still gets confused as to where to put the decimal point in figuring interest. If the planners and the PR men who are singing the third verse of that "think big" song set out to baffle me, they have succeeded. It is my intention here to tell you how I have managed to survive the continual flood of statistics — and enjoy it. I think small. It's all I'm capable of.

When the first paragraph of the public relations journal ends with its command to think big, I close the magazine. Revenge is sweet.

I ignore people who would confuse me by bigness. I have to, because I am small and they are inaccurate.

Here is my public relations essay. I must confine it to something I know and partially understand. There is not one bit of research behind this, and I don't know whether it would hold true anywhere else on earth. But this is the way I think public relations ought to be handled in my hospital, and it is the way I try to handle it.

I pray every morning that God will see me through the day, and I thank him that night. When I enter my office, I smile at my secretary, mainly because I like her and am glad to see her. As I walk down the corridors, I speak to doctors, some of whom are beginning to think of me as a person instead of the paid professional liar who is supposed to sell the hospital administration's side of the story to the board of directors and fool the public with glowing press releases (designed to distort the truth of medical technology through use of one-syllable words). I like doctors because I have learned that they don't know everything, and that puts them in my category.

I try to get to know nurses and orderlies and maids and technicians. These are the people in my

hospital who come into contact with patients. And if these people know their job, do it well, and enjoy it, then they do the effective public relations job of this hospital. Not I.

You see, I am convinced that there is nothing like people-to-people contact in this world. We are not then chained by bigness. We are set free in our own small environments to unleash our creative energies as best we can. I don't seem to have the ability or find the occasion to think big or do big. Much of my job is little

details. I can be miserable and curse the fact that I don't have the opportunity to be great—or I can enjoy doing small things well. I am beginning to realize what Thoreau meant when he said, "Simplify, simplify, simplify."

It is a thrill and a joy to be small and know it. Size is quantity, and it is quality that counts. I invite you to wrench yourself free from the muck of vastness, numbers, and volume. Think small this day. You will love it because you are adequate for it. ♦

#### IDEAS ON LIBERTY

#### *What Kind of a "Nut" Is He?*

He wants to run his own business.  
 He wants to select his own doctor.  
 He wants to make his own bargains.  
 He wants to buy his own insurance.  
 He wants to select his own reading matter.  
 He wants to provide for his own old age.  
 He wants to make his own contracts.  
 He wants to select his own charities.  
 He wants to educate his children as he wishes.  
 He wants to make his own investments.  
 He wants to select his own friends.  
 He wants to provide his own recreation.  
 He wants to compete freely in the market place.  
 He wants to grow by his own efforts.  
 He wants to profit from his own errors.  
 He wants to take part in the competition of ideas.  
 He wants to be a man of goodwill.

What kind of a nut is he?

*He's an American, that's what kind!*

Editorial advertisement in the  
 Marysville, California *Appeal-Democrat*,  
 one of the chain of "Freedom Newspapers."

# the Secret of Political Wisdom

MONTGOMERY BELGION

PROFESSOR of political science at the London School of Economics since 1951, Mr. Michael Oakeshott is a libertarian. The label in itself means nothing. His predecessor in the chair, Harold J. Laski, declared he stood for liberty, too. I remember reading a piece of Laski's in which he adapted to his own need Curran's famous words, "The price of liberty is eternal vigilance." Yet he was a Marxist, and Marxism — at least in practice — appears to be the negation of liberty. For that matter, the London School of Economics could formerly have passed for a hotbed of British socialism,

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Montgomery Belgion is the well-known British author of *Victors' Justice*, *Reading for Profit*, and other books.

for its foundation was attributed largely to the Fabian Society; and Laski's own predecessor, the first holder of the chair of political science, was Graham Wallas, who was also first socialist member of the London County Council. Obviously, if Professor Oakeshott were no more of a libertarian than either of those earlier professors was, the fact would not require notice. Instead, the interesting thing is that when Oakeshott was called from Cambridge University to this socialist stronghold in London, he showed at once that he was the living contradiction of his predecessors. Indeed, on that account, his inaugural lecture produced something of a sensation. What he said then he now reiterates in a new book, a collection of essays entitled *Rationalism in Politics* (New York: Basic Books, \$6.50). Far from pretending that the liberty of the individual can best be secured by nationalization of the means of production, he sets forth in this new volume what some may feel is an extreme view of the extent to which the state should refrain from interfering with individual activities. The view, however, should not be too extreme for appreciative readers of THE FREEMAN.

Nobody will dispute that Marxism is first of all an ideology. Oakeshott, in his inaugural lecture,

pointed out that the recent adoption of ideologies wholesale by politicians and the drawing up of elaborate economic plans not only mark a complete break with European political tradition, but are in fact utterly inappropriate to the proper pursuit of politics. How strongly he feels that the wholesale so-called "planning" now fashionable must be condemned, he indicates upon an early page by saying of *The Road to Serfdom*, the best seller by Professor F. A. Hayek, who was once at the London School of Economics himself:

The main significance of the book is not the cogency of its doctrine, but the fact that it is a doctrine. And only in a society already deeply infected with Rationalism will the conversion of the traditional resources of resistance to the tyranny of Rationalism into a self-conscious ideology be considered a strengthening of those resources.

### **Everything Questioned**

I shall not discuss how far Professor Hayek may be found guilty on this indictment. Here it will be more illuminating to show how Oakeshott defines the mental confusion of those whom he calls "rationalists in politics." A rationalist, he says, always stands for independence of mind, and for thought to be free from any authority save that of "reason." The

rationalist is the enemy of authority, of prejudice, of the merely traditional, customary, or habitual. He is at once skeptical and optimistic. No opinion, no habit, no belief, nothing however firmly rooted or firmly held, does he hesitate to question. The politics of the rationalist are the politics both of perfection and of uniformity. He treats politics as the constant solving of definite problems, and he assimilates the political task in general to that of the engineer.

Professor Oakeshott himself prefers an older conception of the task — the conception of Aristotle. For him, politics can never be a science; it is an art. That is to say, a politician or statesman may have aptitude, but he can only learn his job by apprenticeship, by placing himself under one already accomplished in the art, and learn as a painter or a sheep dog learns his job, or, in fact, as every one of us learns to live. At the end of the *Nicomachean Ethics* Aristotle points out, in prevision of the sequel, his *Politics*, that no man will become a doctor simply by reading a book about medicine, and likewise nobody can become a politician or statesman by having a doctrine inculcated upon him.

Professor Oakeshott resorts to a similar comparison, only he chooses a cookery book instead of a manual of medicine, and I think this as-



sists the understanding of the point. He says that nobody can learn to cook by reading a book. Such a book on cookery is the distillation of knowledge concerning the art of cookery, and no reader can derive benefit from reading it unless that reader knows in advance what he is likely to get from it. In order to take advantage of a cookery book, in short, it is essential to know first how to cook. In politics, it is, Oakeshott says, exactly the same. That is, in his view, the secret of political wisdom.

#### **Based on Tradition**

Let me return to his inaugural lecture. Having assured his audience that all he wished to do was to reiterate the truth that politics cannot be conducted successfully by means of an ideology, he went on to say that to some it seemed that politics could be an empirical activity. But to try to rule according to the chances of successive inspirations was in fact impossible. Empiricism could never be utilized alone; it had to be assisted by something else; for instance, by a hypothesis. The hypothesis would usually be taken out of an ideology, and the principles of which an ideology was the statement were accepted with respect because they appeared to have been premeditated. But again, it is quite as impossible to premeditate rules for

actual politics, and no ideology entirely premeditated *a priori* had ever existed; if one had existed, it would be absurd. The truth was that principles were not reached by premeditation; they were reached by abstraction.

In another of the essays Oakeshott recalls that English liberties were the fruit of centuries during which certain statesmen had concerned themselves with the arrangements of their historical society. Such a concern is always exercised within a tradition, and it is only thanks to the vigor and liveliness of a pre-existing tradition that any scheme of political ends to be pursued in any particular country can be evaluated.

It follows that the knowledge which it is essential to acquire for the practical conduct of politics is the knowledge, as profound as possible, of the local tradition of political behavior. It is a matter of skill, of instinct and insight, of touch and sensibility, and that is why the correct behavior could only be learned at the side of an experienced politician, unless like the second Pitt — miscalled, Oakeshott says, “the Younger” — you are born old.

#### **A Choking Residue**

According to the essay which gives its title to the book, the harm done by rationalism in politics has

now reached a point where it gravely threatens the future. It is, Oakeshott says, rationalists who have thrown away the liquid in which our moral ideal was suspended, and having let it pour away as valueless, they have left us with a dry, hard, and gritty residue, which chokes us as soon as we try to swallow it. For instance, they have done their best to abolish paternal authority, and then they have deplored the disappearance as a consequence of "good homes," and finally they have produced so-called substitutes which complete the work of destruction.

Today we are, he says, in the midst of a universal confusion. In spite of the millions spent on education, ignorance only goes on growing as regards how to behave in daily existence and how to make something of one's individual life. "There is," he says, "a vast and deplorable ignorance of the libertarian tradition itself, a confusion of mind concerning the kind of human society which we have inherited and what is its strength and what its weakness." The generation now in the saddle has its gaze fixed on distant horizons and its mind obscured by an alien rubbish; it is a sophisticated and impatient generation. It has broken the attachment to the past and is athirst for everything, save liberty.

Owing to the negligence of earlier generations, we are almost buried under an accumulated mass of bad arrangements and of concentrations of power which we do not know how to remove. The contemporary mess is due to the lack of understanding of those same earlier generations; they did not understand the nature of their society; they sought to correct the bad arrangements by expedients which, because they were not inspired by love of liberty, threaten that liberty as much whether they succeed or fail.

#### ***Political Conservatism***

The essay entitled "On Being Conservative" is of special interest. Here Professor Oakeshott contrasts a variety of current apologies for conservatism in politics with the only view of what it means to be a conservative politically that will tally with his understanding of the nature of politics. It is commonly asserted today, he says, that to be a political conservative is to have certain beliefs about the world and about human beings, or certain religious beliefs, or a belief in the value of human personality, or a belief in original sin or in monarchy. He admits that many persons disposed to be conservative as regards political activity claim to hold one or more of those beliefs. But he insists that "a dispo-

sition to be conservative in politics" does not entail holding any of them. What political conservatism is tied to is "certain beliefs about the activity of governing." It is manifested in the observation of "our current manner of living" combined with the belief that

Governing is a specific and limited activity, namely the provision and custody of general rules of conduct, which are understood, not as plans for imposing substantive activities, but as instruments enabling people to pursue the activities of their own choice with the minimum frustration, and therefore something that it is appropriate to be conservative about.

That is a view of conservatism which should interest not only "the new Conservatives" in America, but even more perhaps those very numerous Americans today who want the government to interfere in almost everything. It is a view which should make these latter Americans think.

Altogether Professor Oakeshott's book is an excellent work, as though expressly designed to enable readers to begin ridding themselves of the stubborn illusions which so many of their fellow men elsewhere are reluctant to abandon. ♦

## HOW NOT TO WIN

DEAN RUSSELL

MOST Americans seem obsessed with the idea of winning some sort of an "economic contest with the Russians." I'm not quite sure what the alleged contest is all about. And for the life of me, I can't understand why it's important for us to win it.

Personally, I wish the Russian people well. Nothing would please me more than to wake tomorrow

and discover that the Russians had increased by 1,000 per cent the production of goods and services that the Russian people want and are willing to work for. I would be happy indeed if I were reliably informed that the Russian people could now live as families in their own homes, instead of being crowded two or three to a room in government housing

projects. I would be most pleased to learn that the production of meat in communist Russia had finally exceeded the per capita level of 1913. I wish that every Russian family could own a car, and could be free to travel in it. I am truly sorry that the level of living of the average Russian is still less than one-third of our own. Why should anyone be so mean as to hope the Russians will never rise above their present low level of existence?

Most unfortunately, I see no possibility of any dramatic increase in the material level of living of the Russian people under their present system of an economy that is controlled and directed by government. Doubtless it will continue to inch up a bit in the future as it has done during the past ten years — provided there is no major war, and provided that the communist leaders continue their present policy of a sur-

prising amount of industrial decentralization and managerial discretion. When that recent policy is combined with a strengthening of their now-realistic practice of basing each worker's pay on his individual production — and of using free market prices for distributing many food products — I am confident that the Russian people will have more goods and services next year than they have this year. Certainly, I hope so.

But this fact remains: I cannot find even one historic example to show that a controlled economy has ever resulted in a higher level of living than a comparable free economy over a significant period of time. Thus, it is clear to me that all we need worry about in this area is the regaining of the free market here at home, instead of further destroying it in a misguided effort to win a pointless statistical race with a controlled economy abroad. ♦

#### IDEAS ON LIBERTY

#### ... *If They Please*

THERE CAN BE NO PRESCRIPTION old enough to supersede the law of nature, and the grant of God almighty, who has given to all men a natural right to be *free*, and they have it ordinarily in their power to make themselves so, if they please.

JAMES OTIS, "Rights of the British Colonists Asserted and Proved," 1764.

## FREEDOM OF THE SEAS

It is a contemporary article of faith in our interventionist age that subsidies were absolutely necessary to build the American railroad grid and to get the American merchant marine going in the age of steam. But even in the days when the West was only sparsely populated, James J. Hill built the Great Northern Railway without benefit of government handouts. And in the midst of depression and war in the nineteen thirties and forties a remarkable Danish-American, Hans Isbrandtsen, created a profitable worldwide American steamship company without aid from Washington and without participating in rate-fixing "conferences" or cartels.

Thus it has been proved that vital transportation can be had on pure Adam Smith terms even though only one man in, say, a million believes it in our day of fondering railroads, federally-financed throughways, and high-cost cargo

ships. The story of how Hans Isbrandtsen riddled the most cherished theory of the interventionists has been dramatically told by James Dugan in a salty, rip-roaring chronicle called *American Viking* (Harper and Row, \$5.95).

Isbrandtsen, known as "the sea wolf" to everyone who went up and down the shipping lanes of the Seven Seas, did it on American terms, paying the higher wages the American seamen had come to regard as their rights. He bickered with shipping boards, he undercut standard conference freight rates, he tangled with congressmen, he was often embroiled in a running battle with the U. S. State Department, and he rationed lead pencils to his office force at the old Standard Oil building on Manhattan's Lower Broadway. But his fanatical cost-cutting and his successful insistence that he be allowed to compete on pure laissez-faire terms were not achieved at the expense of

human beings. Underneath a tough Scandinavian hide and a brusque manner he was a good deal of a sentimentalist; he was a soft touch for any Dane who happened to be "on the beach" in Brooklyn or Manhattan, and he made it a quiet habit of helping those who had been widowed or orphaned by the sea.

### **A Merchant at Times**

The unorthodox way in which Hans Isbrandtsen managed to wring a pure Adam Smith profit out of hacking bulk cargo about the world appeared incredible to his competitors, but it would have seemed merely standard practice to our forefathers in the age of sail. Like the enterprisers of old Salem, Isbrandtsen was frequently both merchant and carrier in one. When importers discriminated against his ships, preferring to stick to a cartelized freight service because they were fearful of incurring the displeasure of a seagoing "establishment" that could give or withhold cargo space at will, Isbrandtsen became an importer on his own. He bought coffee in Latin America, or jute in India, or rubber in the Indies, not because he relished the speculative chances he was taking but simply to fill the holds of his black ships which bore such names as the *Flying Trader* or the *Flying*

*Arrow* or the *Flying Enterprise*. Though he necessarily lost money on his merchant bets at times, he was generally successful in his incursions into the commodity markets.

Year after year the Isbrandtsen lines made a profit as the brusque "sea wolf" moved his ships around the chess board of the world by sending expensively detailed cables out from the home office "Main Deck" at 26 Broadway. Isbrandtsen's quick ways of cutting a loss or grabbing an opportunity on the fly would have appealed to the Derby family or the Cabot family of old Massachusetts North Shore ports, for they, too, were men of bold decisions based on an imaginative feeling for possibilities that escape the routiners in any line of work.

A throwback to the nineteenth century in all ways, Isbrandtsen believed in trading with anybody without asking questions about ideology. He believed in an absolutely undeviating application of the old doctrine of "comparative advantage," justifying exchanges with countries like Red China or Soviet Russia on the ground that a swap of noncontraband goods is always politically "neutral." If the Red Chinese, for example, wished to buy western wheat, they would have to pay for it by detailing workers to produce something

of use to the western nations. The energies of Red Chinese workmen would thus be diverted to peacetime activities.

In the nineteenth century this doctrine had much to commend it. Before the days of modern totalitarian dictatorships, production for export invariably created a "peace party" inside a state. This was even true in the more authoritarian countries like Hohenzollern Germany and the Russia of the Czars. But today, when all the big nations are, in effect, variants of the "nation in arms," even trade that merely serves to keep people alive has a military aspect: every healthy man is a potential soldier or war worker. When the Isbrandtsen captains were waiting at the mouth of the Yangtze River to run Chiang Kai-shek's blockade of the Red port of Shanghai, the Chinese communist dictator Mao Tse-tung needed western trade goods to keep his myrmidons pacified. The theoretically noncontraband stuff that Isbrandtsen, the complete free trader, hoped to land in Red China was thus far from "neutral"; it stood to help communists as they went about fastening their shackles on China.

Alfred Kohlberg and the so-called "China Lobby" were quite correct from their own radically anticommunist point of view when they labeled Isbrandtsen's

attitude as "objectively" procommunist. The brusque Danish-American sea wolf did not see it that way, of course. But that was simply because he didn't think it the business of the United States to try to bring down the communist regime in Peiping. Well, it wasn't very long after the blockade-running squabbles between Mr. Kohlberg and Mr. Isbrandtsen that the armies of Red China were killing U.S. soldiers in Korea. Mao Tse-tung had used his western imports to help cement his power in China—and had then turned this power against all the western nations in the Korean War. So the doctrine of "comparative advantage," when applied under modern circumstances in the Asia of 1949 and 1950, did not turn out to our advantage at all.

### *The Carlsen Saga*

Mr. Dugan's acceptance of Hans Isbrandtsen's own philosophy is so unquestioning that the subtleties involved in trying to understand the shortcomings of the doctrine of comparative advantage in the modern age of totalitarian armed camps quite escape him. Like Isbrandtsen himself, Mr. Dugan is a romantic. He likes action and he glories in color. The *piece de resistance* of his book is provided by the heroic exploit of an Isbrandtsen captain, Henrik Kurt

Carlsen, who insisted on staying aboard his wrecked ship, the *Flying Enterprise*, for two dreadful weeks of gale and hurricane in the English Channel in 1952. The whole world watched as Carlsen clung to a vessel that had virtually split in half. By actual page count, almost a fifth of *American Viking* is about Carlsen, who was only an employee of the Viking who gives title to the book.

Nevertheless, the Carlsen saga very definitely belongs to the Isbrandtsen story. For the old sea wolf had infused all his captains with his spirit. Carlsen had so thoroughly absorbed the doctrine that an Isbrandtsen captain must try to get his ship into port at all hazards that he refused to quit his post even after Isbrandtsen himself had given up on the *Flying Enterprise*. At that, Captain Carlsen might have gotten his ship towed into the British West Country port of Falmouth if there had not been a final flick of horrible weather just when safety was in sight.

There are other sagas in this story of Isbrandtsen's embattled life; the story of the sea wolf's abortive attempt to revive the American whaling industry has only slightly less interest than the account of Carlsen's ordeal. This is a grand book with a lesson for free men. ◆

▶ *TV: From Monopoly to Competition* by Wilfred Altman, Denis Thomas, and David Sawers (London's Institute of Economic Affairs, Eaton House, 66A Eaton Square, London SW1. 7/6)

*Reviewed by Melvin D. Barger*

THE BRITISH broadcasting system, a government monopoly, had the airwaves to itself for thirty-five years. It now shares them with commercial broadcasting, in the form of the Independent Television Authority. The story is told in *TV: From Monopoly to Competition*. Mr. Altman traces the history of British broadcasting, taking the reader from its beginning in 1920 down to the present. Interestingly, British broadcasting had a brief flirtation with private enterprise in 1922, but almost immediately the government-owned Post Office department claimed jurisdiction and helped set in motion the forces that were to lead to state monopoly. The BBC came into being that same year, a single broadcasting service that justified its monopoly with such arguments as the "shortage of wave lengths" and "public service"—reasons which were to persist until 1955. (Mr. Altman acknowledges a heavy indebtedness to R. H. Coase's pioneer study, *British Broadcasting—A Study in Monopoly*, for historical source material. See Coase's



"Why Not Use the Pricing System in the Broadcasting Industry?" *The Freeman*, July 1961. p.62.)

The growth of the BBC through the years also meant the growth of a large body of public broadcasting officials with a vested interest in maintaining their own power and influence. Anxious not to permit even a smattering of privately-owned broadcasting outlets, they campaigned mightily to take over the handful of independent wire transmitting stations in the country. Yet they always had to do constant battle against recurring public opposition to their monopoly.

Although the British people long delayed their move to overthrow the BBC monopoly by direct political action, they apparently were doing a great deal of "voting" with their radio dials. Commercial programs beamed from France and Luxembourg—in many cases sponsored by leading British advertisers—were popular with British audiences. Characteristically, the government tried without success to suppress these non-domestic broadcasts. Helped indirectly by the advent of television, and directly by the Conservative Party's victory at the polls, the procompetition group began to see some hope in the early 1950's. In the final sparring for

new legislation, they hit the BBC where it was weakest, attacking its bland programming, its bureaucratic complacency, and its lack of freedom. Private broadcasting, though tightly regulated, came to Britain in 1955.

What was the social impact of independent television? Mr. Denis Thomas explores this topic in his section of the booklet, and compels one to conclude that video came into its own only after the break-through into commercial broadcasting. ITA (Independent Television Authority) was to become so popular in the public mind that even leaders of the pro-BBC Labour Party were to find it politically expedient to *deny* that they contemplated eliminating independent television. Commercial television actually changed the entertainment habits of the British public, and the number of TV viewers in the country grew from 5½ million in 1955 to 40 million in 1961. Independent television claimed to have some 69 per cent of this nightly audience.

But perhaps the most significant effect of independent television was that it forced a change in the policies of the BBC, which put on a new face to meet the competition for viewers. The BBC even began to outdo its rival in competing for some of the American programs that had been so popu-

lar with independent viewers. It was, in fact, the BBC that scored in Britain with Sergeant Bilko, the Perry Como Show, Sid Caesar's series, Harry Belafonte, and Mort Sahl.

The economics of British television gets an airing in the final section of the booklet, in which Mr. David Sawers also examines the possibility of establishing more services, such as Pay-TV and channels in the UHF (ultra high frequency) range. Although certainly vital to a complete discussion of the British broadcasting problem, his portion seems to get heavy with technical and economic detail.

In a concluding summary, the authors endorse the need for a third broadcasting facility, if only to give viewers a wider choice. They seem to support maintaining the present degree of freedom for the ITA, and also extending it to the BBC by permitting the latter to accept advertising and buy additional time on the ITA. As for control of programming, they insist that the majority must continue to be allowed to watch what it wants (reiterating, somewhat, a point made in the prologue: that people who are capable of choosing their political governors should be capable of choosing their television programs!) ♦

**IDEAS ON LIBERTY**
*Knowledge and Learning*

THE INTELLECT, which has been disciplined to the perfection of its powers, which knows, and thinks while it knows, which has learned to leaven the dense mass of facts and events with the elastic force of reason, such an intellect cannot be partial, cannot be exclusive, cannot be impetuous, cannot be at a loss, cannot but be patient, collected, and majestically calm, because it discerns the end in every beginning, the origin in every end, the law in every interruption, the limit in each delay; because it ever knows where it stands, and how its path lies from one point to another.

CARDINAL JOHN HENRY NEWMAN  
*The Idea of a University*

# The Fateful Turn

*From Individual Liberty to Collectivism*

1880-1960

by **Clarence B. Carson**

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From:

## THE SPIRIT OF SELF-DIRECTION

■ To be an American means to cooperate in perpetuating the spirit of self-direction throughout the body politic; and whoever does not feel this duty and actively respond to it, although perhaps a naturalized citizen of the land, remains an alien forever.

HUGO MUNSTERBERG, *The Americans*

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