

# THE Freeman

IDEAS ON LIBERTY

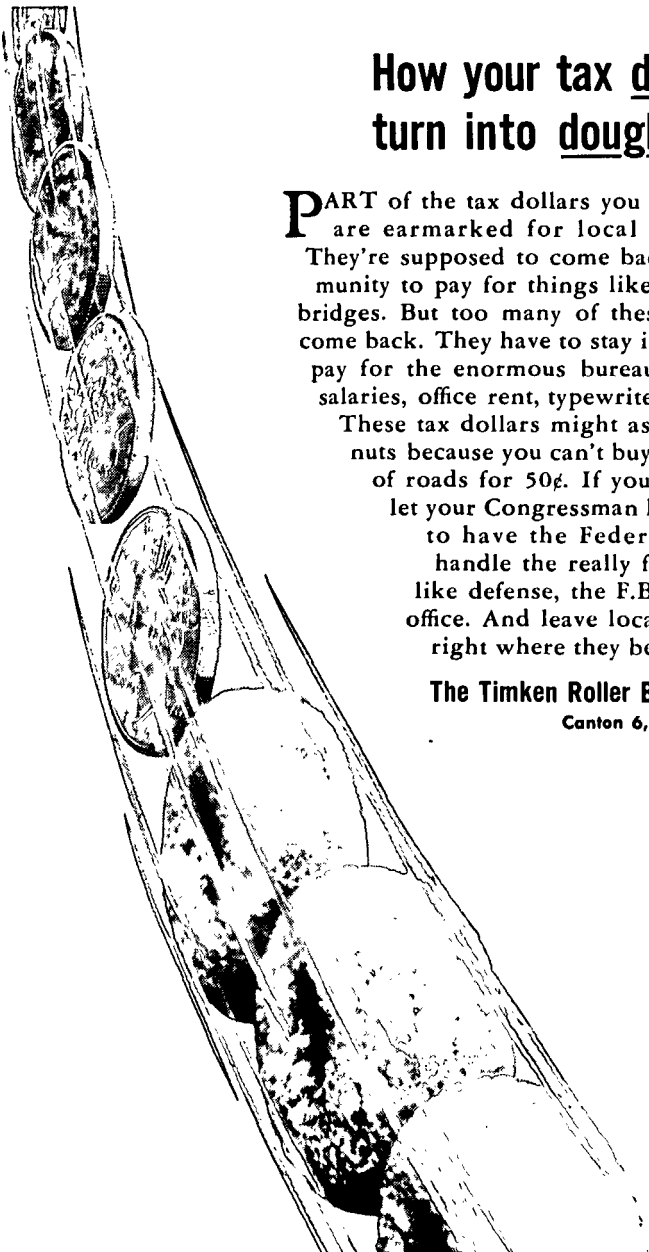
APRIL 1958

<b>In Another Recession</b> . . . . .	<i>Hans F. Sennholz</i>	5
<b>Wage Rates and Jobs</b> . . . . .	<i>Henry Hazlitt</i>	11
<b>Profits and Jobs</b> . . . . .	<i>Barron's</i>	13
<b>Training the Young To Be Capitalists</b> . . . . .	<i>F. A. Harper</i>	16
<b>Employer's Resignation</b> . . . . .	<i>Grace Lee Kenyon</i>	23
<b>Education and Community Life</b> . . . . .	<i>W. C. Mullendore</i>	24
<b>Not Victories for Communism</b> . . . . .	<i>W. H. Chamberlin</i>	32
<b>No License for Derek Wiscombe</b> . . . . .	<i>Diogenes</i>	39
<b>Justice vs. Restrictions on Trade</b> . . . . .	<i>Frederic Bastiat</i>	40
<b>When Free Men Speak</b> . . . . .	<i>Vollie Tripp</i>	41
<b>The Sources of Invention</b> . . . . .	<i>John Jewkes</i>	45
<b>A Capitalist Manifesto?</b> . . . . .	<i>John Chamberlain</i>	58
<b>Other Books</b> . . . . .		62



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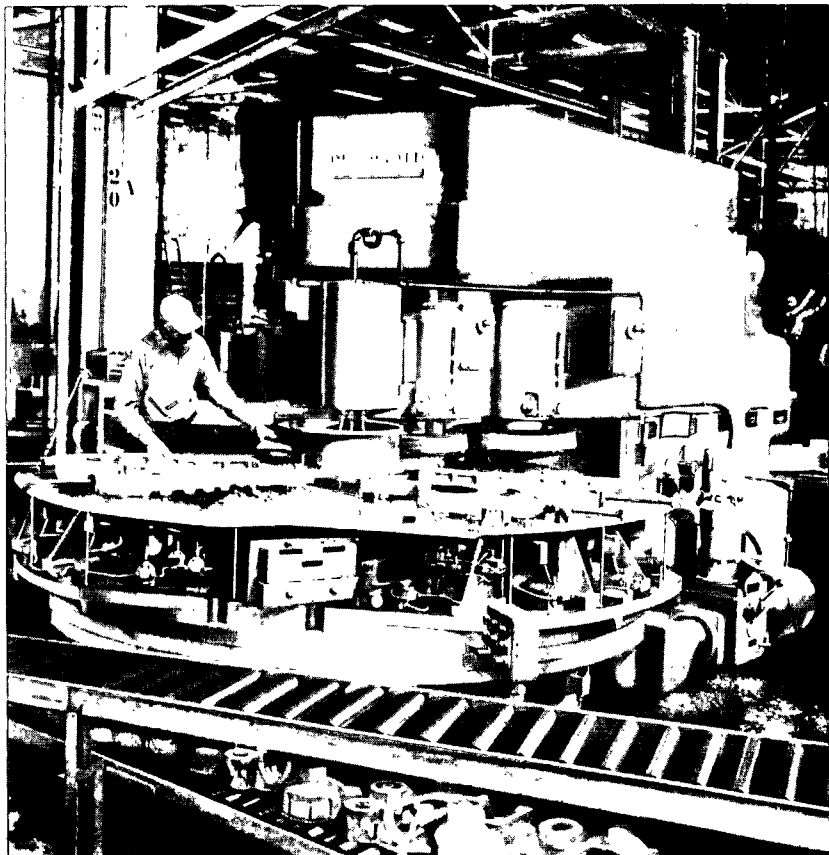
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# THE *Freeman*

APRIL 1958

Vol. 8 No.4

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

PAUL L. POIROT     *Managing Editor*

**THE FREEMAN** is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including **THE FREEMAN**, are met through voluntary donations. Total expenses average \$12.50 a year per person on the mailing list. Donations are invited in any amount — \$5.00 to \$10,000 — as the means of maintaining and extending the Foundation's work.

Accepted as controlled circulation publication at Irvington, N. Y., with additional entry at New York, N. Y. Copyright, 1958, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 25 or more, 20 cents each.

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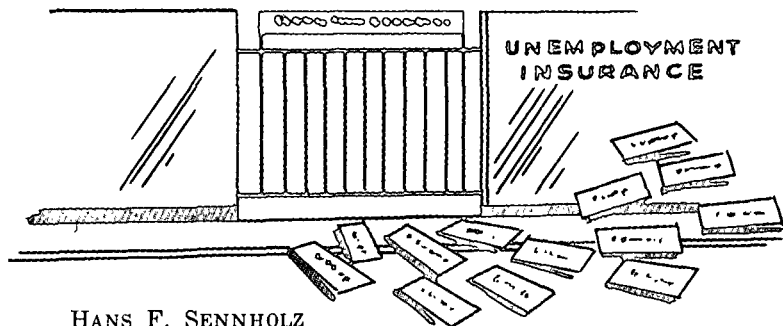
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# COAST FEDERAL SAVINGS

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# IN ANOTHER RECESSION



HANS F. SENNHOLZ

ONE of the most widely proclaimed objectives of government interventionism is economic stability. The government is to assure full employment, steadily rising consumption, and growth of the economy.

The present recession is another reminder that interventionism often leads to the very opposite of what it sets out to achieve. Indeed it has given our era its economic characteristic: unprecedented instability in the shape of a rapid sequence of booms and recessions.

We are now in the third postwar recession. From 1948 to 1950, industrial production declined some 10 per cent and unemployment rose to 4,684,000 in February of 1950. Three years later, in another

recession, industrial production fell by 12 per cent and unemployment climbed to 3,724,000 in March of 1954.

Now, once more, our daily papers are full of gloomy reports on declining commodity prices, declining steel operating rates, lower oil production, fewer freight car loadings, and rising unemployment. The public is at a loss to understand this unplanned decline.

The explanations offered by various "experts" reveal a garbled collection of economic ideas and notions. One explanation traces present difficulties to the "lack of sufficient new orders to maintain current rates of production and shipments." And this, in turn, is attributed to the cutbacks of outstanding defense orders and the

withholding of new armament orders. These experts urge that government spend more on military hardware and ammunition in order to boost the economy.

In the first place, such an explanation contradicts reality. The federal government spent more money on national security in 1957 than in 1956; and the sputniks have caused acceleration of armament spending.

But even if armament spending had declined, total cash expenditures of the federal government were higher in 1957 than in any other year since World War II. They exceeded \$79 billion, which was \$7 billion more than in 1956 and \$9 billion more than in 1955. These facts would suggest that a substantial increase in government spending doesn't necessarily prevent an economic slump.

### ***Excessive Inventories***

Another explanation runs as follows: Businessmen are trying to cut down on unnecessary inventory accumulations. Inventories were rising throughout 1957 in expectation of future sales. But sales have been disappointing on account of wages lost through layoffs.

This reasoning moves in vicious circles. The recession is caused by inventory adjustments, caused by disappointing sales, caused by un-

employment, caused by the recession — the recession caused itself!

More capacity than orders is the reason for the decline, say others. There has been a growing gap between actual operations and capacity. Manufacturing operations average less than 80 per cent of capacity. Every major industry is operating below the full-employment rate. And it seems likely that factory output will level off while capacity continues to rise, which will further widen the gap between capacity and operations.

This answer must be rejected on grounds that it merely describes a situation. It neither explains the causes for the growing gap between operations and capacity nor analyzes the factors that determine capacity and factory output. It is the most superficial of all answers.

Labor unions offer a simple explanation of their own. Labor is underpaid, they say. Employers are withholding part of the rightful wages, so their employees cannot buy back the product. They therefore recommend higher pay and a shorter work week. In the words of O. A. Knight, president of the Oil, Chemical and Atomic Workers Union: "We should begin preparing now for a shorter work week to be applied when needed instead of waiting until there are several million unemployed."

This explanation disregards two



hundred years of economic thought and returns to the ancient fallacy of exploitation and class struggle — which has been exploded numerous times but is kept alive because it constitutes the ideological basis of unionism.

In a market economy there can be no exploitation of labor. Competition between actual and potential employers always tends to lift a man's wages to the point of his productive contribution. If his wage should fall below this point, his services indeed would constitute a bargain. Consequently, many bargain-hunting employers would compete for his services, and this again would lift his wage to the point of his productivity.

If the labor union recommendations were enacted, disaster similar to that of the great depression would engulf the whole economy. Both higher pay and a shorter work week constitute higher business costs. And higher costs make for lower business earnings, or possibly losses, which in turn cause business contractions and unemployment.

### ***Cherchez la Boom***

A scientific analysis of the reasons for the present recession must search for more than shrinking backlogs, inventory adjustments, or the old shibboleth of labor exploitation. It must go back to the

pleasant state of affairs and the economic policies that preceded today's recession. It must go back to the boom and the monetary policies that created it.

All three postwar recessions were preceded by feverish booms with soaring prices and wages. According to the Bureau of Labor Statistics, the index of consumer prices rose from 83.4 in 1946 to 102.8 in 1948. Commodity prices rose from 78.7 to 104.4. The 1948-1950 recession then followed, with 4.7 million unemployed.

The 1953-54 recession was preceded by similar developments. Between 1950 and 1952 consumer prices soared from 102.8 to 113.5 and commodity prices from 103.1 to 111.6.

The present recession was initiated by a similar boom that lasted from 1955 to the summer of 1957. Consumer prices rose from 114.5 in 1955 to 121 in August of 1957. During the same period commodity prices rose from 110.7 to 118.4.

There cannot be any doubt that all three recessions were preceded by feverish booms with rising prices and wages. They were periods of great optimism about the prosperous future, vast expansion of the apparatus of production, and full employment of capital and labor.

The causal connection between booms and recessions is found in

the money and credit policies conducted by our monetary authorities. They inflate the money supply which initiates the boom stage of the business cycle. Then, when prices and costs of living rise in reflection of the expanded money supply, our authorities become concerned about the inflation and refrain from further monetary expansion. At this time the symptoms of boom disappear and the economy begins to adjust to the policy of stabilization. Furthermore, the malinvestment and maldistribution of the boom period must be brought back into line with economic reality. The period during which this readjustment takes place is called recession or depression.

Federal Reserve statistics demonstrate the inflationary nature of the monetary policies that created the booms. Between 1946 and 1948 the total adjusted deposits and currency held by all banks rose from about \$150 billion to more than \$170 billion. During the 1951-1952 boom period they rose from \$177 billion to \$195 billion. And during the last boom they rose to \$221 billion in July of 1957, with bank loans climbing to \$112 billion.

This monetary expansion was achieved through easy-money policies on the part of the Federal Reserve system. Through open-market purchases, lower bank re-

serve requirements, and lower discount rates, it not only expanded the quantity of currency and deposits, but also facilitated credit expansion on the part of all banks.

When the volume of currency and bank credit is thus arbitrarily increased, the market rates of interest tend to decline. When credit is abundant and interest rates are low, many a businessman is tempted to expand with improvements and new projects that appear profitable. But these very projects whose profitability depends on low interest rates must become unprofitable as soon as the economy begins to adjust to the latest round of inflation. They constitute malinvestments insofar as they withdraw scarce labor and capital from other profitable uses.

### ***Rising Prices and Costs***

The economic response to inflation involves feverish business bidding for labor and capital for expansion. Prices of raw materials, wages, and interest rates rise rapidly. They continue to rise until one enterprise after another becomes unprofitable.

The first indications of the coming recession include postponements of expansion plans, lower sales of structural steel, cutbacks of tool and die making and of other production connected with business expansion. Then, other

malinvestments become apparent in the shape of "excess capacity," which simply means that in terms of product prices and business costs the operation is unprofitable. The construction of "excess capacity" during the boom, therefore, was based on certain hopes and expectations of profitability that were shattered by rising business costs.

The unprofitability of business and the urgent need of funds for fixed obligations induce many companies to reduce their inventories. Unemployment rises and many product prices fall. Business activity declines until the adjustment has run its course to the point that production becomes profitable again.

In an unhampered market economy the readjustment takes the form of falling business costs. Falling product prices and reduced profits, along with competition among workmen, exert a pressure on wages until they decline by a few per cent. Projects constituting malinvestment are abandoned, setting capital and labor free for employment in other profitable enterprises. After business costs are thus reduced, some operations become profitable again. The depressions of the nineteenth century generally involved this kind of readjustment — rapidly enough so that mass unemployment was prac-

tically unknown in those times.

But in our time, business costs seem to have lost their facility for downward adjustment. The policies of the government and of labor unions have made wages extraordinarily rigid. Minimum wage laws and various other governmental decrees actually prohibit certain adjustments. And the labor unions exert their tremendous political power to force wage rigidity, if not higher labor costs. They militantly defend all wage increases which the preceding boom and its maladjustments have provided.

#### *The "Built-in Stabilizers"*

There is little doubt as to what the political response will be to the present business recession. The "built-in stabilizers" will be activated, and the lot of them can be encompassed in a word: inflation. The only answer which our interventionist government can give to the problem of recession is further inflation. No matter under what label or disguise, inflation tends to release credit, raise product prices, and lower real wages. Consequently, prospects for business profits improve and a new boom is initiated.

This new inflation has already begun. Last November — and again in January — the Federal Reserve system lowered its discount rate

in order to encourage bank borrowing and bank credit expansion. Reserve requirements were reduced. And it bought government bonds in the open market in order to increase bank reserves. Furthermore, government officials and politicians contemplate other measures that involve more government spending, or that reduce government receipts while spending remains unchanged. The House Banking Committee is ready to push schemes for federal handouts to "depressed areas." Other legislators plan stepped-up aid for "slum clearance." Small business partisans favor handouts to their clients. General tax cuts are being considered simultaneously with big new spending programs. Inflationary financing is supposed to cover growing budgetary deficits.

It remains to be seen whether or not the combination of all these measures will have the desired effect — whether product prices will resume their rise, make business profitable again, and reduce the unemployment. But even if these measures "succeed" once more, the inflation will have its well-known effects. The dollar which already has been more than halved in value since 1940, will continue to lose purchasing power. Debtors again will be favored at the expense of creditors. The people's savings in the form of life insurance claims,

savings accounts, government bonds, and the like, will continue to depreciate. Fixed income receivers will suffer. And the business cycle with its inevitable recession will start all over again.

### ***The Growth of Socialism***

But the inevitable consequence that exceeds all others in tragic significance is the growth of socialism. During the three postwar boom periods many people have learned to recognize inflation. Having also learned to rely on government as the source from which all earthly blessings flow, they are clamoring for protection from the disastrous effects of inflation. Vote-conscious planners in Washington are most anxious to "fight" inflation. They are ready to face the problem head-on through compulsory socialistic price and wage controls.

During the last boom President Eisenhower repeatedly discussed the possibility of federal controls over business and labor. The Secretary of State, the Secretary of Labor, and many other high government officials in the Administration and in Congress have proclaimed the desirability of controls. Such talk makes one wonder if the institutions of personal freedom, private property, and a free market can survive another burst of inflation. ● ● ●

# WAGE RATES AND JOBS

HENRY HAZLITT



A. Devaney, Inc. N. Y.

A DAY does not pass now without someone in Washington proposing a new inflationary scheme. All of these schemes are based on a common set of assumptions. It is taken for granted that under no conditions can the government permit a recession or even a comparatively mild readjustment. It is taken for granted that it is a "responsibility" of government to maintain "full employment" at all times. It is taken for granted that the government not only has the power to do this, but knows exactly how to do it. It can be done, it is assumed, either by heavy government spending, or heavy deficits, or forcing down interest rates, or an increase in the money supply, or all four.

The sole point of dispute among these inflationist groups concerns the exact dose of added spending, tax reductions, or money creation that is necessary to maintain "full employment." The "conservative"

inflationists want a comparatively mild dose — just enough to achieve "full employment," but not enough to bring "true" inflation. The lunatic fringe wants to spend money with a steam shovel and to print it on a rotary press.

But all these groups are wrong in their fundamental assumptions. The truth is that neither government spending nor an increase in the money supply is either a necessary or a sufficient condition for the existence of full employment and prosperity is a proper relation among the prices of different kinds of goods and a proper balance between costs and prices, particularly between wages and prices. When this balance exists, so that the prospect for profits exists, full employment and maximized production and prosperity will follow. When this balance does not exist, when wage rates are pushed above the mar-

ginal productivity of labor, and profit margins are doubtful or disappear, there will be unemployment. The presence or absence of monetary inflation is by itself irrelevant.

If the proper relationship exists between costs of production and prices, between wage rates and prices, there can be full employment without inflation. And there will be unemployment even with a rampant inflation if wage rates are too high as compared with prices so that profits are distorted or on net balance negative.

What leads to the great contemporary faith in inflation as the cure-all for unemployment and other economic ills is the fact that under special conditions inflation may raise prices more than wage rates and so restore comparative equilibrium and workable profit margins. After an inflationary boom, there may be a depression accompanied by a collapse of prices. If labor unions then refuse to accept corresponding reductions in wage rates, a money-and-credit inflation, if not accompanied by a further rise in wage rates, may raise prices enough to restore profit margins, production, and employment.

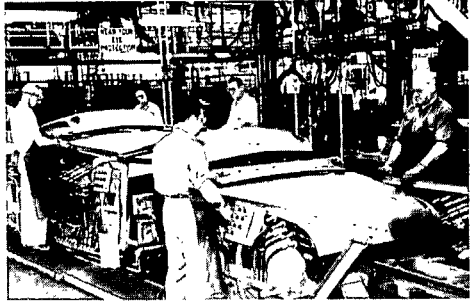
But today, we are given to understand, economic adjustment is *never* to be made by reducing wage rates, but *always* by more inflation

to raise prices. The unions, going farther, insist that not only must wage rates never be reduced under any circumstances, but that they must be advanced each year, in monetary terms, especially when things get bad, for that will "increase purchasing power."

This argument is, of course, wholly fallacious. It confuses wage rates with total wage payments; it confuses a price with an income. Higher wage rates, by excessively raising costs of production and wiping out profit margins, may create unemployment, and so reduce total labor income. It is in the interest of the whole body of labor itself that equilibrium wage rates should be established that maximize employment and labor income.

But today opinion is confused. One school of thought believes that wage rates *ought* not to be reduced under any circumstances; another school holds that in fact they will not be reduced because unions will never accept a reduction. That is why, unwilling to face up to the need for curbing the union monopoly powers that our labor laws have conferred in the last generation, so many people can see no way out but the dangerous and desperate road of more inflation. ● ● ●

# PROFITS AND JOBS



A. Devaney, Inc. N. Y.

OF ALL the elements which go to make up the system of private enterprise, the one which enjoys perhaps the least understanding—or approval—is profits. Indeed in the U. S., very citadel of capitalism, an observer these days aptly might say that a profit is almost without honor. For years, according to many a dreary survey, the man in the street has entertained exaggerated and critical notions regarding profit margins. In Washington, which never need worry about meeting a payroll, profits as a rule either tend to be ignored completely or, during a crisis, hastily labeled “excess” for purposes of taxation. To organized labor, of course, corporate earning power is merely the goose which, at annual contract time, can be made to lay a new and larger golden egg.

The amazing persistence of such

fallacies in the national thinking has been underscored again of late. Thus, with an obvious eye toward future bargaining sessions, George Meany, president of the AFL-CIO, recently charged that the Department of Commerce, in its official reports, was understating the true magnitude of business earnings. Similarly, in unveiling his 1958-model demands, Walter Reuther, head of the United Auto Workers, called upon the auto industry to share most of its profits with employees and customers. Finally, in forecasting a balanced budget for the coming fiscal year, the Administration, in effect, has chosen to ignore the deepening recession and its probable impact on corporate accounts. Whatever their differences, the foregoing episodes have one thing in common: a striking inability or unwillingness to face the facts of economic life.

*From Barron's, January 20, 1958. Robert M. Bleiberg, Editor.*

One is that profits can go down as well as up. In a free society, profits also happen to be the moving force behind business activity. In the U. S., in short, labor as well as capital has a major stake in the business of risk and reward.

### **Shrinking Profits**

To those who grasp the connection between investment and employment, the current trend of earning is disquieting. For the figures reveal that profits have been shrinking steadily for more than a year. According to the Department of Commerce, net income of all U. S. corporations, after taxes, reached a high of \$22.3 billion per year in the fourth quarter of 1956. By the second quarter of 1957, earnings were running at an annual rate of \$20.5 billion, a showing which failed to match that of the like 1956 period. The annual reports for 1957 plainly suggest that the slippage continued in the second half as well.

The government data, to be sure, have not gone unchallenged. In particular, Mr. Meany, speaking for the AFL-CIO, has attacked the estimates of the Department of Commerce. In the main, he faults them for failing to take into account the increased deductions which industry, in writing off plant facilities, now is permitted

to make. If such sums are added to reported earnings, he argues, the so-called squeeze on profits quickly disappears.

It is perfectly true that under the former methods of depreciation, current profits would compare more favorably with those of earlier years. However, that is not the point. Whether by the old yardstick or the new, earnings during the past 12 months (the period in question) unmistakably have dwindled. As to the longer pull, Mr. Meany is equally wrong. For owing to postwar inflation, the cost of replacing an asset has exceeded by a country mile that of building it originally. Until the recent fiscal reforms (to which labor now objects so strenuously), corporations were compelled to report wholly inadequate allowances for depreciation. In short, for a decade or more business has overstated, not understated, its profits.

### **Labor Demands More**

Here is a formidable misconception indeed. However, in this realm George Meany is matched, if not surpassed, by his vice-president and possible successor, Walter Reuther. In advance of the forthcoming wage negotiations with the auto industry, the U. A. W. head disclosed his intention of seeking a massive profit-sharing



plan. Under this scheme — which even the union admits is an “unusual approach to collective bargaining” — motordom would be entitled to a net return of 4.8 per cent on its invested capital. Anything above that amount would be deemed an “excess” profit, of which one-fourth would be paid as a bonus to the workers (with an equal share going as a rebate to the car-buying public).

### **To the Ruination of All**

The proposal may be criticized on many grounds, not least that it would give the union a powerful voice in what is properly the concern of stockholders and management. But perhaps its worst — and most revealing — feature is the formula which would grant industrial concerns, subject as they are to whims of the market place, a return lower than 6 per cent or more currently enjoyed by regulated public utilities. Such terms would be ruinous, not merely to capital, which must look for rewards commensurate to the risks, but also, in the end, to all those seeking jobs which only the investment of capital can provide. The vital link between the two once

was recognized by the Executive Council of the A.F.L., which nearly twenty years ago went on record as saying: “We have learned the lesson that when opportunities for profits diminish, opportunities for jobs likewise disappear.” Today, however, labor apparently has chosen to ignore this simple truth.

Nor is labor alone in such folly. The same may be said of all those who, at the first sign of recession, would have the government launch upon a massive program of pump-priming. Contrary to the views held by some, inflation is the mortal enemy of economic progress. For it tends to cover up inefficiency and waste; to reward the speculator rather than the producer; and, not least, to encourage excessive wage demands. Sooner or later, under the mounting burden of costs, profits — as well as trade and employment — inevitably suffer. This is what has happened to the U. S. in recent months. In the circumstances, efforts to revive inflation surely would not be wise. The U. S. will regain its prosperity only as it restores the conditions under which the risk-taker can thrive. ● ● ●

NOTE: Turn again to F. A. Harper's “On Sharing Profits” (THE FREEMAN, January 1958) for further study of the implications of the UAW proposal.

# TRAINING THE YOUNG TO BE CAPITALISTS



F. A. HARPER

IT IS A TRAGIC FACT that there are so few real believers in capitalism among the younger generation of Americans. Surveys of opinions and beliefs of high school students reveal this clearly, showing how most of them believe private capitalism to be some sort of social sin, as also is communism in their view. And all sorts of political action continues to indicate a dominant opposition to capitalism.

Perhaps this situation is not surprising when we consider the extent to which teaching in the schools and colleges has become a socialized profession. Equalism is rampant there. The best and the poorest teachers share about alike under the tenure system, in the demand for their services, and in their rates of pay.

In the United States, for in-

stance, the average college and university instructor now gets less pay than the average wageworker; the average full professor gets only 55 per cent more than the wageworker despite his large investment of time and funds in obtaining a license to practice his profession. In Russia, by contrast, the average full professor gets 700 per cent more than the average wageworker, as contrasted with the 55 per cent in the United States.<sup>1</sup>

One wonders, in view of this and despite all Russia's other authoritarian impositions, whether the concept of opportunity and reward for extraordinary accomplishment may not become better understood and taught in Russia

<sup>1</sup>Source: Department of Economics, McGraw-Hill Publishing Company.

*Dr. Harper is a member of the staff of the Foundation for Economic Education.*

than in the United States. Those teachers who themselves experience economic reward for excellence are the ones most likely to extol it in their teaching and influence on young minds, and to condemn equalism.

Unfortunately we are not going to change this situation overnight. The educational practices so strongly entrenched in our schooling in the United States are likely to continue for quite a time. A bit may be accomplished here and there, of course, especially in the nongovernment schools and colleges where it is easier to recognize merit and reward superior accomplishment among teachers. To the extent we are still free to make such choices, we can lend our financial support to the schools which do this, so as to help them pay the costs it entails. And we can send our children to such institutions to be taught, paying without stint the tuition and full costs involved, rather than supporting institutions of learning where we all send to each other the bills for the socialized costs of socialist education for our children.

All these things can be done by us as individuals, to be sure, and perhaps we can thereby slowly change the climate of educational practice. But working through the established educational system is

not enough and will be slow at best. We must also look for all sorts of other ways of teaching and instilling in our children an understanding of and sympathy for the concepts of capitalism. This means opportunity for exceptional attainment, the right to have the rewards therefrom, and the right of the earner himself to dispose of these rewards as he deems wise — knowing that without a thing's being produced in the first place, there can be no problem of its disposal.

Above all, we should search for ways of teaching capitalist ideals in the home as a part of the home life of the child. This is where most of the teaching of fundamentals will be done anyhow, if at all, through precept, practice, and demonstration. For one thing, it is basic to teach the child the processes and rewards of thrift and ownership. For unless he learns this and finds it a satisfying practice, he will never really become a capitalist in the sense of personal opportunity, responsibility, and reward for wisdom and diligence.

#### ***Ventures into Business***

How can the child be taught thrift and the merits of ownership in the home? There are surely countless ways, far beyond my ingenuity to discover. Having the child pursue his urge to embark

on some childhood business venture of his own is good in some respects, but it also has some weaknesses. For instance, a child's dream of a business venture is usually less likely of success, even, than is the average experience of ventures of more mature and experienced persons where a high percentage never make the grade. Yet we can learn from failures, if it doesn't kill our spirit.

So a ready kit of first aid in event of failure, or perhaps less success than he probably anticipates, should be ready to soothe the youthful venturer. Even so, I would support and cheer all such childhood ventures, especially those giving promise of success in a noncharitable market. The objectives of Junior Achievement, as well as the Jaycees' admirable project of Self-Reliance Awards to high school students, are all of good purpose.

### **Shares in Going Concerns**

But the approach intended for special attention here, as having at least a major place in the training of a child to become a worthy capitalist, is one less speculative than the ordinary childhood venture, more certain of moderate success and adapted to being started at a younger age and on a smaller scale. And that is to help the child participate in business

ventures that are already in operation and proved to be successful and going concerns. I refer to ownership participation in corporations, through the purchase and ownership of equity shares.

The ownership and participation can be started at a very young age — should be, in fact. I know from experience that a child of four or five years of age can begin to grasp the essentials of ownership participation in this way.

One approach is as follows: Have the child invest his own money in some equity ownership, preferably money earned by him doing some useful tasks. Allowance money, if the parent is convinced of the wisdom of giving a child unearned income in that way, may be used but I feel it to be miseducation to give the young child overt gifts of money to purchase equity shares. If he is given capital funds — different in a way from giving him food to keep alive — it blocks his mind a bit to the correct lesson of earned ownership. This he should learn well at the outset, if he is to be taught to reject the prevalent attitude that the world or some major part thereof owes him luxuries of living merely because he happens to exist.

### **The Urge to Earn**

Before a child can invest his earnings, of course, he must have

earned something and have saved the part he is to invest. How can he be induced to do that? This is an important first question. But it is one I am not going to tackle here, beyond a few brief points.

It is clear that before the child will work to earn something, his wants must exceed their fulfillment. His wants must exceed the promise of their immediate fulfillment from the hand of a fond and doting parent who is ever generous to the extreme. Only then will he have any reason to work as a way to get something he wants.

Things the child wants for joy of immediate consumption doubtlessly carry the strongest urge at the outset. This may be a candy bar which he must forego until he has earned its price, or a toy, or something of the sort.

Then the child can slowly be weaned to earn and save for things more enduring and distant in his desires. Soon he will become willing to provide for things only vaguely foreseen as desires, things not yet of precise form but assumed to be needs that will become clear later. He is then ready to be led into investing his earnings in corporate ownership because that is its nature.

#### ***Investment Trusts***

So the child should be urged and induced to put savings from his

own earnings into ownership of going business concerns. Personally, I prefer some sound investment trust for this particular purpose. It gives the safety of wide diversity of ownership as contrasted to the greater risks of any one corporation. It avoids the necessity of switching from one corporation to another as the changing winds of economic climate alter prospects for its continuing success. Investment trust shares can more safely be left quietly to work for the long pull of time because the management of the investment trust takes care of all the trading in individual corporate shares as a service for its owners. This reduces the temptation of the child to venture into some highly risky speculations of individual stocks.

Many a promising capitalist has had his early faith in the capitalist system killed and buried in the crowded cemetery of "rare opportunities to get rich quickly," where investment neophytes so often meet their doom. The child should be encouraged to begin his education as a capitalist in a way that will minimize this sort of risk.

Forays into those "golden opportunities" of risky, new corporate ventures not his own is a game warranting only mature and experienced minds. That game should be left to persons of means

who can afford the high mortality rate such ventures entail.

### **Beginning Young**

It is easy to wait too long to begin such a program, and to underestimate the early age at which the child can begin to learn important lessons from the experience of equity ownership. It is a temptation to delay the beginning because the child will have only bits of money to invest, and because the commissions for buying small quantities become an excessive added cost.

But this problem can easily be handled in another way. Since the child is a minor anyway, and you as parents are his legal guardians, the purchase can be a private arrangement between you and the child until he reaches a more advanced age — perhaps until he reaches maturity. Let us assume that you already own shares of the XYZ Investment Corporation. You can allow the child, as he progressively accumulates enough savings, to buy individual or even fractional shares. I find that one-tenth of a share, for instance, is an easily workable fraction to use, allowing the child to become a capitalist at a young age. If shares are selling at \$20.00 a share at a time when the child has \$2.00 saved, the child can buy from you one-tenth of a share as a private

deal between the two of you. Then he can continue to buy additional fractions just as fast as he can save each one-tenth of the current price.

As dividends are paid, they will come to you as parents, in whose name the shares are registered. You then pay the child his dividend share as you receive it each quarter year. If the quarterly dividend is 30 cents, the child would be given for one-tenth of a share his dividend of 3 cents. The amount may seem trivial to us as adults who deal in much larger figures, but it is significant to a child and important as a device for teaching how the capitalist system works — how one can gain rewards from savings he has put to work for him in many business concerns of the nation. The feel of the income he receives as reward for past thrift and investment will be a matter of great and worthy pride to the child.

### **Lessons That Can Be Taught**

Each time when the child is given the dividend his investment has earned, you will have a rare opportunity for all sorts of lessons about how the capitalist system works. I know from repeated experience that it is a powerful teaching tool with the young mind.

Suppose, for instance, the family is on a trip. As the hours of

travel become long and you try to think of ways to reduce the child's tedium, try teaching him about the capitalism of which he is now a part. Even if he owns only one-tenth of a share in some good investment trust, you can hardly go a mile without being able to point out some business along the road in which he is a part owner. "You own a little of that," you can tell him, swelling his chest with the just pride of ownership from his own savings and investment. Even though we know that the amount of his ownership is so trivial that a microscope would be needed to find it, its size is not so important as is the fact.

At a very young age the child can also begin to understand the growth pattern of compounded, reinvested earnings. He can understand and appreciate that admirable little story of Arkad whose basic argument for saving was this: "A part of all you earn is yours to keep," so keep it, along with the earnings on the earnings.<sup>2</sup>

For purposes of a feeling of participation in the process of ownership, some may argue that it is better to have the shares registered directly in the name of the child whenever full shares are ac-

quired. This may well be true, and worth the cost and trouble. For the child to see his name on the certificate, and to receive quarterly dividend checks made out to him is surely more real and vivid to the child than to have it come through the parent. The extra trouble and expense may be worth it.

However you handle the details of such a program, you can watch the child's interest in capitalism grow and grow from such teaching. Endless lessons can be wired into his interests. The appeal of his ownership is ideal for learning the lessons of private capitalism vs. collective socialism. If you avail yourself properly of all these opportunities to teach him, you will have little or no reason to worry that the child will succumb to the wiles of socialism as he goes along through school. He may, in fact, be able to help teach the teacher a little, if he has also properly mastered the arts of tact and propriety.

#### **Education Begins at Home**

This is only one way that private capitalism — its methods and its merits — can be taught effectively in the home to the coming generation. Do you have others to suggest? We had better learn how pretty soon. If we continue to go socialist, it will be because we have not taught our own children

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<sup>2</sup>Clason, George S. *The Richest Man in Babylon*. Englewood Cliffs, N.J.: Prentice-Hall, Inc. Special Publications Department.

properly in the home, so that the forces of collective resignation engulf them as in a tide. The current educational mode is part of this tide. Primary resistance, therefore, will for a time at least have to come from parents and a few exceptional teachers who can teach the meaning and purpose of private ownership and self-responsibility.

We need not, in my opinion, harbor any shame about teaching our youth that it is both moral and good to acquire honestly some capital as private property. Each of us must reason out its virtue for himself, so that he fully understands it and truly feels it. But in thinking the matter through, I have found helpful some ideas for which I can thank especially David Hume, Professor Elton Trueblood, and Albert Schweitzer.<sup>3</sup> I shall

paraphrase their ideas and express them in my own way:

Inborn in the nature of man, it seems, is the drive for attainment. It can be commonly observed, as Schweitzer points out, that those who have little personal property that they can call their own frequently express this urge in the form of pure ego. Others, if denied the opportunity of accumulating private property, will struggle instead for personal status in forms such as political power over their fellow men. The right to acquire and keep what one has produced or justly acquired, therefore, is a harmless vent for a terrific human urge, of a sort that forces no other person to sacrifice in order that he shall attain private ownership of things of worth.

That is doubtlessly why private ownership of property was the basis for the modern concept of moral justice. From an early day, this concept found support in rules of conduct such as the admonitions against theft and covetousness expressed in the Decalogue. • • •

<sup>3</sup>Aiken, Henry D. *Hume's Moral and Political Philosophy*, Book III. New York: Hafner Publishing Co., 1948.

Trueblood, Elton. *Foundations for Reconstruction*. New York: Harper & Brothers, 1946. p. 87.

Schweitzer, Albert. *Civilization and Ethics*. New York: The Macmillan Co., 1929. p. 266.



### *Exemplary Education*

A SOUND EDUCATION takes its source and receives assistance more from good example than from admonition and instruction.

ADAMANTIUS CORAIS (1748-1833)



# *Employer's Resignation*

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GRACE LEE KENYON

**O**H, MY "CHILDREN," poor employees,  
Listen to these words of wisdom,  
Listen to these words of warning  
From your sorely-tried employer,  
From the farmer who would feed  
you.

I HAVE PURCHASED fertile acres,  
On these acres paid high taxes,  
Purchased sprays and fertilizers,  
Likewise bags of seed potatoes,  
Plus the tools to weed and harrow.

I HAVE PAID you hourly wages,  
Paid you duly, as per contract,  
Paid you, although drought or tempest  
Spoiled the crop and cut my profits,  
Paid you, spite of blight and insect,  
Risk I took on my own shoulders,  
Risk that farmers, down the ages,  
Must assume in every season.

WHY THEN are you always  
grousing,  
Growing more and more  
demanding?

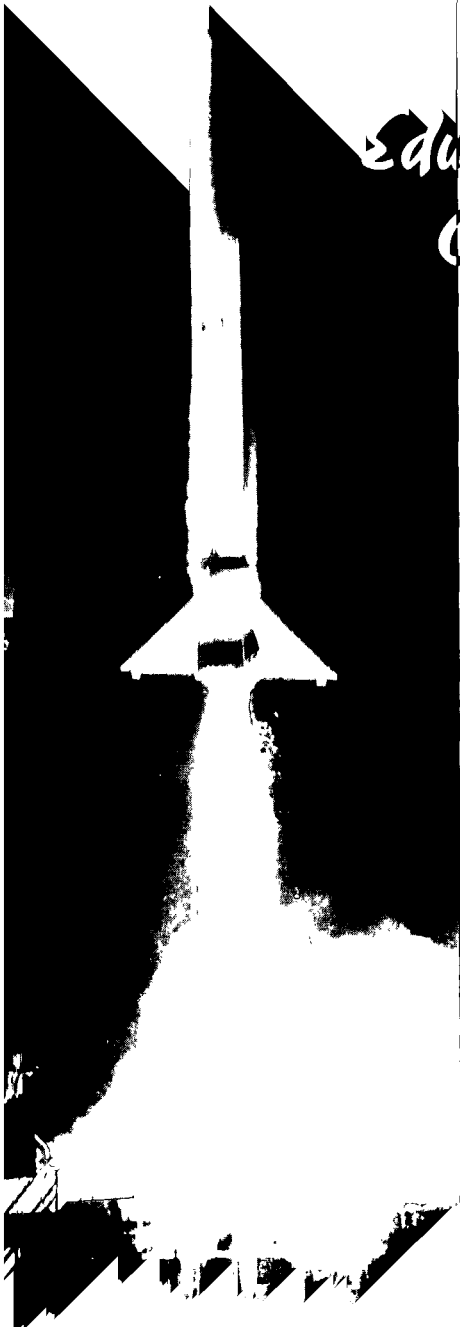
Why then, when we face recession,  
Do you bid me share my 'taters?  
Wherefore should I raid my cellar,  
Pass out what are my potatoes,  
Just because you hoed and weeded,  
Wasn't that as per your contract?

I AM WEARY of your grumbling,  
Weary of your dull complaining,  
Of your slacking and your  
backaches,  
Of your calluses and blisters,  
So I now lay down this burden.

LET the Legion of the Lazy  
Take up farming as a hobby,  
Take the risks that Mother Nature,  
Has in store for all her children,  
Let them hoe and weed and water,  
Or else hire disgruntled workers,  
Let them cope with all these  
problems,  
That — or do without potatoes!

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*Mrs. Kenyon is a Connecticut housewife with a pen ever-ready against the "Legion of the Lazy" who would let freedom go by default. This supplement to Longfellow's "Hiawatha" was inspired by Dr. Harper's reflections "On Sharing Profits" (The Freeman, January 1958).*



# Education and Community Life

W. C. MULLENDORE

**I**N THE EXCITEMENT about our failure to beat the Russians to the launching of a satellite, our educational system is coming in for a share of the blame. To the issue as to "Why young Johnny can't read" is added that of "Why older Johnny didn't beat Sputnik."

At this juncture in human affairs, there is no more vital, far-reaching, rapidly developing, and baffling subject than that of "Education and Community Life."

Let us start with the general proposition that the aim of education is to prepare students to play their part in the human situation. The individual human being is an autonomous organism, in a limited physical sense, but this individual must live as a member of society and of interrelated groups within that society. Education in the broad sense should prepare the individual to live in both his physical and social environment.

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*Mr. Mullendore is Chairman of the Board of the Southern California Edison Company. This article is condensed from an address at the Sixty-sixth Anniversary Dinner of La Verne College in California.*

The continuity of the chain or stream of life in its lower forms — plant life, insect, and animal — is protected by Nature and the inherent safeguards of instinct. But, in human evolution, the stage was reached wherein there was no such built-in protection of the continuity of life. God gave to man as an individual the freedom to choose what he would do with the gift of life and his great potential faculties and capabilities. The price of man's freedom of choice was an enormous responsibility — a responsibility placed first upon the parents and family groupings, upon educational and other community institutions to impart knowledge to, and to train and discipline the growing child. Then, as the child grows to maturity, the burden of responsibility for his life and what he will make of it is transferred more and more to him or her as an individual.

#### ***Aim and Purpose of Education Is Orientation***

The human being on his arrival in the world knows nothing. Even our grandchildren (*of course*, the most wonderful of all children) know nothing at birth. They arrive equipped with remarkable capacity and ability, but it is all potential. Aside from the built-in knowledge of the autonomic nervous system, which is unconscious, babies in

their earliest days are utterly helpless and utterly dependent upon mother and dad, grandparents, and others. In short, they must start from scratch. They have *everything to learn*.

The most remarkable capacity with which the baby is endowed is the capacity to learn. The rapidity with which the child learns is amazing. He or she sets out at a very early age to put this capacity for learning to use. They investigate everything. "Why?" — "What is that?" is their constant refrain. But they must learn fast because there is so much they must know.

What the baby, the child, the youth learns determines the fate of each culture and civilization. It is a most profound, basic, and significant fact that the continued existence of all human institutions is utterly dependent upon the communication or transmission of right knowledge from one generation to another. Break that chain of communication — let the torch of knowledge, understanding, and meaning go out, so that the minds of the oncoming generation are not enlightened with the accumulated right knowledge and wisdom of the older generation, and the culture or civilization goes into eclipse.

This problem of communication between generations is further complicated by the rapid addition

to the body of knowledge through discovery, invention, and growth in human preception and understanding of the universe in which we live. Accelerated change in periods like the present makes for difficulty and confusion in communication between generations. Let us here note just a few of the changes in environment during the past two-thirds of a century and the impact thereof on our lives and our institutions, with special reference to our educational institutions and community life.

### **The Problem of Change**

We of the older generation whose memories reach back to the last decades of the nineteenth century can scarcely exaggerate the breadth and depth, the completeness and complexity of the changes which have occurred in our lifetime. In the physical world, the Industrial Revolution of the eighteenth and nineteenth centuries with its development and application of steam power to factories, printing presses, transportation, and other industries, together with telegraphy and other improvements in communication, was superseded and eclipsed by the electric age, the internal combustion engine, the automobile, the airplane, and then by electronics, radio, radar, television, machines which "think," automation, and

the jet engine. Now comes the fearful destructive potential of the atomic age, space travel, intercontinental missiles, and other means and forces beyond our imagination. The *end* is clearly not yet—or is it?

Accompanying, and in part as a result of, these changes in the external order of things, human ideas, ideologies, ambition, desire, greed, and emotions have engendered war and world-wide revolution which have dethroned kings, destroyed empires, established ruthless dictatorships, changed autocracies into democracies, democracies into welfare states, and the tyranny of autocratic rulers into the more terrible tyranny and tortured enslavement of communism. Notably, and of greatest significance to us, government interventions in our lives have gone far toward destruction of individual freedom.

### **Wherein Are We Failing?**

So we come to the next question: Are we now meeting our responsibility in this radically altered human situation? If not, wherein are we failing? Thus far, the facts reviewed would seem to point to two conclusions: *First*, that the aim and purpose and function of education should be to prepare the individual for life in the world, and to this end the child and youth

must, each for himself, learn what life is all about, its meaning, its values, and its aims. *Second*, this generation of humanity is confronted with a rapidly changing and confusing world, in the throes of humanity's greatest crisis, and an open conflict between two basic philosophies of life.

We might prefer not to be bothered. We may wish for the simpler and more peaceful days of the past. But we are living *now*, and merely to live requires that we face up to the problems and the powerful good and evil forces for change now rampant in our human world.

It does not necessarily follow that because we have learned how to make living more complicated, we have also learned how to adjust to the new complexities. The human mind is the most wonderful instrument on earth. God equipped us with it that we might make contact with, comprehend, and adjust to the physical universe in which he gave us life. But the individual human mind nevertheless has its limitations; and, in our egotism, we are prone to ignore those limitations. While our total human situation is the combined and cumulative result of the creative, productive, and destructive effort of millions of minds and billions of hands, it is the individual mind alone upon which each of us is

dependent for our own comprehension, understanding, and guidance in his situation. No one can perceive and understand the universe and your relation to it, for you. Perception, understanding, knowledge, and wisdom can be achieved by each of us only through our own effort and accomplishment.

### ***The Whole Community Is Involved***

The general conclusion drawn by many students of the situation is that the weaknesses and complaints and failures which are most frequently lodged against the schools and educators, are equally applicable to the aims, purposes, and achievement of the community as a whole (including our national and international communities in that finding). For example, Laura Huddleston Galbraith, in a recent article appearing in the *Los Angeles Times*, says:

"Public school education today finds itself the whipping boy of an undisciplined nation — a nation grown complacent by the productivity of its industrial genius. . . ."

And she agrees with many others also in this finding:

"A distorted sense of values has been the primary cause for the lag in American education."

A further similarity between criticism and complaints against education and against our culture as a whole appears in these points:

1. Both are accused of having lost sight of their ends and aims because they are absorbed in methods and means: The people as a whole are primarily concerned with consumption — their material standard of living. Industry is absorbed in improvement of technology, equipment, and productivity. Education, it is charged, largely emphasizes methodology at the expense of the quality and content of what is taught.

2. Both are emphasizing *the collective* rather than *the individual* — looking upon the individual as *a means* and the *collective product as the end and aim*, without having any clear idea of why they thus subordinate and sacrifice the individual to the crowd.

3. Both are neglecting the moral and spiritual values and are emphasizing progress in the physical field — growth in attendance, population and numbers generally, and improvement of equipment and of buildings and physical structures — at the expense of the real purpose of their existence, which is contribution to the development of finer and better human beings, spiritually and morally, as well as physically.

#### **Means and Ends**

Now, there is nothing wrong with new buildings, fine residences, the latest models in automobiles,

and other things. Transportation systems, water systems, sewage systems, school and office buildings, and other physical structures must be provided. But these are only *means* — means which should be designed and limited to the promotion of a higher aim — the attainment of a higher goal — better and finer human beings and human relations, and a more “beloved community.”

We have a right to be proud of our achievements in the control and modification of our environment so that the rigors of climate, the filth and disease, the extreme poverty and enslaving toil which made existence miserable and revolting for masses of the people through the past millennia, are in the process of elimination. There is good reason why those hundreds of millions in the underdeveloped areas of the world look with envy and hope to the United States of America. And we need not apologize for it.

At the same time, we must not become so absorbed in our admiration and enjoyment of our success in this one area of life, so enamored of our partial and comparative success in the material realm, that we lose sight of our failures and the perils which confront us elsewhere.

Just now we seem obsessed with the idea that nothing matters ex-

cept science, engineering, and technology. We are berating ourselves and blaming each other because the Russians succeeded where we had failed in launching a satellite; and we fear they may have an intercontinental ballistic missile, if not now, at least before we develop one. This, we say, is our greatest defeat since Pearl Harbor, an irreparable blow to our prestige, and, worst of all, a terrible threat to our safety.

Some of this may unfortunately be true. But are we not waking up a bit late? Are we not possibly getting our values and our perspective twisted? Is this really our basic and most serious failure?

### ***The Failure in Our Time***

We were enjoying prosperity, and we did not want anything to interfere with that enjoyment. We were enjoying our increasing leisure, and increasing automation which freed us from work; and we did not want to listen to any "sourpuss" or pessimist or alarmist who suggested that maybe there was an ultimate and overshadowing challenge developing in our world to which we should be paying more attention. Instead of responding as a nation normally does when its life is threatened in war, we employed to the full and as never before that dangerous power of the human mind to shut out facts

which we did not want to face. We tried to promote peace by spending money. We relaxed discipline not alone in the school, but in the home, in the workshop, and all along the line. We incurred such public debts and such private debts as to exhaust our credit resources. We lived for today and let tomorrow take care of itself.

This has been the failure in our time — and it was a failure not alone in formal education, but also in the home, in office and factory, in the labor union, and in the development of the community. We became confused in our values and in the things we held to be most worth-while in our lives.

Essentially, the failure which threatens us is in the moral and spiritual realm. We have been devoting ourselves, if not exclusively, at least much too closely, to our material pursuits, pleasures, and leisure. Yes, we have been "fiddling while Rome burned." For too long a time, we have been neglecting the education of the whole person — the development of that insight, spiritual awareness, and moral courage, wherein lies the superiority of the free world of the West over the slave world of Russia and China.

We have created our own human system and environment. In doing so, we have frequently ignored and violated laws of the moral and

spiritual order. We have, for example, claimed rights before performing the obligations from which those rights are derived. We have chosen to change the natural environment, to build a man-made environment and system, upon the maintenance and operation of which our life depends. Then we have abused that system through self-indulgence, and through many excesses. Millions are trying to "get by" without doing their part in maintaining and contributing to the operation of this economic, social, and governmental system. In short, there has been widespread and prolonged cheating, lying, stealing, and other violations of the moral code to which we are all subject in this life.

### **A Crash Program**

What, then, shall we do? There are many suggestions for "crash programs" — for the launching of a satellite, for the development of an intercontinental ballistic missile, and for the education of scientists in quantity and quality sufficient to overwhelm the Russians. There is much talk of our failure to match the Russians in scientific education and achievement.

We can all agree that we must not neglect this vital area of our defense. And thus far the evidence is that we are, from the over-all standpoint, still ahead both in our

knowledge and in our equipment, and we are properly determined to stay ahead.

But is it in science that the real "crash program" is called for? Dare we place all our reliance in science alone for our physical strength? Science is important. It must not be neglected, but it is not primarily on the scientific front that the enemy threatens us. We should not be misled. The communist leaders from Lenin to Khrushchev have openly avowed that their principal reliance in their campaign to destroy us is upon subversion from within. They have said they would destroy us economically by stimulating overspending and inflation, and the growth of class, group, and racial dissension which their agents would help promote from within; and that thus we would be so debilitated in physical strength that the force required to complete the job would be much reduced. And we should by now be aware that in this program of subversion, the enemy has not been altogether unsuccessful.

Our need today — our greatest and most urgent need — is for the regeneration of our American heritage and the rebirth of our Christian faith. We are hearing too much about the need for more science, and far too little about the need for more religion — for an



immediate, an intense, and an enduring revival of moral and spiritual life and strength. God has not forsaken us. We have forsaken him.

We cannot reclaim the Christian heritage nor the rights and blessings of a free people until and unless we have a rebirth of righteous and conscientious performance of our moral and spiritual obligations. Man cannot concoct a system under which he can escape the Higher Law. If we wish to regain our freedom, we must not only confess our error, but, by positive action, we must mend our ways. The blessings of liberty must be earned, and they can be retained only so long as we play the part of self-reliant, responsible human beings. The road back to a free

and secure America may be long and weary and dangerous, but we can find it if we will follow the directions written plainly in the records of our past.

The hour is very late; but we must be persuaded that it is not too late. Neither dare we despair, nor, while mending our slovenly ways, must we abandon our scientific and physical defenses. What we must abandon is our inordinate attention to pleasure and comfort — our ways of life which make us dependent and soft. We must indeed awaken and gird on that armor of truth and faith which the enemy spurns, and by such spurning gives us our greatest advantage and our certain hope in this hour of decision. ● ● ●

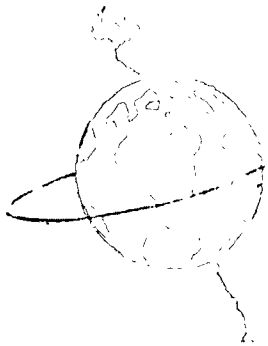
#### IDEAS ON LIBERTY

#### *Spiritual Freedom*

A HUMAN BEING is a member of the community, not as a limb is a member of the body, or as a wheel is a part of a machine, intended only to contribute to some general, joint result. He was created, not to be merged in the whole, as a drop in the ocean, or as a particle of sand on the seashore, and to aid only in composing a mass. He is an ultimate being, made for his own perfection as the highest end, made to maintain an individual existence, and to serve others only as far as consists with his own virtue and progress. . . .

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

WILLIAM ELLERY CHANNING, May 26, 1830



# Not Victories for Communism

WILLIAM HENRY CHAMBERLIN

THE OBVIOUS military threat from the launching of the Soviet sputnik is not the projection of an earth satellite into space, but the likelihood that capacity to do this implies capacity to launch an extremely formidable military weapon, the intercontinental ballistic missile. Along with this obvious threat, which has been widely canvassed in Congress and in public discussion, there are two more subtle and indirect dangers which have received less attention.

First, there is the unmistakable trend to use the Soviet earth satellite as an excuse for indiscriminate spending, nonmilitary as well as military. Grabs at the taxpayer's pocketbook are in prospect for everything, from federal aid to education to United States aid to subsidizing the socialistic economic development schemes of rather unfriendly neutralist nations in Asia. Some columnists and commentators sneer at the very idea

of a balanced budget as at something as obsolete as the Model T Ford. In taking this attitude they prove, not their sophistication, but their inability to learn from the long history of the disastrous consequences of inflation.

Second, there is at least the beginning of an assumption that, because the Soviet government beat us to the gun in launching an earth satellite, there must be some superiority in the Soviet political and economic system. Such a line of thinking, if pursued far enough, might suggest that compulsion is superior to voluntarism as a motivating factor in economic production.

So it may be a good idea to take a close look at those fields where Soviet success has been most pronounced in order to see whether these successes were achieved by methods that have any relation to communist egalitarian philosophy. These fields are (1) military pow-

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*Mr. Chamberlin is author of the definitive two-volume history of the Russian Revolution and numerous other books and articles on world affairs.*

er, (2) educational training for science and technology, (3) quantity industrial production, (4) rapid catching up with the United States in know-how for the production of nuclear weapons and forging ahead in the manufacture of guided missiles.

### **A Lopsided Economy**

There are many other fields in which Soviet standards of achievement are far behind those of the United States and of all but the most backward countries of Western Europe. Take a few concrete illustrations.

The vast majority of the Soviet people subsist on a limited diet of coarse food, wear shoddy clothing, live in indecently crowded housing. The exceptions to this rule are to be found in the top layer of the ruling party and its managerial bureaucracy, at a liberal estimate not a higher proportion of the population than the recipients of an annual income of \$20,000 or more would be of the American population.

Soviet per capita output of automobiles is negligible compared with the American and is far surpassed in Great Britain, Germany, France, and England. This means, of course, that the mobility of the Soviet citizen for work or recreation is very much restricted.

Approximately half of the

Soviet population, employed in farming, tries, with indifferent success, to feed the nation. About one-eighth of the American population, engaged in agriculture, not only produces enough to give the whole American population a much higher standard of living than the Russian, but, in addition piles up unsalable and unmanageable surpluses — at least unsalable and unmanageable under our clumsy system of massive state intervention and artificial price support.

The United States consumer standard of living, highest in the world, is made possible by the existence of a competitive free market, geared to serve the customer, and supplemented by billions of dollars worth of comforts and luxuries from abroad, imported without restriction except for the payment of tariff duty. By comparison the Soviet consumer is behind the eight ball conspicuously in two ways.

Soviet industries and stores are run by state appointed bureaucrats who are not in the least interested in consumer needs, who are, indeed, under specific instructions to give the "heavy" industries, most essential from a military standpoint, priority over the needs of the "light" industries which produce goods of everyday consumption. And the inflow of foreign consumer goods is negli-

gible because the government strictly controls every item and gives preference to those which minister to strategic needs.

The American, the West European, is free to travel when and where he pleases. The chance of a Soviet citizen, unless he is tapped for a state mission, being able to see any part of the world outside the Soviet Union, is very, very small. The citizen of a free country, even if he stays at home, can learn a good deal about foreign lands by buying and reading their newspapers and magazines. Foreign publications, unless they are communist, are strictly contraband in the Soviet Union.

Putting aside these and many other points in which the balance of comparison inclines heavily to the side of the West, how did the rulers of the Soviet Union achieve relative success in the four fields which have been listed?

### **1. The Armed Forces**

The Soviet regime came into power forty years ago on a tide of social upheaval in which one of the biggest elements was a gigantic mutiny of the Russian Army. For three years the predominantly peasant Russian army had been fighting an unequal war against German armies that were better armed and equipped and more capably officered and commanded.

Russian losses in killed, wounded, and imprisoned were prodigious.

Then Czarism was overthrown in March 1917. Nicholas II abdicated. A well-meaning but weak and inexperienced provisional government, uncertain of its power and hesitant in the exercise of its authority, came into being. To the Russian peasant soldier the Czar, the only symbol of authority he knew and recognized, had disappeared. He felt instinctively that there was no longer a firm hand of government authority which would jail or shoot him if he disobeyed orders. Then, before long, agitators began to appear, telling him that he had no quarrel with the Germans, that the capitalists on both sides were responsible for the war, that he should go home and divide up the large estates with his fellow-peasants.

As this kind of propaganda appealed to the peasant's own instincts, it met with increasing success. By the time the communists, or Bolsheviks, as they were then called, struck for power in November the armed forces were so completely disintegrated that the provisional government had no armed force on which it could rely.

"Land" and "Peace" were the magic slogans in the revolution led by Lenin and Trotsky. When the new Soviet regime began to create an army of its own to fight

the counterrevolutionaries who opposed communism, their first idea was to make it as unlike the Czarist army as possible. Distinction between officers and privates was reduced to a minimum. The very word "officer," along with the titles of "Marshal," "General," and "Admiral" was abolished; fancy epaulettes were eliminated; the only title of respect in the new Red Army was "Comrade Commander."

Some modifications of this experiment took place in the thirties, including the restoration of the title of Marshal. But the whole idea of an egalitarian army, with officers and men very much on the same level, was scrapped under the severe test of World War II. Officers again acquired orderlies. Generals began to clank with medals. The difference in pay and rations between officers and men became greater than in the American army. The Soviet officer was even given the right of inflicting summary execution. The Soviet armed forces, as they were formed during World War II and as they exist today, are not unlike the old-fashioned Czarist army in general set-up and in exacting marks of respect and distinction for the officers. Nothing is left of the early revolutionary idea of an army of equals.

In other words, the Soviet suc-

cess in building up a formidable military machine had nothing to do with the ideal of communism. Even the propaganda during the war was along Russian nationalist, rather than revolutionary lines.

## 2. Education

The first communist idea about the schools was to turn the old order, one of strict discipline, upside down. The most extreme permissive methods were introduced; authority, so far as there was any, was vested in pupils' councils. Marks, examinations, and formal instruction according to subjects all went down the drain. Maximum self-expression was encouraged; exact knowledge was treated with contempt.

The Soviet school children of this period acquired a kind of scrap heap and rag-bag knowledge, learning a few facts here and there, getting a plentiful dose of communist indoctrination but little systematic instruction. There was another characteristic of the Soviet universities and higher schools at this time: class favoritism on an upside down basis. While children of landowners, businessmen, and other members of what the Soviet leaders called the bourgeoisie, no matter how bright, could not gain admission except by stealth and deception, manual workers and children of

workers, with little regard for scholastic qualification, were given preference in admission. Academic life in Russian universities was probably never on such a low intellectual level as at that time.

The Soviet educational system of that time, turning out half-baked products in the elementary schools and making admission to higher institutions depend on class origin and political reliability, not on merit, could never have produced the trained engineers and technicians needed for operating a modern industrial system, much less scientists of the quality essential for the mastery of nuclear physics and related subjects.

This perception must have come to Josef Stalin during the first Five Year Plan, which began in the latter part of 1928 and was pronounced finished at the end of 1932, for at this time the Soviet school was completely made over. Back came the authority of the teacher, marks, examinations, even uniforms. Pupils were taught to stand up when the teacher entered the room. Troublemakers were bounced out of the schools. Stiff compulsory courses, taught by subjects, replaced the wandering in the fields of experimentation.

There were equally important changes in higher education. Applicants were judged by ability,

not by class origin. Scholarships were assigned to the brightest, not to the neediest. Driving hard work, closely graded and measured, became the characteristic of the Soviet educational system, from primary school to university or higher technical institute. For more than a quarter of a century Soviet scientists, engineers, technicians have been coming out of this kind of educational regime.

The Soviet education system has not produced independent minded citizens, familiar with a variety of political, social, and economic ideas. This was not its purpose. The design was to turn out specialists who would be serviceable to the Soviet State. And here considerable success has been achieved. A managerial and technical class capable of managing and operating a much expanded modern industrial plant has come into existence. But such success as has been achieved in this direction is due to rejection of communist techniques in favor of the conservative pattern of education which was adopted in the early thirties.

### **3. Industrial Production**

The ideal of communism was once stated in the slogan: "From each according to his abilities, to each according to his needs." Lenin summed up his forecast of

life under communism in the following formula:

"All society will be one office and one factory, with equality of labor and equality of pay." And equality was one of the trump cards of communist propaganda in 1917. There were to be no more rich and poor; the peasants were to take over the land of the big estates and divide it equally among themselves. The workers were to take over the factories, mines, and railways "in their own horny hands," to recall a catchphrase of communist agitation.

There was a terrific downward leveling because all sources of private wealth disappeared. Land, houses, factories, stores were nationalized. No more interest was paid on public or private obligations. Savings became worthless because the ruble experienced a catastrophic inflation. A kind of equality of universal misery was characteristic of the first years of the Soviet regime.

But compulsory equality made no wheels turn and did not produce the food and clothing which the ruined country desperately needed. So Lenin ordered the economic retreat known as the New Economic Policy, which relieved the distress by restoring freedom of internal trade and small industry and substituted a system of taxation for the former requisitioning of the peasants' surplus produce.

tioning of the peasants' surplus produce.

These specific concessions were temporary and were withdrawn when Stalin went over to a completely planned economy. But then more fundamental and permanent inequalities entered into the picture. The principle of unequal pay for work of unequal value began to prevail throughout the whole Soviet economy. The spread in the spendable income of various professions and groups is in many cases greater in the Soviet Union than in Western countries. This is especially true as regards the comparative pay of professors and unskilled workers, of factory managers and workers, of officers and privates.

In short, so long as communist theoretical principles were maintained, the Soviet economy was a shambles. It was when these principles were tossed overboard that big advances in quantity production began to be chalked up.

#### **4. Nuclear Weapons and Guided Missiles**

These observations also hold good for the treatment of the scientists, Russian and foreign, who have been responsible for the nuclear and missile projects. No expense is spared to give them most comfortable living conditions and the best scientific equipment.

So the Soviet achievements here may fairly be reckoned as victories for Russian scientific and inventive genius, but not for the principles of communism.

Indeed it is an unvarying rule that the Soviet regime has been most successful where it has departed from communist theory and provided, so far as this is possible within the Soviet system, the incentives of superior rank for superior achievement, differential reward for work of unequal value, special rewards for those groups and classes which are most useful, from the standpoint of the regime: scientists, engineers, industrial managers, writers, artists, and musicians of some talent who toe the party line in ideological matters.

The conspicuous failures of the Soviet economy, the inadequate production of food, the wretched housing, the poor service to the consumer, could be cured quickly by one simple remedy: proclamation of the right of the Soviet citizen to own land and industrial enterprises. But it is most unlikely that the Soviet government will ever consent to this, for two reasons. It would remove the last bases of a communist economy, and it would stimulate the desire for political freedom by giving the Soviet people economic freedom.

As the Soviet Union was founded

on a combination of very wrong and immoral ideas, dogmatic atheism, class war and class hate, wholesale spoliation, and denial of the right of private property, the United States was founded on right and moral principles: respect for a Divine Author of the universe, government of divided and limited powers, individual freedom safeguarded by many specific sanctions, equality of American citizens in rights and obligations before the law and in opportunity, but no compulsory leveling between those who make good use of their opportunities and those who do not.

Neither power has been absolutely consistent in adhering to its own original principles. Whereas the Soviet Union has gained in strength by scrapping or shelving some of its most unworkable dogmas, we have lost strength by diluting and in some cases gravely compromising the principles of the Founding Fathers, substituting welfare statism for individual responsibility and opportunity, softening our educational requirements to the lowest common denominator just when the Soviet Union was toughening its school requirements. Our best answer to the Soviet challenge is to get back to the basic principles of the Constitution as thoroughly and as fast as possible.

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# NO LICENSE

for Derek Wiscombe

**D**EREK WISCOMBE, in the town of Jarrow [England], has built up a delivery service with a horse and cart. But the horse has aged, as we all do. Derek, however, has saved up enough money to buy a lorry. Recently, he went before a Traffic Commissioner's Tribunal to ask for a carrier's license so that he could move and carry furniture.

And then the vested interests got to work. The nationalized Pickford's objected to the grant of a license. Derek, they said, was "too enterprising." Not more enterprising than Pickford's had been in the remote past! For Pickford's began with a single horse and cart! Nobody, it seems, must follow the trail that Pickford's blazed — least of all a boy of 17!

Then — and here I quote from the *Recorder* of 16 November:

"... a big firm called Tyneside Removals objected on the astonishing ground that 'Wiscombe is a person who will work round the clock, and would be a threat to our business if he were granted this license. In five years he might replace us in this town.'"

In the Britain of today, hard work has become a dirty phrase. The thing to do is to shuffle by somehow, and to suppress anybody else who is willing to work. The country is sick and failing from this prevalent outlook; and it will perish from it unless we undergo the salutary change necessary to revive the virtues of our fathers.

It might have been supposed that the Traffic Commissioner's Tribunal would have been very outspoken on this matter. It could have said to Pickford's — "Do you thus scorn the base ladder by which you did ascend?" It might have said to Tyneside Removals — "Is your concern — large and well-established — so fearful, so inefficient, so distrustful of its own capacities, that it fears the competition of a boy of 17, whose only sin is that he is prepared to work hard? Could not your men work as hard as he is willing to do? Must the whole machinery of the modern, mighty State be invoked to prevent this lad swapping a horse for a lorry?"

There might have been made by the Traffic Commissioner's Tri-

bunal a parable of this case, a parable of universal application in this, our England.

But what did the Tribunal do? It refused Derek Wiscombe a license. That will teach him that the unforgivable sin in the eyes of nationalized industries and big private firms is to work too hard. What, in the light of this case, becomes of the conservative belief in the virtues of private enterprise?

Lord Hailsham goes around ringing bells. But I recall a verse from one of the poets, which suitably adapted seems not inappropriate here:

'Twould ring the bells of heaven  
The wildest peal for years  
If Commissioners lost their senses  
And people came to theirs...!

• • •

From the column by "Diogenes" in the British weekly, *Time & Tide*, November 23, 1957.

## JUSTICE VERSUS RESTRICTIONS ON TRADE

### FREDERIC BASTIAT (1801-1850)

COME WITH ME into one of those wooden cabins that cling to the French side of the Pyrenees [in 1846].

We discover that the father of the family has not been able to earn much in that mountainous section of the country. His poorly-clothed children shiver in the icy blast. The fire is out and the table bare.

On the other side of the mountain in Spain, there are wool, firewood, and corn. But the poor father is forbidden to use them because they are grown in another country!

By law, the foreign pine may not warm his cabin; his children may not taste the Spanish corn; the wool of Navarre may not warm their cold bodies.

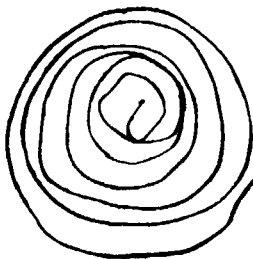
We are told that national interest (general utility) demands this. If this is so, then it must be admitted

that national interest is in conflict with justice.

The government has absolute control over the lives of consumers and uses these consumers in the name of national industry. This is an encroachment upon their liberty. The law forbids the people to exchange their goods and services for the goods and services of their neighbors on the other side of the frontier. Since the willing exchange of goods and services is not immoral, then the law commits an act of injustice.

The writers of the "protectionist school" claim that this is necessary to protect national industry and public prosperity. Thus the advocates of tariffs and other restrictions against trade are faced with this sad conclusion: Justice and the public interest are incompatible.

Translated by Deann Russell from *Selected Works of Frederic Bastiat*, Volume 1. Paris: Guillaumin, 1863. pp. 87-88.



## WHEN FREE MEN SPEAK

VOLLIE TRIPP

A HUMAN BEING is an amazing and amusing critter. He is amazing in numberless ways. But the oddity which meets our purpose just now is his ability to like what he gets.

This is not true of all humans, of course. But it is sufficiently true of humans, as a whole, to be set down as a definitely human trait. Shall we prove it?

Millions of people live under conditions which are, on the face of it, abominable. Yet, so well have they become adjusted to these abominations that they like them and stoutly sing their praises to all who will listen.

Los Angeles, with her eye-smarting smog, noise, crime, corruption, congestion, high taxes, and hard water, certainly is not a heaven-on-earth, anymore. Yet Angelenos, most of them, have learned to like these conditions, and are eagerly striving to create more of them. A few folks get disgusted and leave, it's true. But for everyone who leaves, about two

move in. The county is growing at the rate of 700 a day.

So we find the Texan bragging about Texas, for the most part a vast dreary plain, by turns fiercely hot and bitterly cold, and usually dusty. Take the city of Las Vegas, Kalamazoo, Cedar Rapids, Butte — name any town, any place you want. You will find the people panting to prove to you that their village, their county, or neighborhood, is literally the best on earth.

Out here in the West we love our desert, with its terrible heat, paucity of life, its implacable hostility to man and beast. Why do we love it? We have the desert. We can't get rid of it. I know of no other reason. But the first-time Eastern visitor usually finds in it all that is ugly, monotonous, and unlovely. After a time, when he has "had it" a few years, he, too, loves the desert.

What is true of localities is equally true of other conditions — social, political, economic. For years the American people have

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*Mr. Tripp, retired from the building business, now devotes full time to travel, writing, and promotion of free enterprise.*

been at loss to understand why the Russian slaves have not revolted, cast off their cruel yokes. The only plausible answer is that the Russian people, as a whole, like what they have and are not eager to be free.

Were this not so, surely they could have contrived to find escape, in forty years. Civil disobedience. Sabotage. Malingering. Many ways have been open and are still open. Yes, the Russians must like what they have. At any rate, they like it against a background of anything they ever knew.

#### **The People Approve**

We have here at home many conditions that are astonishing to foreigners and a source of anger and disgust to a healthy minority: the arrogance and lawlessness of labor unions, the corruption and inefficiency of many officials, a growing crime element. We could — that is, the majority could — quickly rectify these conditions. Why don't we? Only one answer makes sense. The people, as a whole, approve of these things. Or, they don't disapprove enough to right them.

Far from being an evil in itself, this capacity of man to like what he has, or quickly adjust to it, has probably been his salvation. Nature herself is not particularly interested in political or social sys-

tems. But she seems intent on trying to make men as happy as circumstances will permit. So she has given him this unique ability to adjust to things, to find delight and satisfaction in some things that are highly disagreeable, *per se*. Without this priceless gift, most of us would go berserk and blow out our brains.

However, a few individuals can always be found in revolt against the usual, normal order of things, even against nature herself. Something within prevents their liking what is dished out to them by fate. They cannot, or will not, like what they are supposed to like or what the majority likes.

But, far from the misery and frustration we might expect to find in this group, these folks are not miserable, at all. They are free, or, what is almost as good, valiantly striving to make themselves free. Here again the nature of man has come to the rescue with its Law of Compensation. And freedom compensates for much.

#### **Free To Do One's Best**

But what is freedom? Many things, of course, and I shall not be so foolish as to attempt a definition that would please everyone. But one aspect of freedom deserves to be dealt with at some length, for it relates directly to our theme here. Among other things,

freedom is the power to remain perpetually in revolt against things abhorrent to the spirit, without going off the trolley.

Thus the man who refuses to compromise with evil and error, refuses to "like what he gets," and continues to work and hope for what he thinks is best, is free, at least immeasurably freer than the man who surrenders, drifts hopelessly, and permits nature to have her way. His body may be imprisoned, his voice stilled. Even so, he's still freer than the slave whose mind is chained. Were it possible to measure such things, he's probably happier, too.

#### **A Minority Position**

From the evidence at hand it would seem that freedom of the spirit, the only kind worth bothering about, is for the few, rather than the many. There are several reasons for this. One is that the technique of those who would enslave us is *always* aimed at masses of people, rather than at the individual. So the individual, if he is fairly agile, escapes the barrage aimed at the flock.

Then, too, freedom demands intelligence and a willingness to put forth effort somewhat above the norm. The free man has no awe at multitudes, and the fact that he is usually in a minority worries him not at all. He looks askance at pop-

ular ideas and values. To admit a bitter truth, I'm afraid he's not very popular. He works and preaches freedom, the better to preserve his own, and because he believes freedom is the right of every man.

While history is full of martyrs to freedom, it is doubtful if martyrdom can greatly aid freedom's cause today, even if the necessary martyrs could be found. Fortunately, here in America we can still speak, write, preach, and, more important, *live* the role of free men, without fear of liquidation. That day may come, but it is not yet.

While our free men, by the nature of their philosophy, can never be happy in the sense a protected cow is happy, they know certain deep satisfactions and lofty vistas forever denied the slave. On the whole, this seems vastly preferable to the thin gruel promised by a paternalistic Lord Protector, the State.

Our free man, sage and prophet though he is, is usually a pretty practical fellow, in a discriminating sort of way, not at all adverse to enjoying life. He knows that economic freedom is a distinct aid to all other kinds, including an emancipated spirit.

So, in a surprising number of cases he has taken steps to insure his economic freedom, or is pre-

paring to do so. This may be through building a greater income, becoming less dependent on money, or a combination of both. Having no faith in the power or intent of others to solve his problems, he has learned to depend on himself, and often succeeds.

His wider outlook gives him a sense of patience, tolerance for those who hold mistaken beliefs, though he has no tolerance for the belief itself. Being free, he seeks to enslave no man, and denies that anyone has the power to enslave him. He knows that the tyrant, the dictator, the despot, is more truly enslaved than his victims, in the final accounting of things. He knows, too, that freedom can be forced on no man against his will.

The freedom enjoyed today by

a few will someday be shared by many, when the multitude has raised its intelligence a few points. "Ye shall know the truth, and the truth shall make you free." It will not come by fiat or proclamation. It will come when the "common man," the "masses" have had a glimpse of better things and demand those things for themselves.

Meanwhile, a man can hold the door open, extend the invitation to all men, everywhere. Come out into the light! Lean no longer on that odd provision of nature which makes bad things tolerable, and finally, desirable. Instead, demand those things which are inherently good and right. Claim the heritage that awaits you, and was yours, from the Beginning. ● ● ●

#### IDEAS ON LIBERTY

#### *To Live Appropriately*

HAVE YOU NOT LIVED? That is not only the fundamental but the most illustrious of your occupations. Have you been able to think out and manage your life? You have performed the greatest work of all.

To compose our character is our duty, not to compose books, and to win, not battles and provinces, but order and tranquility in our conduct.

Our great and glorious masterpiece is to live appropriately. All other things — to rule, to lay up treasure, to build — are at most but little appendices and props.

## THE SOURCES OF

# Invention

JOHN JEWKES



IT SEEMS to be almost universally assumed that the launching of the space satellites was made possible only by employing vast teams of technicians working together in large research institutions under close central guidance and with unlimited resources and equipment. This may be true, although nobody in the Western world can actually know that it is so. Any suggestion that the difference between failure and success might have resulted from a pathbreaking discovery by some worker not in a large institution and perhaps not even interested primarily in high-altitude rockets would, nearly everywhere, be instantly dismissed as ludicrous. All this is indicative of the degree to which we are now dominated by the doctrine that technical progress can come only from mass attacks upon set problems.

In fact, a glance at the history of the high-altitude rocket hardly supports such a theory. Some of the more important early scientific

writings on this subject, published in 1903, were those of a Russian schoolmaster, K. E. Ziolkowsky. He made many fundamental contributions to rocket technology. (Russia was probably further ahead of other countries in thought and work on rockets in 1903 than now). Perhaps the most important scientific contribution to rocket theory, however, was made by Hermann Oberth, a teacher of mathematics in Transylvania, who in 1923 published his classic, *By Rocket into Interplanetary Space*.

Between the two world wars practical interest was maintained by a group of young German amateurs, some of whom were destined to become later outstanding figures in this field. During the war the German military authorities took up the development of the rocket and finally produced the V2, which covered a distance of

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*The author is Professor of Economic Organization in the University of Oxford. This article is reprinted by permission from the January 1958 issue of Lloyds Bank Review.*

120 miles with a deflection of only  $2\frac{1}{2}$  miles from the target, reached a speed of 3,000 miles per hour and a height of nearly 60 miles. When Germany was finally overrun, the Peenemünde experts were scattered. Some went to the United States and Britain; more finished up in Russia.

Considering the rapid progress made by Germany in a relatively short period during the war, the development of high-altitude rockets since that time seems to have been fairly slow everywhere; for by 1945 there was no doubt that a satellite could be placed in the sky by the use of rockets and there was no great mystery about how, in general, this could be done. The fundamental discoveries in regard to high-altitude rocket propulsion, as distinct from the refinement and development of these ideas, were made by independent enthusiasts working with limited resources under discouraging conditions and for long ridiculed or ignored by the main bodies of organized science and technology.

### **A New Theory of Progress**

Even, however, before atomic energy and the sputniks, new notions had been gaining ground about how inventions could best be stimulated and how scientists and technologists might be employed to the best effect. (These ideas

began to be strongly advocated only during the 1930's. Before that time, it will be recalled, it was commonly believed that the problem of production was solved and that the distribution of wealth was the important task to be dealt with; that technical progress was perhaps going on too quickly and that scientists and technologists were probably doing more harm than good in the world.)

The new doctrines really amount to a claim that the world has suddenly become a different kind of place, that the lessons of the past have largely become irrelevant and that we must all now adjust ourselves and our thinking accordingly. This "modern" view can be summarized as follows.

In the nineteenth century, most inventions came from the individual inventor who had little or no scientific training and who worked largely with simple equipment and by empirical methods and unsystematic hunches. The link between science and technology was slight.

In the twentieth century, the argument runs on, the characteristic features of the nineteenth century are rapidly passing away. The individual inventor is becoming rare; men with the power of originating are largely absorbed into research institutions of one kind or another where they must have expensive equipment for



their work. Useful invention, in particular, is to an ever-increasing degree issuing from the research laboratories of large firms which alone can afford to operate on an appropriate scale. There is increasingly close contact now between science and technology. The consequence is that invention has become more automatic, less the result of intuition or flashes of genius and more a matter of deliberate design. The growing power to invent, combined with the increased resources devoted to it, has produced a spurt of technical progress to which no obvious limit is to be seen.

In this article are set down some of the results of an inquiry, shortly to be published in full,<sup>1</sup> designed to test these opinions against the observable facts. It was hoped in this way to make some contribution to a better understanding of the dynamics of industrial societies. The study, it must be repeated, covered a period before atomic energy and space satellites. It may be that these latest spectacular discoveries, and the circumstances in which they have arisen, rob earlier experience of all pertinence for thinking about the future. I

personally have doubts about this but I cannot enlarge upon them here.

Further, the study was confined to *inventions* as contrasted with the *development* of those inventions; it was concerned with the early crucial periods of radical innovation and not the later stages of improvement and exploitation of the original discoveries. It is, of course, impossible to draw a sharp dividing line between the two. On the other hand, it would be futile to deny that some new ideas are more revolutionary than others, that certain conceptions start a long chain of consequential improvements and that, unless the flow of these seminal ideas can be maintained, technical progress will finally come to a stop.

### **Twentieth-Century Inventions**

The first task was to pick out a group of twentieth century inventions which might be regarded as a fair cross-section of the technical progress of the past fifty years; to make as detailed a study as possible of the conditions under which they had arisen and, in particular, to try to identify the respective parts played by individual inventors, the research activities of firms of varying size, of universities, and of other institutions where research is conducted. A list of about sixty inven-

<sup>1</sup>Jewkes, J., Sawers, D., and Stillerman, R. *The Sources of Invention*. London: Macmillan, Jan. 1958. Available in the U.S. through St. Martin's Press, Inc., 103 Park Ave., New York 17, N. Y. \$6.75.

tions was studied, ranging from acrylic fibers to the zip fastener, from air conditioning to xerography.<sup>2</sup>

The clearest conclusion emerging from the inquiry was that simple generalizations are not possible. The important twentieth century inventions have arisen in all sorts of ways and through the activity of all the different possible agencies. More than one-half of the cases can be ranked as individual invention in the sense that much of the pioneering work was carried through by men who were working on their own behalf without the backing of research institutions and often with limited

resources and assistance or, where the inventors were employed in institutions, these institutions were, as in the case of universities, of such a kind that the individuals were autonomous.

The jet engine was invented and carried through the early stages of development almost simultaneously in Great Britain and Germany by men who were either individual inventors unconnected with the aircraft industry or who worked on the airframe side of the industry and were not specialists in engine design; the aircraft engine manufacturers came in only after much pioneering had been carried on. The gyrocompass was invented by a young man who was neither a scientist nor a sailor but had some scientific background and was interested in art and exploration.

The process of transforming liquid fats by hardening them for use in soap, margarine, and other foods was discovered by a chemist working in an oil industry, who pursued his researches and his efforts to get the process adopted, singlehanded. The devices which made practicable the hydraulic power steering of motor vehicles were primarily the work of two men, one of whom worked strictly on his own, while the other was the head of a small engineering company.

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<sup>2</sup>Acrylic Fibres, Air Conditioning, Automatic Transmissions, Bakelite, Ball-point Pen, Catalytic Cracking of Petroleum, Cellophane, Cellophane Tape, Chromium Plating, Cinerama, Continuous Casting of Steel, Continuous Hot Strip Rolling, Cotton Picker, Crease-Resisting Fabrics, Cyclotron, DDT, Diesel-Electric Railway Traction, Domestic Gas Refrigeration, Duco Lacquers, Electric Precipitation, Electron Microscope, Fluorescent Lighting, Freon Refrigerants, Gyro-Compass, Hardening of Liquid Fats, Helicopter, Insulin, Jet Engine, Kodachrome, Kryptonium, Long-Playing Record, Magnetic Recording, Methyl Methacrylate Polymers, Modern Artificial Lighting, Neoprene, Nylon and Perlon, Penicillin, 'Polaroid' Land Camera, Polyethylene, Power Steering, Quick Freezing, Radar, Radio, Rockets, Safety Razor, Self-winding Wrist Watch, Shell Molding, Silicones, Stainless Steels, Streptomycin, Sulzer Loom, Synthetic Detergents, Synthetic Light Polariser, Television, 'Terylene' Polyester Fibre, Tetraethyl Lead, Titanium, Transistor, Tungsten Carbide, Xerography, Zip Fastener.

The foundations of the radio industry were laid by scientists; but the majority of the basic inventions came from individual inventors who had no connection with established firms in the communications industry or who worked for, or had themselves created, new small firms. In the case of magnetic recording, the early crucial invention came from an independent worker, as did a number of the major inventive improvements; the interest of the companies arose much later. The first successful system for the catalytic cracking of petroleum, which opened up the way for many later advances, was the product of a well-to-do engineer who was able to sell his ideas for development to the oil companies.

#### **No Standard Pattern**

The history of the evolution of the cotton picker reveals two main lines of progress: in each case, individual inventors working with limited resources were able to take their ideas to the point where large firms were prepared to buy or license their patents for subsequent development. Bakelite, the first of the thermosetting plastics, was produced by a brilliant sole investigator. The first, and still the most important, commercially practicable method of producing ductile titanium was conceived of

by a metallurgist working in his own laboratory.

In the application of automatic transmissions to motor vehicles, the credit for mechanical novelty has to be shared between individual inventors and companies, but the former should probably rank above the latter; actually, the ideas of a shipbuilding engineer lie behind much of the modern progress, but both in Britain and the United States inventors working singlehanded have contributed a great deal to the present-day mechanisms. Up to 1938, only one large aircraft manufacturer had taken much interest in the helicopter and even that only as the result of the personal interest of the head of the firm: the progress was made by the enthusiasm of individual inventors, usually with limited resources, obtaining backing in unlikely quarters in a manner which would parallel the many stories of "heroic" invention in the nineteenth century.

To mention one or two inventions from the field of consumer goods, the groundwork for the successful Kodachrome process was laid by two young collaborators, both musicians, whose ideas were taken up by a large photographic firm; the safety razor came from two individuals who struggled through financial and technical doldrums to great suc-

cess; the zip fastener came from the minds of two engineers and was only taken up for large-scale production many years later; the self-winding wrist watch was invented by a British watch repairer.

The list next contains several important inventions emerging from firms which were small or of only moderate size. Terylene was discovered by a small research group in the laboratory of a firm which had no direct interest in the production of new fibers. The continuous hot strip rolling of steel sheets was conceived of by an inventor who might well be considered an individual inventor and perfected in one of the smaller American steel companies. The crease-resisting process emerged from a medium-sized firm in the Lancashire cotton industry. Cellophane tape was the product of what was virtually a one-man effort in a then small American firm. The virtues of DDT were found by a Swiss chemical firm which, for that industry, was of modest dimensions.

Some outstanding successes arose out of the research of very large firms. Nylon was discovered by a small research group, headed by an outstanding chemist, in the laboratories of du Pont. Slightly later another very large firm, I. G. Farbenindustrie, produced and

developed a similar fiber, Perlon. Several firms, all large, in Germany and the United States have devised methods of producing successful acrylic fibers. Freon refrigerants and tetraethyl lead were both produced in General Motors by small groups under Midgley and Kettering; the cases are interesting in that a motor engineering firm made these two important contributions in the chemical field and in that their discovery involved a strong element of chance.

In the story of television, one outstanding figure was an employee of the Radio Corporation of America, but a number of the crucial inventions were made by a second American inventor who worked independently; and the first complete system for television broadcasting was created for the British Broadcasting Corporation by a British firm of modest size. The transistor was produced in the Bell Telephone Laboratories, a case which comes nearer than most to research directed towards a predetermined result.

Polyethylene was discovered, in the course of some very broad scientific studies and as the immediate outcome of a fortunate accident, in the laboratories of Imperial Chemical Industries and developed by them; but methods of

producing polyethylene at low pressures were later discovered at about the same time in one of the Max Planck Institutes in Germany and by American companies. Kriilium was the discovery of research workers in the Monsanto Chemical Company, the result being attained by a combination of chance and a systematic search of a very wide field. In the discovery of the methyl methacrylate polymers, known variously as Perspex, Lucite, and Plexiglas, two large firms were primarily involved: I.C.I. and Röhm & Haas; but an independent research student appears to have made an important contribution. The diesel-electric locomotive probably embodied less inventive effort than many of those mentioned above; it represented the development by European and American firms, and especially by General Motors in the United States, of nineteenth century inventions.

The recent remarkable growth in the use of silicones represents the discovery of practical applications for compounds produced by a British university scientist, the usefulness of which was first realized by scientists in an American company. The discovery of Neoprene is a romantic story in which a priest, occupying a chair in chemistry in an American university, was responsible for observa-

tions which were taken up by a large chemical firm and carried much further by them to a successful conclusion.

Finally, some of the cases quite defied classification: where a research worker in an industrial laboratory produced an invention outside his own professional field; where an individual inventor and a company reached much the same results at the same time; where a government research station, an industrial company, scientists in the universities, and individual inventors all made important contributions to the final result, and so on. Such cases, of course, heighten the impression of a picture which admits of no simple explanation.

The cases taken as a whole reveal that no one country has a monopoly of inventive power. The outstanding names and groups are widely spread over many industrial countries.

### ***The Communists Had None***

One significant exception is that, in none of the sixty cases studied, had contributions been made by Russian workers subsequent to the Revolution. Before that date, numerous names of distinguished Russian contributors crop up: the early Russian work in rockets has already been mentioned; in the early efforts linked with television

occurs the name of Rosing; Zworykin, who later on in the United States was to make one of the vital contributions to the perfection of television, acquired his interests in this field in St. Petersburg before the first world war; Sikorsky, the great American helicopter pioneer, had in fact built two helicopters in Russia as far back as 1909.

But, after the Revolution, it seems clear that Russia made no important contributions in radar, television, the jet engine, the antibiotics, the man-made fibers, the newer metals, the catalytic cracking of petroleum, the continuous hot strip rolling of steel, silicones or detergents, until others had shown the way and revealed what could be done.

#### **Facts about Earlier Inventions**

The twentieth century has, therefore, been much enriched by many inventions attributable to men who have worked under the kind of conditions associated, by long tradition, with the "heroic age" of invention in the nineteenth century. The next step in the inquiry was to look once again at what happened during the last century. Was this an age when uneducated inventors, ignorant of science, working in isolation in garrets and cellars, blindly and unsystematically tried one thing after another and occasionally

stumbled by accident upon something worth-while but were invariably robbed of their due rewards by predatory financiers?

Such a picture seems to be a travesty of the facts. The links between science and inventive technology were often close. There were many distinguished scientists who were also important inventors: Kelvin, Joule, Davy, Dewar, Hofmann, Bunsen, Babbage, and Playfair. It was frequently true that those inventors who were not formally trained in science showed a high respect for scientific knowledge and an anxiety to acquire it. James Watt spent much of his time with the most distinguished scientists of the day; Charles Parsons was a university graduate and the son of a President of the Royal Society; Trevithick, of the high pressure steam engine, consorted with members of the Royal Society; Cartwright was a Fellow of Magdalen College; Henry Maudsley was a close friend of Faraday; Wheatstone and Morse were professors; W. H. Perkin was a student at the Royal College of Chemistry; Edison made use of the Princeton University laboratories and worked closely with many scientists; C. F. Cross, the inventor of the viscose process, was a consulting chemist. This is to mention only some of the more famous names; the list could be

greatly extended of nineteenth century inventors with similar scientific contacts and interests.

Many of these men collaborated in ways which, in these days, would be dignified as teamwork. Nor is it the whole truth that invention in the nineteenth century was merely empirical and accidental whilst that of the twentieth century has become scientific. It is far too large a subject to be argued in full here, but it is at least a tenable view that there has been just as much "accidental" invention and discovery in the present century as in the last.

The evidence, therefore, suggests that much of the history of invention written up to the present day, by somewhat distorting the picture of what occurred in the nineteenth century and by then distorting it in the opposite sense for the twentieth century, has exaggerated the fundamental differences between the two periods and has understressed the continuity which runs through the whole story. Perhaps the world, in the matter of technical progress, is not such a new place as it is sometimes made out to be.

#### ***In Matters of Policy***

It was not the purpose of the inquiry to concern itself with policy; for what is needed, first and foremost, for a better understanding

of the forces which influence the flow of innovations is more evidence in a field of study up to now sadly neglected. But the findings have some bearing upon major questions to which industrial societies ought properly to be addressing themselves.

We are in these days caught up in a great boom in industrial research and development which, in its present intensity, may be transient and in some ways artificial. It has been greatly stimulated by defense needs in the past year or two. It has been fostered by what are probably over-sanguine views about the value of science and technology in increasing the profits of individual firms or in raising general standards of living. But even when full allowance has been made for all this, there still remains a strong and newly-found belief that, by taking thought, it ought to be possible to increase the flow of new and useful technical and scientific ideas and to make fuller and more rapid use of them for material improvement.

The policies which, in consequence, are being pressed have already been referred to. The maximum number of people should be given a basic training in technical matters; the different specialists must be encouraged or forced to share their knowledge and ideas in cooperative teams; scientists and

technologists should be employed in large research institutions where, secure from the vicissitudes of the life of the independent inventor and provided with ample equipment, guidance can be given to the main lines of their interests.

That, in fact, is what is happening in varying degrees everywhere. In Russia, we are informed, the whole body of scientists and technologists pursue their labors within a framework of purposes laid down by the central authority, benign but all-seeing. But, even in the Western world, the institutionalization of research and invention is going on apace. A steadily increasing proportion of those with scientific and technical training are now employed under conditions in which they are not free to follow their own bents and hunches; they are tied men. In some countries, even the autonomy of the universities is being threatened by their heavy dependence upon *ad hoc* grants for specified tasks.

### **Inventors Are a Race Apart**

Are these conditions most favorable to the flow of really new ideas? Or are they the conditions which, while perhaps increasing the number of minor improvements, will finally stifle originality? As John Stuart Mill once put it, the question is "whether our march of intellect be not rather a

march towards doing without intellect, and supplying our deficiency of giants by the united efforts of a constantly increasing multitude of dwarfs." In trying to strike a balance here it is worth-while looking at the side of the shield which in these days is so frequently ignored.

First, men with great powers of originality are in many ways a race apart. Like any other group, of course, they differ between themselves, but on the whole they are constitutionally more averse to cooperation than the rest of us. "I am a horse for single harness," wrote Einstein, "and not cut out for landau or teamwork." This follows because their great gifts arise from the habit of calling everything, even the simplest assumptions, into question; because they are in the grip of inner compulsions which lead them to assume the right of deciding how their special powers should be employed and how best a task should be approached, to resent interference, and to be thrown out of balance by it. Many of them are, by temperament, wholly unsuitable for work in any research institution which is formally organized. And, beyond that, it is even conceivable that, in many cases, their native powers of innovation might be weakened or destroyed by over-prolonged scientific or technical education.



Second, it seems to be possible to exaggerate the virtues of teamwork. Of course, as knowledge grows and forces more specialization upon scientists and technologists, systems of communication between the specialists must be progressively strengthened. And it is true that in some directions in recent years small teams are tending to replace the individual worker, although this is often because the man of original powers is given more assistance for his routine tasks.

It is, however, a far cry from the useful, voluntary collaboration of a few like-minded people to the popular conception of serried ranks of Ph.D's moving forward into the scientific unknown as an army guided by some common purpose. The working groups even in a large industrial research laboratory are normally small. The real moving spirits are few and the rest pedestrian, although of course useful, supporters. Quantity cannot make up for quality.

The reasons for the limitation of teamwork are obvious. Teamwork is always a second best. There is no kind of organized, or even voluntary, co-ordination which approaches in effectiveness the synthesizing which goes on in one human mind. Because of the growing specialization, teamwork undoubtedly is inescapable. But it carries

with it a countervailing loss of power inevitable when several minds are groping towards mutual understanding. And the loss becomes the greater the larger the team and the less voluntary it is in character.

Nor must it be overlooked that the members of a team must always go the same way; that the strength of a team may be determined by its weakest link; that friction even in small groups of men with original powers of mind is not uncommon; that all cooperation consumes time; and that a large team is essentially a committee and thereby suffers from the habit, common to all committees but especially harmful where research is concerned, of brushing aside hunches and intuitions in favor of ideas that can be more systematically articulated.

Third, it is erroneous to suppose that those techniques of large-scale operation and administration which have produced such remarkable results in some branches of industrial manufacture can be applied with equal success to efforts to foster new ideas. The two kinds of organization are subject to quite different laws. In the one case the aim is to achieve smooth, routine, and faultless repetition, in the other to break through the bonds of routine and of accepted ideas. So that large research organizations

can perhaps more easily become self-stultifying than any other type of large organization, since in a measure they are trying to organize what is least organizable. The director of a large research institution is confronted with what is perhaps the most subtle task to be found in the whole field of administration; a task which calls for a rare combination of qualities, scientific ability commanding the respect of colleagues, and also an aptitude for organizing a group.

There are many cases to support the conclusion that a large research organization may itself prove to be an obstacle to change. Ideas emanating from outside may be belittled or passed over. "Is not every new discovery a slur upon the sagacity of those who overlooked it?" And it will always be seductive for an established organization to take the smaller risks and more prudent routes when the rare and larger prizes are likely to be found in other directions.

#### **Can the Pace Be Forced?**

Here, then, is the dilemma which confronts any community trying to make the best of the native scientific and technical originality of its members. On the one side are the views of those, at the moment it seems in the majority, who conceive of the possibility of forc-

ing the pace, as it was recently put by one research director:

We find the self-directed individual being largely replaced by highly organized team attack in which we employ many people who, if left entirely to their own devices, might not really be research-minded. In other words, we *hire* people to be curious as a group . . . we are undertaking to *create* research capability by the sheer pressure of money . . .

On the other hand are the fears of those, at present much in the minority, who suspect that such forcing tactics will mean that we may frustrate the awkward, lonely, inquiring, critical individuals who, to judge by past experience, have so much to give but can so easily be impeded. To pose the question in concrete form: the last time that a new form of propulsion, the jet engine, came to be conceived it was pressed forward by individual workers who had to meet frustrations and indifference, even resistance, on the part of established institutions. We are, presumably, not at the end of such innovations; there may be other new forms of motive power to come.

And if, on some future occasion, the initiative comes in much the same way, do we resign ourselves to the idea that it must once again run the gauntlet of resistances from established interests? Are we further prepared to resign our-

selves to the thought that, as research becomes more highly organized and the subject of institutional effort, any outside inventor will in the future have even less chance than in the past to force his ideas upon reluctant authority?

It may be that there are no clear-cut answers to such weighty questions. But the study of the inventions of the twentieth century would seem to support the following generalizations. Knowledge about innovation is so slender that it is almost an impertinence to speculate concerning the conditions and institutions which may foster

or destroy it. But, in seeking to provide a social framework conducive to innovation, there would seem to be great virtues in eclecticism. If past experience is anything to judge by, crucial discoveries may spring up at practically any point and at any time.

As contrasted with the ideal ways of organizing effort in other fields, what is needed for maximizing the flow of ideas is plenty of overlapping, healthy duplication of efforts, lots of the so-called wastes of competition, and all the vigorous untidiness so foreign to the planners who like to be sure of the future. ● ● ●

#### IDEAS ON LIBERTY

#### *Knowledge of Good and Evil*

IT COULD BE ARGUED that what we need, in the present state of the world, is not just more and more scientists and technologists, but more people whose understanding has been broadened, whose minds have been illumined and sympathies deepened through education in the humanities and the liberal arts... Perhaps the quality most in short supply is not technical competence but human understanding, not intelligence but wisdom.

A great British scholar, Sir Richard Livingstone, said in 1941: "We cannot have too much science, technology, economics, but they lose their usefulness unless we see clearly the ends for which we intend to use them, and unless those ends are worthy of man. They deal with means and not with ends, and the more we have of them the more we need to strengthen, in both education and life, those studies whose subject is 'the knowledge of good and evil.'"

From the *Review of The Institute of Public Affairs*, Victoria, Australia, October-December, 1957.

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# A Capitalist Manifesto?

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**I**F *The Capitalist Manifesto*, by Louis O. Kelso, a San Francisco corporation lawyer, and Mortimer J. Adler, a peripatetic philosopher (Random House, 265 pp., \$3.75), is significant of a trend, then its importance far transcends its intrinsic worth as a blueprinted "cure" for what the authors call our "mixed capitalist" system. The book itself seems to embody several fallacies along with many worth-while observations. But fallacies or no, the very fact that a commercial publisher can now, after these many years, dare to use the word "capitalist" in a non-derogatory title is an immensely heartening straw in the wind.

The Messrs. Kelso and Adler are as daring as they are ingenious. They turn the tables on practically all the so-called "liberal" commentators on economics by insisting that more than 90 per cent of the newly produced wealth of the nation is accounted for by the capital instruments brought into being by the savings of corporation owners, i. e., stockholders. These modern capitalists, however, despite their

major contribution to the wealth producing process, retrieve only a minor fraction of the total as compensation for their role. In other words, it is the capitalists who are being robbed of their surplus value by predatory labor unions.

This is turning Marx and Engels upside down with a vengeance. But at this point Kelso and Adler cringe before their own logic: they realize that it would be social suicide to suggest that labor be cut back from its present high percentage of the rewards of machine production to a mere 10 per cent. If labor were to get its "just desserts" in a period in which the machine itself is the prime agent of increasing efficiency, there would be nobody to take our vast flow of refrigerators, washing machines, and automobiles off the market. Automation equipment does not ride around in cars, wear new clothes, and take trips to Miami in the winter. And the owners of the new automation equipment can't possibly consume the stuff which the marvelous machines turn out.

Without ever entertaining a second thought about the soundness of their theory that labor is currently getting far more than its competitive reward, the Messrs. Kelso and Adler plunge wildly ahead into a "distributist" utopia that would put Gilbert Chesterton and Hilaire Belloc to shame. Realizing that consumption must be kept going on some basis if capitalism is to prosper, the authors suggest that the State step in to force, not a "laboristic" division of the product of the machine, but a relatively equalitarian division of stock ownership. Thus a diffusion of dividends might be prompted to replace our present method of spreading consumption via high wages. For the Robin Hood labor union (which they condemn), the Messrs. Kelso and Adler would substitute a Robin Hood law which would put top limits on what any given household could own in the way of stocks and bonds.

#### **Force Mixed with Freedom**

Though one Robin Hoodism may be as good or as bad as another, a reader with a sharp sense of logic will at once want to ask the authors of this book why they call their system of compulsion "pure" capitalism when it involves a "mixture" of force and freedom that is just as pronounced as the

present mixture. True, many of the devices for spreading ownership which Kelso and Adler propose are seemingly gentle enough. Nonetheless, the iron hand rests inexorably within the velvet glove: a ceiling on ownership would necessarily function as an arbitrary capital levy.

If it is true that capitalism cannot function without some measure of State coercion designed to diffuse the wealth, then the Messrs. Kelso and Adler have a case for their enforced stock distribution. Within its limits this distribution would permit a greater freedom than can be found under any of the modern allotropes of Marxian socialism.

Fortunately for those who insist that progress is best achieved by voluntary methods, however, the Kelso-Adler analysis of our plight is itself at fault. It is true that many modern labor unions have monopolistic power, and it is also true that the unions have recently managed to push wages to uneconomic levels. But it does not follow that the vast rise in the wage level since the Civil War has in itself been uneconomic. As F. A. Harper has shown in his recent *Why Wages Rise*, the American wage has tended to increase with the productivity of the machine no matter what the contemporary status of unionism. And

it has increased for one reason: the competition of capitalists for labor. The "market" has up to very recently prevailed.

What Kelso and Adler have done is to repeat Ricardo's old mistake: they have confused wages with the cost of labor. It may be perfectly true, as they say, that the physical contribution of labor to the production of new wealth is extremely small in the modern factory as compared with that of capital instruments. But the marvelous modern capital equipment has enabled factory owners to pay present workers well by dispensing with the hordes of unskilled "hands" which they once paid poorly. The individual wage has risen; the cost of labor in the mass has gone down. No matter what the unions may do, this is the secular trend.

### **The Service Industries**

One consequence of this trend is that our economy as a whole has become less "laboristic" and more "middle class." It is not the worker in the factory who has skimmed the cream of progress; it is the man who no longer has to look to the factory directly for a job.

For example, the automobile industry does not support its workers and its owners alone; it also supports — by extension — a

whole complex of tool and die makers, advertisers, dealers, road builders, resort managers, garage proprietors, service station mechanics, oil companies, and so on. Men who used to machine the cylinder block by slow methods have, in effect, been released by automation to run motels in Florida.

Kelso and Adler make little of this phenomenon, which is "non-laboristic" to the extent that motel owners and dealers are small capitalists themselves. Just how the release of men into non-factory work effects the statistics of property ownership I do not know — but it seems a matter of mere common-sense deduction that modern American society is far more "distributist" than Kelso and Adler are prepared to admit.

As part of their campaign for spreading ownership, Kelso and Adler suggest that the "mature" corporation be required by law to pay out all of its net income to the stockholders. Just how this would tend to diffuse ownership is a little hard to imagine. As things stand at present, retained profits ordinarily are reflected in a market rise of securities: the stockholder can get his share of the retained net any time he wants merely by selling his stock. Under present tax law many a security owner does better that way, for the net that is reflected in a profit

on a rise in capital values is taxed not as income at a high rate but as a capital gain at 25 per cent. No matter how they might choose to take their share of the net, present stockholders could only help "diffuse" ownership by giving some of their income away to sons or nephews to buy stock. If they bought new stock themselves with the proceeds from old stock, it would change nothing.

### **Marginal Ownership**

As for the Kelso-Adler suggestion that stock purchases be financed by credit corporations, just how would that add anything to facilities which are already available to the borrower? If one wants to buy stock on margin, sympathetic brokers stand ready to put up 50 per cent of the purchase price. Once upon a time a would-be stock owner could "finance" the purchase of a security merely by putting up 10 per cent of the price. This may have "diffused" ownership for a period, but that glorious day came to a sudden end in October of 1929.

The trouble with the Kelso-Adler program for the diffusion of ownership is that it assumes everybody is just aching to take a chance on stocks. But there is little warrant for thinking this. Some people prefer to buy insurance; some prefer to put their money

into homes, or hi-fi sets, or a weekend cabin at the lake. Some, with a passion for liquidity, like savings banks. There are many ways of augmenting one's "estate" without going in for stock ownership.

With the broad Kelso-Adler aim there can be little cavil. It would be a good thing for the economy if there were more equity-sharing plans in industry, more encouragement to turn profit-sharing into stock purchases. It would be a good thing if the corporate income tax were abolished, and if inheritance taxes were drastically scaled down. Moreover, there is too much truth for comfort in the Kelso-Adler insistence that our fetish of full employment at all costs has led to much useless featherbedding throughout the economy.

Finally, it is incontestable that the "countervailing power" of government has been put all too indiscriminately behind unions which seek to impose impossible conditions on marginal employers. For pointing to such "laboristic" abuses, and for suggesting certain needed reforms in the tax structure, *The Capitalist Manifesto* should be welcomed. But the authors should have a second go at the central thesis of their stimulating book. ● ● ●

### The American Cause

By *Russell Kirk*. Chicago: Henry Regnery Company, 1957. 172 pp. \$3.50

Russell Kirk's latest book is an appropriate tract for the times. It is a statement—brief but full of conviction—of the principles undergirding American society; and it provides sober answers to check the barrage of communist propaganda. The book is readable enough to appeal to a high school student, and intelligent enough so that the more mature reader will not be shortchanged.

The characteristics which distinguish one society from another reflect the general ideas by which the conduct of each society is governed. Americans make certain moral and intellectual assumptions which distinguish us from other peoples, but so much do we take our premises for granted that they are frequently overlooked. Dr. Kirk's book is an apt reminder of the beliefs we live by.

"Three groups of ideas, or bodies of principles," writes the author, "invisibly control any people, whether those people are Australian bushmen or highly civilized modern nations. The first, and most important, of these bodies of principle is the set of moral convictions which a people hold: their ideas about the relationship between God and man, about virtue

and vice, honesty and dishonesty, honor and dishonor. The second of these bodies of principle is the set of political convictions which a people hold: their ideas about justice and injustice, freedom and tyranny, personal rights and power, and the whole complex problem of living together peaceably. The third of these bodies of principle is the set of economic convictions which a people hold: their ideas about wealth and property, public and private responsibilities in the affair of making a living, and the distribution of goods and services."

The next six chapters, two apiece, are devoted to these three bodies of principles. Our institutions and way of life, Kirk shows, are intimately related to the basic dogmas of the Christian religion. From this faith we derive our notions of the meaning of life, the moral order, the dignity of persons, and the rights and responsibilities of individuals. Ours is a religious society, but it has its counterpart in our secular state. The Constitution forbids an official church, an act which permits religion to exercise its unique authority directly, unhampered by ecclesiasticism.

The founders of our republican form of government were not visionaries. Their work was historically grounded on English common law, English constitutional



practice, and English political theory, and they had the model of the ancient Roman republic in mind also. "Their political assumptions were compounded of Jewish religious doctrines, Christian teachings, classical philosophy, medieval learning, and English literature." The chief French revolutionaries, by contrast, "set out to establish what they thought would be a completely rational and completely new political order, independent of Providence and historical experience. In place of the old ideals of justice, order, and freedom, they shouted a novel slogan: 'Liberty, equality, fraternity.'"

After a brief description of the structure of our federal republic, Dr. Kirk goes on to devote the next two chapters to the principles of the free economy, which he endorses on the ground that "a free economy is a support of all freedom." This makes his book especially valuable because many otherwise able proponents of religious and political liberty do not understand that economic liberty is an integral part of the general theory of freedom. If the peaceful exercise of a man's creative energies in his store, shop, or office may be curbed on principle, the same principle can be successfully invoked to curb man's freedom in the pulpit, press, and classroom.

We are being saddled with these latter limitations because lovers of freedom, misunderstanding the nature of the case, do not unite in strengthening the point in the line which is now sustaining the brunt of the attack against freedom—the economic order.

Free economic enterprise, which our American economy approximates more closely than any other, "is important not merely for its own sake: its real importance is the contribution it makes to our justice and order and freedom, our ability to live in dignity as truly human persons. . . . (It) allows men and women to make their own principal choices in life; . . . reinforces political liberty; . . . adequately supplies the necessities of life; . . . recognizes and guides beneficently the deep-seated human longing for competition and mensurable accomplishment."

All human societies are imperfect. "The American economy," writes Dr. Kirk, "has its faults; but they are faults which may be modified. The faults of communism are so profound that they cannot be ameliorated." The book closes with two chapters which deflate the claims of communism and rebut its attacks on capitalist America.

This is a modest little book, without a trace of smugness, whose tone never rises above that

of intelligent conversation. On these and other counts it will be appreciated, as B. E. Hutchinson writes, by those who "are tired of being harassed by zealots."

EDMUND A. OPITZ

### The Supreme Court

By *Bernard Schwartz*. New York: The Ronald Press Company. 429 pp. \$6.50.

SINCE the 1937 decision upholding the Oregon minimum wage law in *West Coast Hotel Co. v. Parrish*, the United States Supreme Court has fashioned a new jurisprudence dubbed by the author, a "constitutional revolution." In several ways the Court returned to solid early principles which had been ignored by it from 1880 to 1937, but in many other instances the Supreme Court has adopted new principles which do not accord with the basic concepts of the American polity, particularly in the areas of interstate commerce, the conduct of foreign affairs, administrative agencies, and federal-state relations.

The decisions of the post-1937 Supreme Court have, for instance, extended the power of Congress over interstate commerce to include employees of a window-washing firm that cleans the windows of people engaged in interstate commerce, to janitors in a building that stores goods for interstate

commerce, and to any "potentially navigable stream," i.e., any stream.

These decisions have held that an executive agreement between the President and a foreign power is sufficient to alter the fixed and settled law of a state and deprive its citizens of rights vested in them by the laws of that state. The Court has given a blank check to administrative agencies in procedure not directly governed by congressional mandate and countenanced administrative hearings that seem clearly to deny due process of law to the persons involved.

In the area of federal-state relations the decisions have deprived the states of many necessary residual powers, allowed federal taxation of states' proprietary functions, and struck down settled state laws on the theory of federal "preemption of the field."

This useful summary of important cases since 1937 unfortunately does not cover the last two court terms when such controversial issues as desegregation were before it. FRANK M. COVEY, JR.

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## IDEAS ON LIBERTY

- A person's concept of the cosmic order will ultimately dictate his view of human nature as well as his understanding of the ethical code which should guide his relationships to others. When men rightly apprehend their relationship with the nature of things and with each other, there is harmony and growth. But misunderstanding portends trouble, leading possibly to the collapse of a civilization if the wrong ideas are widely shared.
- The Foundation for Economic Education works within the framework of the spiritual and ethical understanding embodied in the heritage of Western Civilization. Its conviction is that this heritage, in its social aspects, spells out into the philosophy of limited government and free market economics. Political liberty and economic freedom, in turn, are important in man's quest for material sufficiency and spiritual growth.
- The Foundation's monthly publication, THE FREEMAN, prints articles dealing mainly with current efforts to restrain economic and political liberty, with the misunderstandings and fallacies which cause well-meaning people to invoke these restraints. On the positive side, it attempts to explore ways in which men in freedom resolve their economic and political problems.