THE Freeman

IDEAS ON LIBERTY

MARCH 1960

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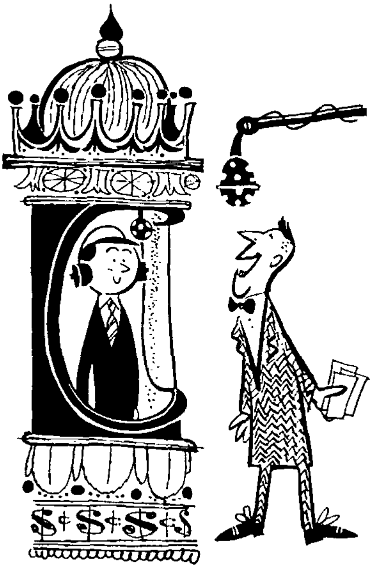

THE CRUSADE AGAINST EXCELLENCE

MERRYLE STANLEY RUKEYSER

IF THE RECENT TV quiz scandals represented a mere trade malpractice, their significance would be circumscribed. But it seems to me that the recent episodes are surface symptoms of a deeper malady.

The elaborate rigging to "control" programs on the air evidenced not only moral shortcomings, but also a lack of artistic integrity. The authentic artist seeks to portray the real nature of man, not a preconceived set of circumstances bearing no relationship to reality. In the market place for air time, opportunistic packagers and producers of programs were unwilling on quiz shows to run the risk of bringing selected personalities to the microphone, and let the chips fall where they may.

They feared that truth and sincerity might yield occasional dull spots, and an impatient audience would protest by turning the knob on the dial. Thus, they cynically downgraded the nature of man, and "hopped up" synthetic characters who appeared to know more than they did.

This desecration of decency in the clamor for "ratings" should be fully explored. Apart from ethics, morals, and political science, this scramble for rank does not make sense even in crass box office terms. The clamor for ratings is based on loose thinking stemming from the half-truth that "all men are created equal." This phrase — corrupted by demagogues — is

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utterly misleading unless qualified to mean that men are created with a right to equality of opportunity.

Uncritical dedication to the phrase has been the curse of the American educational system and other phases of the national life. Because of a lazy attitude toward the nature of a free society, hundreds of thousands of children have been psychologically bruised. Fanatics in the name of democracy insist on shoving all through precisely the same educational mill. Thus the pace and the curriculum, if geared to the average, are too fast for the slow learners and inadequate for gifted children. Wiser pedagogues are coming to recognize the need for plural standards related to the aptitudes, abilities, IQ's, and other characteristics of individuals.

Enrichment of national life calls for a new respect for individual differences. Confused idealists have tended to weaken the national fabric through their passion for uniformity and conformity.

Is It Good Business?

On the TV issue, dismiss from consideration for the moment decent ground rules for the use of the ether, which is in the public domain. Even if we look only at strictly commercial considerations, this senseless drift toward programs that purportedly appeal to the lowest common denominator is far from prudent. The old Roman regime of "bread and circuses" has been widened to include Westerns and tales about cops and robbers.

It is putting the whole matter in the wrong frame of reference to argue that either federal bureaucrats or the networks should act to restrain the wickedness of sponsors. As a matter of fact, if sponsors are to get their money's worth out of TV programs, they must relate their activities to their objectives. When the goal is to sell gum at five cents a package, the widest possible listening audience is obviously desirable – and, for the sake of argument, the correct approach may be Rock 'n Roll. However, if the purpose is to "make friends and influence people" in order to improve a climate in which voluntary enterprise operates, then it is desirable to attract the opinion-making elite consisting of teachers, ministers, professional men, and executives, and the Philharmonic Orchestra or an exciting discussion forum may indeed be in order. It is obviously mixing "horses and apples" to rely on head counts by pollsters irrespective of the nature of the adventure upon which the business enterprise may have embarked.

And it is discrediting the free enterprise system unwarrantably to cast the sponsor in the role of villain and to investigate ways and means of forcibly restraining his depredations. It is high time for those who finance free TV and radio as sponsors to set voluntary standards for themselves.

Business Statesmanship

Perhaps the issue can be lifted to its correct perspective by recalling that Dr. Alfred N. Whitehead, the eminent philosopher and mathematician, in his famous speech before the Harvard Graduate School of Business Administration, observed: "A great society is a society in which its men of business think greatly of their functions."

Business statesmanship is capable of canons of responsibility based on something more than a blind worship of "ratings."

To me, the crux of the matter is that the managing directors of American corporations should responsibly take over as "decision makers" in this important area of human relations. This would entail giving "comeuppance" to little men on Madison Avenue, among the packagers, and in the networks, who are governed by worship of the false idol of the fast buck.

This is nothing more than enlightened self-interest. For every experienced analyst knows that, unless current transactions build up permanent capital in the form of good will, they are consummated at too heavy a cost.

Business leaders should instruct those at the merchandising fringe that no sale is worth-while unless it builds a friendly attitude toward the company. Otherwise, the immediate profit is made at the unreasonable cost of dissipating long-term, intangible corporate assets in the form of public esteem and good will.

Thus corporations would be better off if they retreated into anonymity rather than pay for exposure as patrons of crooked programs that promote mediocrity in public taste.

Whenever the corporate name is put before the public, management should undertake to make it a symbol of public decency and service to customers.

Besides consummating the immediate sale, the company, in its public exposure, should, in the words of a brochure which this writer put out in 1938, "sell the business (and the free-choice system) as well as the product." Unless the businessman each year puts something back into the system in the form of better public appreciation of liberty, he is like the antisocial farmer who mines the soil, returning nothing in fertilizers, better seeds, crop rotation, and other evidences of constructive behavior. Such a negative approach of taking everything out and putting nothing back is indeed destructive.

In putting their best foot forward, sponsors should associate themselves with activities that reflect quality, good taste, and standards.

Business will improve its prestige if it encourages excellence. This requires sufficient forbearance to be willing to reduce boob appeal in order to register the fact that they stand for truth, common honesty, and the scientific approach to better living and improving public taste.

The "Press" Called to Task

It would be falling into a superficial booby trap to limit the downgrading of excellence to radio and TV. Magazines of mass circulation are faced by similar temptations. Opportunistic editors are forever mindful that "hoking" up the news might sell more copies than dependable objective reporting. But even from strictly commercial standards, a balanced diet is to be desired. As the *Saturday Evening Post* has pointed out, it would not make sense for it to exclude everything except its most popular feature, "Postscripts." The late William Randolph Hearst, who is credited with originating "yellow journalism," had sufficient balance to respect quality. He always wanted in his newspapers thoughtful and significant pieces to round out the "cheesecake," the comics, and the lurid sex tales.

In my own specialty of finance, investment, and business counseling to corporate clients, it would be a shocking default not to aspire undeviatingly for a high degree of objectivity and accuracy. Thus, it would be a degradation of professional responsibility to try to expand an audience by saying that a financial panic is lurking immediately ahead when your true opinion is that some overdue profit taking might cause a mild intermediate reaction in stock prices. Yet when radio crooners and unspecialized announcers herald the day's occurrences at the security market places, there is a discernible tendency among some to improve their ratings by exaggeration and by unwarranted sensationalism.

The sub-surface trend runs deep. Syndicate salesmen of newspaper features advise distinguished contributors to "write for the crowd." This is a mandate for oversimplification and for gilding the lily. There is too little concern for stimulating others to go through what the late Graham Wallas called "the painful task of thinking." In the craze for quantity merchandising, even superior word usage is discouraged on the theory that other than primitive language will narrow your audience. So what? In a good society, there is a multiplicity of audiences – one for Irving Berlin and another for Johann Sebastian Bach.

The Creative Role in Society

The passing public excitement and indignation over the rigging of quiz shows will get precisely nowhere in the way of constructive improvement unless we relate the episodes to the larger problem.

To put the matter bluntly, if we are to survive as a free Republic in the battle for "competitive coexistence" with the Soviet Union and its allies and satellites, then we must respect an elite of creative minds. While there is a role in our society for the hewers of wood and drawers of water, the tempo of our inventors, scientists, engineers, theoreticians, and executives should not be slowed down to the pace of the lowest common denominator. In this context, there should be rising respect for quality radio and TV stations whose listening audience may not be the largest, and for quality magazines of limited circulation, which keep the lamps of learning lit.

Those who are aware of the trend of the new competition for survival should not retard their constructive inquiries because of the slow-wittedness of the unaware. In the free market place for ideas, there must be venturesomeness and risk taking. It is stultifying to inhibit dreams until the dullest minds regard such new concepts as self-evident.

The blazoning forth of the banners of mediocrity is a reflection of misguided political leadership. New Dealers, Fair Dealers, Double Dealers, mixed economy advocates, modern Republicans, and others have set back the processes of civilized progress by pandering to mediocrity.

The Glorification of Mediocrity

The downgrading of public taste is closely related to the drift toward a "welfare state." Despite the political blue-sky appeal behind the question-begging term "welfare," the collectivist formula for a "welfare state" is a deviation from an individual free choice society. The "welfare state," being the antithesis of a merit system in which each is rewarded for his degree of excellence, is a device for assuring robbing Peter to pay Paul in order to unduly reward the inefficient and the unproductive. In its nature, the "welfare state" rests on boob appeal and glorification of mediocrity. Its advocates inevitably find themselves crusading against excellence.

From a short-term standpoint, such negativism had its maximum appeal when fear was rampant during the maladjustments and widespread unemployment in the years following the panic of 1929. If the nostrums had appeal under such abnormal circumstances, they are obviously ill-timed in a period of quickened economic development.

Outmoded Prejudices

Certainly the fallacious economic dogmas, concocted during the depressed early nineteen thirties, whatever their original merit or lack thereof, are today "old hat" in the context of high level employment in the dynamic nineteen sixties. Progress is made by courage in shedding outmoded illusions and prejudices.

West Germany, in its stupendous economic recovery since the end of World War II, showed the social utility of pursuing the principles of freedom and prudent economics. West Germany, having earlier been through the inflation and socialist wringer, uncompromisingly turned its back on soft money theories and collectivist doctrines, and recently the Social Democratic Party in Germany, heretofore fountainhead of authoritative doctrines of socialism, threw Marx out of the window, and the British Labor Party has similarly sought to achieve popularity through soft pedaling planks for government ownership. There have been like trends in France and in Italy.

Without regard to provincialism and special pleading, let's encourage our fellow citizens in this struggle for survival to put their best foot forward and to foster excellence – not hamstring it. A great sermon, a stirring editorial, a revealing article, a fresh expression in business or in the arts of man's capacity for creativity and improvement – these are instruments of progress. Let's not choke off creativity on the ground that tired, worn out, tested appeal themes are safer.

Do We Deserve To Survive?

Instead of measuring our survival prospects in a vacuum, we should examine the more fundamental question: "Do we deserve to survive?" If we answer this in the affirmative, then we need have no fear that economic slavery behind the Iron Curtain will be more productive than a free society. In our soul-searching, we should not confuse the labels of free individual choice with the reality. We should give new and vigorous expression to the libertarian philosophy, and should make clear that it provides the fountains and springs from which creative improvement flows.

In backing a free society, we should make certain that we are not kidding ourselves. We should re-examine the effect of fastening inharmonious collectivist ideas on a free society. We should take a fresh look at the effect of trade union equalitarianism on the philosophy and practice of an incentive system. We should study anew the human consequences of offsetting incentives with a steeply graduated income tax, which tends to dilute material rewards. We should determine whether costly "feather bedding" is patriotic at a time when high productivity is the *sine qua non* for survival of the whole free world.

A Problem Everywhere

Obviously, this clash between excellence and mediocrity is not exclusively an American problem. Under Stalin, Russia attacked excellence through murdering generals – and later paid a price in military weakness when defending itself against Nazi Germany. And Hitler, in dismissing scientists because of religious faith and political views, frustrated his own ambition to dominate the world. Some of the deported creative minds accelerated pursuit of the splitting of the atom in this country, and gave us the atom bomb before the enemy achieved it.

Back in 1948, Eugen S. Varga, described at the time as the Soviet Union's number one economist, suffered disgrace because his objective pursuit of knowledge brought him into conflict with the communist party line.

Varga wrote with extreme caution, but he bucked the propaganda line. His conclusion that there was no necessary conflict between the economic interests of Soviet "socialism" and American and British capitalism in the first postwar decade was intolerable to the Stalinists.

Varga was bringing the message that capitalism was not on the verge of collapse. He was unfrocked for such effrontery, though subsequent events have proven the correctness of his forecast.

What Varga said and wrote are of less significance than the fact that he as the head of the Russian Institute of Economics was not permitted to express his true thoughts, findings, and appraisals. The point is that Russian economics was rigged just as quiz programs were.

What a price the world pays for rigging. If the Russian Praesidium had listened to its expert, it might have avoided the cold war, and could have started, a decade and a half earlier, rapprochements for international cooperation, such as Nikita S. Khrushchev is now mouthing.

Appealing to the Best

The stakes are heavy in this matter of counterfeiting the coins of communication. To the economically illiterate, the cost of calling gray black may seem trifling, but, in the race between civilization and catastrophe, it is important to respect the scientific approach.

When government steps in to dull the rewards for excellence and to supplement the productivity of the inept, it releases forces of savagery which retard progress. In a well ordered society, in which excellence is fostered, there is, of course, room for sweet charity, without encumbering the machinery for social progress.

But the processes of civilization are impaired when insincere politicians, seeking votes at any price through boob appeal, or hucksters, looking solely at ratings, re-enact Gresham's law in a new area. Gresham admonished that "bad money drives out good" and, by the same token, uncritical worship of boob appeal stops the flow of information and inspiration to those capable of creative innovation.

In the circumstances, those who contribute a mite to upgrading public taste are on the side of the angels.

IDEAS ON LIBERTY

Integrity

IF EVERYONE were clothed with integrity, if every heart were just, frank, kindly, the other virtues would be well-nigh useless, since their chief purpose is to make us bear with patience the injustice of our fellows.

JEAN BAPTISTE MOLIERE, *Le Misanthrope*

THE ETHICAL IMAGE of competition as set forth by a company in its sales promotion and advertising policies sometimes does more harm than good — harm to its good name and ultimately to its net profits. The mere selling of goods can be carried out by any crook; it takes an organization with integrity to maintain such good customer relations that its word, spoken or written, rates as high as its financial bond.

H. A. TOULMIN, JR., *Business Is What You Make It*

SOCIAL SECURITY'S *Salvage* VALUE

PAUL L. POIROT

THE 20 PER CENT jump in Social Security taxes, effective January 1 of this year, brought the total to 6 per cent on the first $4,800 of an employee's annual earnings. That's $288 a year. Technically, half is paid by the employee; half by the employer. But actually, the full amount is part of the employer's cost of hiring help – and the full amount is missing from the employee's take-home pay. In other words, it's $288 a year, all paid in effect by the employee. Incidentally, he's liable for the regular income tax on his half of that $288 – at not over 20 per cent ($28.80) if he's lucky. However, that's double taxation, which is another story.

The next point of the present story is that the current Social Security tax of 6 per cent, or $288, is scheduled for three more jumps between now and 1969, when it will be 9 per cent on the first $4,800, or $432 per employee. Any reliable insurance agent can tell you that would buy a sizable chunk of old-age insurance from his company – particularly if you happen to be a young person.[1]

But that's the third point of the story. If you're buying Social Security, it's not a good deal to be a young person. In fact, it's an exceedingly raw deal, as indicated in Actuarial Study No. 48 of the Social Security Administration:

> The sum of the present value of the contributions to be paid under the present schedule [1956] by present members and the existing fund is $269 billion less than the present value of the benefits to be paid to them and their dependents and survivors.... On the other hand, there is a "surplus" of $228 billion for new entrants.

In layman's language, what that says is that the good old days of something-for-nothing from Social Security are drawing to a close, and that a "new entrant" (a

[1] For a premium of $432 a year from age 20, a man can secure from private companies a life annuity averaging about $216 a month after he reaches 65. This is in contrast to the monthly benefit of $127 promised through Social Security.

young fellow at his first "covered" job) is going to help pay at least $228 billion more than he can ever expect to get back from his Social Security taxes. In other words, under the 1956 amendments (aggravated in 1958, and likely to get worse with each subsequent amendment), the new entrant can expect to pay a tax averaging about 8.3 per cent of payroll until he retires, as against benefits valued at 4.93 per cent of that same payroll. That is, the new entrant is scheduled to pay $1.69 for every $1.00 promised in benefits. At least, that's how the actuaries of the Social Security Administration figure it – and it's not their business to paint the picture any worse than it is.

The Record Shows

The lead editorial in *Barron's* of January 4, 1960 carried this brief review of the program:

"Since Social Security was launched in 1935, benefit payments have increased sharply. Group after group has been added to the rolls, age limits have been lowered, and eligibility broadened. In 1956, Congress extended coverage to a whole new class of recipients, the disabled. Today, 13.4 million Americans are receiving monthly checks, which for the year just ended, totaled $10 billion. Nor will the process stop here, since the number of beneficiaries is mounting steadily. What's more, Congress is toying with dozens of ways to broaden the program. Some legislators would reduce the age of eligibility from 65 for men and 62 for women to 60 (or less) for everyone. Others would lower or eliminate the minimum age of 50 for payments for disability. Still others would boost all benefits by 10 per cent. Finally, Rep. Aime Forand (D., R.I.) proposes to add 'free' medical, hospital, and nursing-home care. This modest proposal, by government estimate, would cost over a billion dollars in the first year, and far more thereafter."

The bitter truth, which any conscientious parent should want his children – as well as his congressman – to understand here and now, is that Social Security has been tried and found wanting. The facts developed in these first 25 years under the program make abundantly clear what could have been known from the beginning: the only way the government can provide a windfall for the oldsters is to fleece the youngsters. With perhaps a few rare exceptions, the point already has been passed for entering the program with the chance of getting back as much as one puts into it. Nor is there the slightest political possibility of a soundly funded government insurance program that could give any other result.

As long as it afforded a chance of something-for-nothing, Social Security had its inducements for "practical" persons with no guide other than that of crass materialism. But, with that powerful inducement now wiped out by the soaring schedule of taxes, it should be easier for everyone to understand why the program was doomed from the beginning by its compulsory and immoral features. The immorality arises, not in freely giving of one's own to assist the needy or the aged, but in the coercion employed to make others contribute.

The lesson Social Security offers is that a morally defective procedure eventually must prove to be both economically and politically unsound. If the youth of America will learn that lesson, it could be a vital salvage – their most important benefit – from the Social Security burden thrust upon them.

LAWRENCE SULLIVAN

RETIREMENT in the *Red*

Who will cover Uncle Sam's longevity deficits?

THERE was an almost audible lifting of troubled eyebrows on Capitol Hill when U.S. Comptroller General Joseph Campbell submitted a detailed actuarial report projecting a deficit of $27,451,000,000 in the Civil Service Retirement Fund.

"The amount of the liability for which appropriations have not been made ($27,451,000,000 as of June 30, 1958) should be shown in the government's published financial reports. The liability is as real as the public debt and, in our opinion, should be given comparable stature in the government's financial reports."

Five years earlier the official actuarial audit had reported the accrued deficit at only $10,700,000,000.

Obviously, the 2,100,000 government workers contributing annual payroll deductions of 6.5 per cent to the retirement fund are promised much more in benefits than anybody is actually paying for,

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even after the current matching contribution from the employing bureau or agency. How else explain an increase of $16.8 billion in the accrued deficit in only five years?

At today's level of benefits, the real cost of the civil service retirement program would be covered by a combined payroll tax of 21.25 per cent, instead of the 13 per cent now collected, the actuaries reported to Congress. The difference of 8.25 per cent made an item of $915,693,000 added to the accrued deficiency in the trust fund account for the fiscal year ending June 30, 1958.

In June 1959 the Senate Appropriations Committee was informed officially by the Civil Service Board of Actuaries that, under prevailing retirement rates and schedules, the existing reserve trust fund would begin to evaporate in 1974, "until ultimately it would be eliminated."

By 1987, this report continued, all reserves would be consumed, and that year's payments from the retirement fund would exceed the year's payroll-tax receipts by $514,000,000; and for the fiscal year 2000 A.D. the annual deficit in the retirement fund would hit $2,093,000,000 – over and above payroll-tax receipts of $1,452,000,000 for that year.

"The valuation shows that employee deductions and government payments through agency contributions, combined, [13 per cent] do not meet the requirements of the system on the normal cost-plus-interest basis. Unless additional amounts are provided, the result will be further increases in the deficiency."

A Deficiency, Nonetheless

These financial problems do not worry Washington acutely at the moment, because there is still a balance of $10,096,000,000 in the Civil Service Retirement Fund. Yet the October 1959 report of Comptroller General Campbell admonishes somewhat sternly: "The accumulation of U.S. government securities in the Civil Service Retirement and Disability Fund does not improve either the soundness of the system or the ability of the government to fulfill its retirement obligations. The soundness of the system is dependent on the faith and credit of the United States."

This is only a polite and gentle way of saying that the Civil Service Retirement Fund deficiency of roundly $27.5 billion is an unitemized segment of the total national debt.

But Comptroller-General Campbell insists the retirement accounts should be put in order, so that Congress and the country may know precisely from year to year what additional actuarial deficits are being piled up against the full faith and credit of the U.S. government.

He does not insist that the whole range of future liabilities in the retirement system should be funded currently. But he does urge insistently that all unfunded liabilities be carried in the budget from year to year, and thus reflected honestly in the total federal debt.

This view is expressed also in the report of Roger W. Jones, Chairman of the U.S. Civil Service Commission.

"Standard actuarial methods are useful in determining the cost of federal staff retirement systems, just as they are useful in evaluating the cost of industrial retirement plans. However, when it comes to financing federal retirement systems, additional considerations enter which reduce the necessity for accumulating reserves based on strictly actuarial concepts. In view of these factors, it is not surprising to find that there is no common basis or principle for funding the dozen or more federal retirement plans now in operation. . . The Kaplan Committee found [1953] that a number of federal retirement systems do not have any reserves toward their accrued liabilities, and are financed entirely from current appropriations each year. The most notable instance is the military retirement system, which covers at present 2,500,000 personnel. It was estimated by the committee to have an unfunded liability of $17,600,000,000 in 1953, and it is likely that its deficiency at present is higher than the $27,500,000,000 of the civil service system. The retirement plans for the judiciary, although much smaller in size, also are entirely unfunded."

The Worst Is Yet To Come

Chairman Jones' report suggests that possibly our national debt should reflect unfunded retirement liabilities not merely in the range of $27.5 billion for the civil service fund, but more likely in the region of $60 billion or $65 billion for our "dozen or more" retirement programs centered in Washington.

Nor does this calculation even touch the unfunded accrued liabilities of the Social Security system, which does its own accounting and bookkeeping quite independently of all other government retirement funds.[1]

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[1] The Social Security Administration's *Actuarial Study* No. 48 put the "unfunded liability" under the 1956 Social Security Act at $321 billion. Mr. W. Rulon Williamson, formerly Actuarial Consultant to the Social Security Board, thinks the figure under present rates and commitments is nearer to $650 billion. (See his "Great Expectations" in the July 1959 FREEMAN, p. 38.)

Neither does the calculation reflect the unfunded accrued liabilities of the veterans life insurance programs administered by the Veterans Administration. Here, again, the bookkeeping and actuarial calculations are independent of like activities in all other departments and agencies.

As of June 30, 1958, the Treasury reported combined holdings of $55.9 billion in fourteen trust fund accounts operated by the several federal departments. In all these accounts combined the net accumulation for 1958 was $262,000,000 after total combined deposits of $16.3 billion.

Another correction of considerable magnitude must be made in the report of the Civil Service actuaries, as transmitted to Congress last November. The actuaries made their calculations through 2000 A.D. on the basis of an estimated interest rate of 3 per cent on trust funds invested in U.S. government bonds. The actual return in recent years has been only 2.58 per cent.

The Civil Service Commission now urges a new law which would permit the trust fund to realize a net return of 4 per cent on government bonds held in the retirement reserve. By increasing realized interest about 1½ per cent on the current invested reserves of roundly $10 billion, such new legislation would tend to contribute toward the ultimate liquidity of the Civil Service Retirement Fund to the extent of $150,000,000 a year. Over a period of ten years, the accrued liability deficit thus would be reduced from today's $27.5 billion to roundly $26 billion by 1970.

Backed by the Government

Regardless of the pretext ultimately adopted to siphon more Treasury funds into the retirement account, the liability is very real. Congress in 1958 passed a special appropriation of $589,000,000 to be added to the Civil Service Retirement Fund, representing the calculated actuarial deficiency for the fiscal year 1959. President Eisenhower vetoed this measure on the ground: "There is no sound justification whatever for adding unnecessarily over half a billion dollars to a deficit which may reach $12 billion this fiscal year."

The fact remains: whether we add the figure to the published deficit or not, the government's liability still is there. Nor is the total economic burden lightened in any degree, to anyone concerned, by mere bookkeeping gimmicks which conceal the true dimensions of the deficit from public view and discussion.

This point, too, was acknowledged by President Eisenhower, who added in his veto message: "The Retirement Act promises to make certain payments under specified conditions, and regardless of the size of the balance in the retirement fund at any particular time, these benefits will be paid, because the promise to do so is backed by the government. To assume otherwise is to call into question the full faith and credit of the U.S. government."

Taxpayer's Liability

Since establishment in 1920, the Civil Service Retirement system has been wholly self-sustaining, out of direct employee contributions. Through 1958, total receipts from workers alone were $6.9 billion, and total disbursements $5.9 billion.

Thus the employees themselves have contributed $1 billion to the present trust fund.

Over the same period, the Treasury contributed $4.8 billion to the fund, in annual matching contributions, plus $2.6 billion in interest on the fund balances.

These three items account for $8.4 billion in the current trust fund balance of roundly $10 billion. The pivotal historical and economic fact is that over these first forty years the Treasury, through both interest and direct appropriations, has contributed 52 per cent of the total retirement fund receipts.

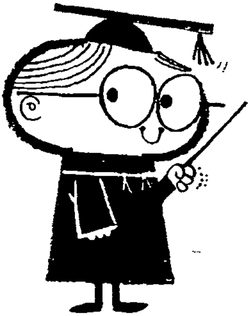
Whether this actuarial deficiency is covered in the future out of reserve funds or by direct Treasury appropriations from year to year is only a decision of policy. In either case the ultimate burden on the taxpayers will be the same.

What fiscal authorities must keep in mind is that annual benefit payments from the Civil Service Retirement Fund will increase from $700,000,000 in 1958 to a calculated total of $1 billion in 1962; to $2 billion in 1972; $3 billion in 1986; and $3.5 billion in 2000 A.D.

Under prevailing assessments and benefit schedules, total benefit payments from 1959 through 2000 A.D. will be $76.5 billion, and total employee contributions, roundly, $25 billion.

The difference of $51.5 billion somehow must be collected from the taxpayers – an average budget charge of $1.3 billion a year which shows nowhere in the budget!

With total tax burdens already well past the point in diminishing returns in virtually every area of government – federal, state, and local, calls for additional retirement assessments in the near future will almost certainly raise the shrill question: *Where's the money to come from?*



the ABC's of Modern Economics

RALPH BRADFORD

A is for Agri—the land, or the field,
Which used to be cultured for what it would yield.
But now it is farmed, so proficient we've got,
For what it will yield? No, for what it will not!

B is for Bonus, which once was awarded
For extra performance, but now is accorded –
To those who increase the amount they produce?
No, rather to those who can ably reduce.

C is for Courage, which used to be named
The key to achievement, and widely acclaimed.
It led men to venture, to fail, to succeed –
But now their success must be state-guaranteed.

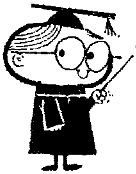
D is for Dollar—a round silver piece.
When loaned or invested it once could increase;
But now it is shrinking so fast that to lend it
May net you a loss, so you'd better go spend it.

E is for Effort. It used to be said
That effort would aid you in getting ahead.
But that is outmoded. Go easy, and wait,
And you will be pensioned and fed by the State.

F is for Folly, the blissful retreat
From reason to nonsense — the marvelous feat
Of making believe that the bigger your debt
And smaller your dollar, the richer you get.

G is for Gold, which is stacked up in blocks
In a cavernous underground vault at Fort Knox —
The once-universal, safe yardstick of Earth;
But now we are off it: and what is it worth?

H is for Human, the "values" that surge
Through "liberal" talk. But whenever you urge
That they name you these values, it always comes out
It is physical things they are talking about —
And physical comforts, however they holler,
Are harder to get when they cheapen your dollar.



(To be continued)

Some PROS and CONS of

EDITOR'S NOTE: *The following editorial, "Are Tariffs Isolationist?" was released in September 1959 by Messrs. Fred G. Clark and Richard Stanton Rimanoczy of the American Economic Foundation, 51 East 42nd Street, New York City.*

Mr. Keith Wood, President of Wood Brothers Manufacturing Company of Oregon, Illinois, questioned the position: "It doesn't seem to me to be consistent with the high principles of freedom which you advocate in other areas of your work." In response, Mr. Rimanoczy offered a 10-point elaboration of his views, here presented, along with Mr. Wood's further comment on each point.

ARE TARIFFS ISOLATIONIST?

FRED G. CLARK AND RICHARD STANTON RIMANOCZY

ABOUT 15 years ago we had a conversation with a friend of ours who, at that time, was one of the top economists and spokesman for a large group of labor unions.

"How," we asked, "can your unions fight so vigorously for free trade when you know that it threatens the job security and wage increases of your dues-paying members?"

"Because," he answered, "if the price of permanent peace and international good will is a lower standard of living for the American workingman, he must be willing to pay it."

By that he meant that if the opening of American markets to low-cost foreign goods made with low-wage labor was the key to world security, the American labor movement should officially stand behind it.

Any other policy, he said, would be isolationist.

We disagreed with him and commented that there is a difference between *planning* a drastically unselfish policy and *living with it* after the sacrifice begins to hurt.

PROTECTIONISM

With no desire to say "we told you so," we were not surprised to read an August seventeenth press release from the AFL-CIO Executive Council meeting, at Forest Park, Pennsylvania, which read, in part, as follows: "powerful support developed for a resolution that would reverse the AFL-CIO's traditional backing for the United States reciprocal trade policy and request tariffs to curb imports of goods produced in foreign sweat shops."

The reason for this is simple: These goods are cutting into American production and American jobs.

This resolution, if made official, could be a turning point in America's tariff policy.

Up to now the only voice raised in Washington against the admission of foreign goods with which American industry could not compete, was that of management.

As is well known, in political matters where the number of votes behind the protest is the deciding factor, the voice of management has little influence.

But when labor speaks, official Washington listens.

There is no doubt that the State Department finds it much easier to establish cordial international relations when the Tariff Commission makes liberal concessions to foreign countries, but we feel that a proper consideration for American jobs requires that *no special advantage be given to foreign goods entering our markets.*

Stated another way, we believe that foreign goods should be given *equal opportunity* to compete in our markets.

For example, if the factory cost of an efficiently produced American product is $10.00 and an equivalent foreign product is offered for $7.50, the tariff should be $2.50.

The foreign producer does not have to pay the $2.50 tariff – he can raise his price to $10.00 and compete on an equal basis.

The debate follows ›

ARE TARIFFS ISOLATIONIST?

PRO

Rimanoczy to Wood

1. We believe that the classical theory of free trade, so magnificently demonstrated in our 48 states, requires conditions that do not now exist between the principal trading nations except between Canada and the United States. In most nations trade is based more on political considerations than on economic considerations.

2. We do not believe that our elimination of all trade barriers on incoming goods would bring about reciprocal action by the world community.

CON

Wood to Rimanoczy

1 and 2. It seems that someone will have to start the free-trade ball rolling. To the extent that activities of other nations are based on "political considerations," these activities will be less productive than those responding to the incentives of the free market. Even if these other countries concentrate their efforts on a few items, they'd still have the costs of producing them. There is little evidence they could produce generously for a very long time. While reciprocal action is necessary for the other countries to help themselves, a lowering of the barriers here to their products will tend to increase our standard of living regardless of what they do. The degree of improvement would probably not be great without reciprocal action, however, since there has to be an actual exchange in order for trade to occur – something has to go over there to compensate for something coming over here. To say that we should wait for reciprocity is to say that we shouldn't give freedom to our own people until other governments give their people freedom.

3. We do not believe that our artificial forces of government inflation and the wage-price spiral, which are pricing our goods out of the world markets, can be contained under existing political conditions.

3. I agree that they are not likely to be contained, but shouldn't we concentrate our attack on the real enemies rather than raise an artificial protective device which will only let the evils perpetuate themselves?

4. We believe that under free trade, American capital would be exported in huge amounts and become a much bigger factor than it already is in tooling up the low-wage areas of the world for the mass production which could deliver the *coup de grâce* of our domestic industrial activity.

4. You say that under free trade American capital would be exported in huge amounts and become a much bigger factor than it already is in tooling up the low-wage areas. If this is the action that free men would take, how can we justify arrogating to ourselves to decide for our equals otherwise? Or, worse still, call down upon their unprotected heads the dictatorship of still a third party – the government bureaucrat?

The argument of this paragraph is also vulnerable to the argument that no area of the world is going to ship goods and services to this country without receiving some kind of goods and services in return – and these would have to come from somewhere, probably from our factories and farms!

5. We do not believe that there are many products which cannot and would not be made abroad in huge quantities if our markets would absorb them. Within one generation it is possible that we wouldn't have to produce any

5. This seems to me to be a continuation of the strange argument that somehow the foreign economy is going to ship things into this country without receiving something in return.

How were we able to develop our

steel, textiles, ceramics, machinery, paint, plastics, rubber products, machine tools, or even automobiles. All of these would become available from abroad as long as we had the purchasing power to buy them.

marvelous industrial power during the nineteenth century when the artificial trade restrictions you advocate did not exist in any substantial way?

6. We do not believe that the American consumer who has saved money by buying a low-cost import will necessarily have more money with which to buy domestic products: he may have to use all of it or more to pay the unemployment taxes needed to support the man who would have made the import he bought.

6. If you would advocate a law to prevent the American consumer from buying a low-cost foreign product, then I presume you must consider it immoral – or at least evil – for us to buy a foreign product.

You would deny to me, for example, the opportunity to buy the dictating machine with which I am dictating this letter. It happens to be a German make; I bought it because it was better. It also happened to be cheaper, but this wasn't my primary consideration. I am not one of those that think anything foreign is almost automatically wonderful, but I do strongly defend my right to purchase the things I want on a free market.

7. We do not believe that under the present conditions one can truthfully say that all money spent for imports will be spent for exports. These dollars can be used to pay old debts, to buy U.S. securities, to buy U.S. gold, and probably other uses which do not come to mind. We had a substantial trade deficit last year and will have another this year. Granted, this is aggravated by

7. It seems to me that participation in world free trade is one of the ways that we as a people can counteract the tragic effects of bloated government. The greater this burden is on us, the more we need the opportunity to buy inexpensive goods and services.

foreign aid, but that seems to be another burden whose end is not in sight.

8. We believe that the tariff needed to equalize the wage advantages of various foreign countries would be an incentive for these countries to raise wages – give the money to their own people rather than to the U.S. Customs.

8. Wouldn't our tariff rather be an incentive for them to hold wages down – so they could sell in this country in spite of our tariffs? Put yourself in the shoes of the businessman over there and see what you would do.

9. We believe that economic nationalism (self-sufficiency) which large-scale war is supposed to alleviate, has been aggravated and is just moving into high gear in the partially developed nations of the world.

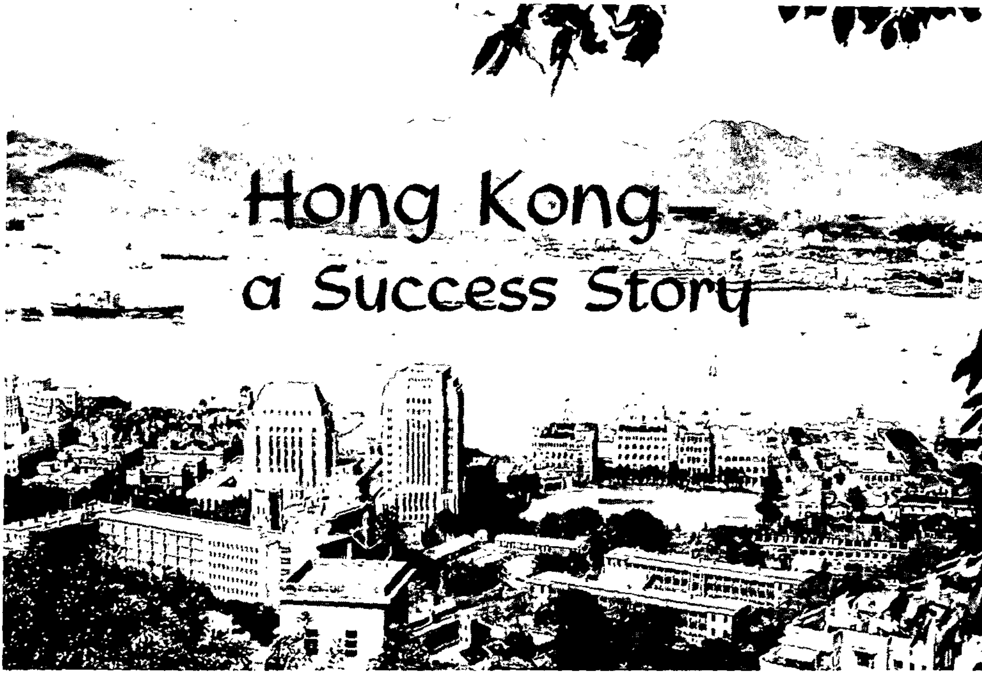
9. I have never heard before that large-scale war was supposed to alleviate economic nationalism. It seems to me that the feelings of insecurity which wars develop could be a prime cause of economic nationalism. I believe that self-sufficiency is contrary to any nation's long-range interests.

10. We believe that, eventually, free trade will come to pass, in the beginning through regional agreements between peaceful nations of approximately equal living standards, and, in the end, by the introduction of honestly valued currencies and assurance of lasting peace.

10. If the eventuality you suggest in this paragraph were likely, one would think that free trade would already exist in the case of the United States and Canada. As you probably know, this is not the case. I see no reason for hoping that free trade will come to pass unless those who believe in it have the courage to advocate it.

One of my principal quarrels with your arguments on tariffs is that you neglect to point out the desirability of free trade as an eventual goal. This results in misrepresenting your views and I believe defeats your purpose.

Hong Kong— a Success Story



IN A FREE economy, man's ingenuity knows no bounds. The industrial expansion and high living standards of the United States are testimony to what individual enterprise can accomplish. Abroad, too, we find striking examples of what men can achieve when left to solve their own problems.

In Europe, during the years just after World War II, many governments experimented with state planning and economic controls. Over the past decade these have been progressively abandoned or modified. The unleashing of private initiative has enabled the Old World to forge ahead with renewed vigor.

On the other side of the globe is Japan whose remarkable postwar comeback has been due to the hard work and resourcefulness of its people and an economic climate which encourages these energies. Less well known is the case of Hong Kong, Britain's island colony off the South China coast.

Hong Kong's recent economic growth is one of the outstanding success stories in the Far East to-

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From the *Monthly Letter* of the First National City Bank of New York, December 1959.

Illustration: Ewing Galloway, N. Y.

day. This achievement has been one of private enterprise operating within a free market economy. There has been relatively little government intervention in the Colony's affairs. This is the more significant in view of the challenge to its existence posed by postwar events.

A great seaport and commercial center, Hong Kong grew to prosperity on the entrepôt trade with China, its location convenient for transshipment of goods to and from the West. But when the mainland fell to the communists, and the Korean War brought a United Nations embargo on trade with Red China, all this was suddenly changed. Hong Kong found itself no longer the gateway to China, but instead on the edge of the Bamboo Curtain.

As exports to China dropped from nearly 40 per cent of the total in 1950-51 to a trifling 4 per cent a few years later, and a million refugees nearly doubled its population, Hong Kong searched out other means of livelihood. Instead of massive programs of government spending or requests for foreign assistance, reliance was placed on private initiative.

It was natural for Hong Kong to look to its businessmen in time of crisis. The island was a barren, almost uninhabited rock when it was acquired by the British in 1841 as a trading settlement. Lacking in resources, tillable land, or even adequate water supply, its principal asset is a sheltered deepwater harbor. That it grew and attracted the commerce of all nations was because it offered businessmen – Chinese and Western alike – a stable government, the rule of law, low taxes, and a minimum of official interference.

Enterprise in Action

When necessity forced Hong Kong to find new sources of income to replace the lost China trade, its resourceful businessmen wasted no time. New opportunities were vigorously sought in Southeast Asia. To the recently independent countries of that region Hong Kong offered not just trade but the benefit of its mercantile experience. With inventories of imported goods warehoused locally Hong Kong merchants were able to make rapid deliveries to neighboring countries. Hong Kong's free money market eased the payments problem for many buyers. And its wide range of commercial facilities and duty-free port encouraged foreign companies to maintain regional sales offices there.

Attracted by Asian markets for consumer goods, Hong Kong businessmen were soon drawn to manufacturing as well as trading. Although shipbuilding and some small amount of light industry were already established in the Colony, expansion faced difficulties: lack of fuel, scarcity of industrial sites, and competition from well established foreign producers, not to mention the ever present possibility that the Chinese communists might some day choose to swallow up the little island colony.

But there were assets too. Skilled labor and investable funds were augmented by an influx of refugee labor and capital from the mainland. Most important of all, the economic climate was favorable to enterprise. The colonial government consistently kept its accounts in balance with a standard tax rate of only 12½ per cent on personal and corporate income. Here was opportunity for businessmen to create, to produce, and to enjoy the fruits of their labor.

Industry was expanded and, at the same time, energetic efforts were made to develop larger export markets. New products were introduced and old ones adapted to consumer needs in different countries. The phenomenal fourfold growth of Hong Kong's textile industry, for example, has been due in large measure to skilled marketing – sarongs for the South Seas trade, woolen gloves for European buyers, cheap print cloth for Africa, drip-dry shirts for the United States, cotton knitwear for Southeast Asia, and even made-to-measure suits by mail order.

Impressive Results

In the past decade factory employment has tripled. Despite fluctuations in over-all trade, exports of Hong Kong manufactures have climbed steadily, from a bare 10 per cent of total export sales in 1947 to nearly 70 per cent this year. In value terms this represents a rise from about $40 million to almost $400 million, with more than half comprised of textiles and apparel. Other inexpensive consumer goods make up the balance – kitchen utensils, rubber footwear, flashlights, thermos jugs, and plastic articles.

Production for the local market has grown apace with exports. Food processing and the manufacture of housewares and building materials have increased rapidly. Handicrafts and art objects for the growing tourist trade are another source of income. Hotel and office construction account for a good part of the building boom.

Hong Kong's achievement is all the more impressive since its largest industry – textiles – is the one that meets the stiffest competition in world markets. Hong Kong can compete effectively because its production costs are low. In the absence of exchange controls, its businessmen can buy raw materials in the cheapest market. Since they do not rely on government for expensive services, they pay low taxes. Local labor is industrious and quick to learn. Very little time has been lost through industrial disputes. Although competition has kept wage rates low, the same forces have kept down living costs.

Hong Kong's success in building up its export industries has created new problems. Striking sales gains overseas have brought protests from established suppliers elsewhere. Several nations have placed import quotas on Hong Kong goods. And Red China reportedly has been undercutting Hong Kong sales in some markets by dumping. Despite these difficulties, Hong Kong businessmen are certain they can compete if given a chance. They seek no subsidies or special favors. But they know their future is tied to the healthy growth of world trade. For Hong Kong, freedom to trade is life itself.

Lesson for Underdeveloped Countries

In many parts of the world today governments are seeking to raise living standards through industrialization. To attain this goal, underdeveloped nations have indulged heavily in state planning and other forms of government intervention in economic life. Indeed, it is really quite unfashionable these days *not* to have a development plan.

In seeking to industrialize, governments have burdened their fledgling economies with controls. They have allocated limited resources to ill-conceived projects with resulting inefficiency and waste. Impatient to get ahead in the world, they have fed inflation with printing press money. Exchange allocations, import licensing, and arbitrary taxation have been used to subsidize uneconomic enterprise, eliminate competition, and conceal planning blunders.

For such progress as this, the consumer pays a heavy price. Goods are more costly, selections limited. Foreign investment and private initiative are discouraged. The range of opportunity for local funds is narrowed. The final irony is often the flight of sorely needed domestic capital to more hospitable areas. Hong Kong's postwar industrialization, for example, has benefited not only from refugee money fleeing Red China, but also from the influx of capital from noncommunist neighboring countries that could ill afford to lose it.

Hong Kong's success in attracting foreign investment and achieving rapid development despite inherent disadvantages is striking testimony to the truth of liberal economic principles. Of the physical factors usually considered essential to industrial growth, nearly all are missing in Hong Kong. But Hong Kong has offered businessmen greater freedom from official interference than any other area in Asia. It has also provided a stable government and strong support for the free enterprise system. This policy has paid off handsomely by unleashing human potentials that in other countries have remained paralyzed by bureaucratic controls.

Some of the nations now bent on economic advance might well ponder the lesson of this bootstrap operation. Hong Kong's success has also demonstrated that external aid is not the most vital ingredient of a development plan. As the Hong Kong government itself states in its latest annual report:

"The predominant theme in international discussions about Asia in recent years has been the urgent need for outside assistance ... to promote ... economic development and to raise the standard of living. . . .

"Hong Kong, however, has [been] ... the exception. ... This small Colony, almost entirely lacking in natural resources other than the indomitable will and enterprise of its people, has not only belied all prophecies of economic disaster, but also established itself as a vigorous industrial power. . . . This development has been achieved without major recourse to outside economic assistance ... and despite formidable obstacles arising from political circumstances beyond local control." ◆

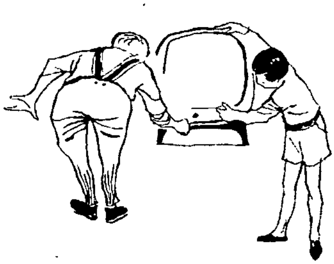
IDEAS ON LIBERTY

Remove the Chains

WHAT IS REQUIRED in India is essentially a redirection of the activities of government, away from policies restricting the energies and opportunities of its subjects, and away from acts of emulation of the pattern of the Soviet world, into directions aimed at releasing the energies of millions of people. These tasks will tax the resources of Indian governments for many years to come.

P. T. BAUER, *United States Aid and Indian Economic Development.*
Published by the American Enterprise Association,
1012 14th St., N. W., Washington, D. C. 119 pp. paper $1.

DOLLARLESS DIPLOMACY



or—AN EPISODE IN THE COLD WAR

It was a rainy afternoon
At story-telling time.
Old Kaspar lit a fresh cigar
And poured a rum-and-lime,
While Peterkin and Wilhelmine
Warmed up the television screen.

They saw a mob of shouting men
Who thronged a city square
And cast a hail of sticks and stones
On Buicks passing there;
While soldiers stood in close array
With faces turned the other way.

"Now tell us what 'twas all about,"
The little children cried.
"It was a Demonstration, dears,"
Old Kaspar soon replied;
"Against the Dollar Scarcity
And profitless Neutrality."

"The Neutrals' lot is very hard,"
Said Kaspar with a sigh;
"They have to make the goods they sell
And pay for what they buy;
And when the dollar bills are passed,
They always get their helpings last."

"Then who were in the Buick cars?"
Cried little Peterkin.
"It was a Delegation, dear,"
Said Kaspar with a grin;
"They brought a load of free good will,
But not a single dollar bill."

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

WAGES PRODUCTIVITY AND PRICES

W. ALLEN WALLIS

THE LONG and rapid rise in productivity in the United States has occurred not because people work harder – in fact, our grandfathers almost all worked longer hours at heavier tasks than we do – but because people work more effectively. The increase in the effectiveness with which people work results in considerable part from increases in education, in skills, in health, and in general well-being. The *rising quality of the labor force,* in short, is an important source of productivity increases.

A related source of productivity increases is *new knowledge,* some produced by research in industrial, university, and government laboratories but much developed in an informal way on all kinds of jobs where ingenious people make innumerable small or large improvements in their methods of doing things.

Productivity increases also as *more and better capital equipment* is used. One man with a steam shovel can move more earth than many men using only hand tools. Even without improvement in the quality of equipment, an increase in the amount used can bring a rise in output per man-hour. In general, however, as we accumulate capital, we incorporate in it the findings of research, so that we have not only more but better capital equipment. But capital includes more than just tools and machinery. For example, the improvement of roads, harbors, communication networks, water supplies, and sanitary facilities can all contribute to rising productivity.

Just as the tools with which people work are important to their productivity, so too are the natural resources at their disposal. Ask a farmer about the importance of good land or a miner about the

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Dr. Wallis is Special Assistant to the President of the United States and Executive Vice-chairman of the Cabinet Committee on Price Stability for Economic Growth, on leave as Dean of the Graduate School of Business, University of Chicago. This article is from his remarks of November 19, 1959, before the National Industrial Conference Board at Chicago.

importance of the richness of the seam he works. The discovery and development of *more and richer natural resources* results in increased productivity.

Increased productivity also results from *more effective organization* of the nation's human and material resources, so that each input is used where it can produce the most value. The organizing job is performed mostly by management, and improved methods of management increase the rate of growth in productivity. An important contribution of managers is in seeking and developing new products and new methods, and especially in risking the funds necessary to try innovations that often prove costly failures. The responses people make on their own initiative to differences in wages and prices also result in labor, capital, and natural resources moving toward their most effective uses.

As manpower shifts from, or avoids, low-productivity jobs where pay must be low, and moves to higher-productivity jobs where pay is higher, productivity increases for the economy as a whole, even though productivity in each industry separately may remain unchanged. Similarly, the efforts of owners of capital and natural resources to get a high return lead them to employ their property where the demand for it is greatest. Competition for the buyer's dollar and the incentives offered in a free economy by wages, prices, and profits play a vital role in directing our efforts and stimulating efficiency, as well as in rewarding them.

Increases in productivity arise, then, from the efforts of people in all walks of life. They are not attributable to any single group. Even a group whose measured productivity happens to be rising cannot necessarily claim special credit, for its rises may be due primarily to increases in the quantity and quality of the people, capital, natural resources, management, and technology with which it works. Labor, capital, natural resources, management, and technology jointly produce our output, and an increase in the quantity or quality of any one of them will increase the output per unit of input of the others.

Productivity and Earnings in One Industry

The various measures of productivity all give us some insight into the process by which our standard of living rises, and they therefore have some bearing on the *average* gains that workers can expect to obtain through increases in *average* earnings or decreases in *average* consumer prices. In evaluating specific wages and salaries, however, there is no similar rule or formula of broad applicability.

One important barrier to any general rule is that productivity and its growth, however measured, vary tremendously from industry to industry.

There are many reasons why productivity increases more rapidly in some industries than in others. New industries typically present many opportunities for improvement, since as they grow, economies are realized from mass-production or simply from new ideas. New technology and new resources affect some industries more than others. Arrangements by governments, labor, or management stimulate productivity gains in some industries but retard them in other industries. Many direct-service industries are by nature difficult to change; for example, productivity cannot be expected to rise as rapidly in barbershops as in automobile factories.

If wages were tied to output per man-hour, industry by industry, the result would be both unfair and impractical. Wages would go up rapidly in some industries, stay about the same in others, and even decline in a few.

Since many occupations and types of jobs are found in virtually all industries, people doing the same work would receive different pay. In fact, many plants produce in several industries, so wages might differ for the same work in the same plant. Industries with constant or only slowly rising wages would have more and more trouble persuading people to work for them, while people would be on waiting lists to work in the high-wage industries.

Also, tying wages to output per man-hour in each industry would reduce the incentive to industry to introduce the innovations which raise productivity in the first place, and would discourage expansion in the successful industries by preventing exceptional productivity from being fully reflected in reduced costs and prices.

Equitable and Practical

Thus, if wages are not tied to the productivity of individual industries, the outcome is likely to be more equitable and more practical. The ordinary processes of wage determination and of choosing among jobs once rates of pay are established, tend to bring about roughly equal pay for equal work.

Not only would it be impractical to tie wages in each industry to productivity in that particular industry, but it would also be impractical to tie wages in each industry to average productivity in the whole economy. This would ignore differences in the need for labor and in its availability. In an expanding area, industry, or occupation, employers frequently raise wages more than the national average increase in output per man-hour. These large wage increases serve the useful purpose of inducing labor to enter the area, industry, or occupation in question, and they help pay moving or retraining costs. In a declining area, industry, or occupation, a chronic labor surplus may develop, and attempts to increase wages in line with the national average increase in output per man-hour would reduce employment opportunities and make it less likely that new industries would move into the areas of labor surplus.

These considerations and many others like them make it clear that it is difficult or impossible to prescribe general criteria for proper rates of wages and salaries. Those on the spot with knowledge of all the special circumstances must find the best solution for each case.

Productivity, Wages, and Prices in the Economy as a Whole

Even though the special circumstances surrounding each particular wage or salary may make it impossible to judge any one rate, certain judgments can be made about the general or average result of all the separate rates. There is here an analogy with judging baseball players: the shortstop, for example, is not necessarily causing a game to be lost if he scores fewer runs than the opposing shortstop; but the team as a whole certainly loses if it scores fewer runs than the opposing team as a whole. In wage negotiations as in baseball, even though we have no clear-cut criterion for evaluating any one contributor to the total result, we can apply certain clear-cut criteria to the total result.

For the economy as a whole, productivity is related to wages in the following broad terms: If the average level of prices is to be reasonably stable, wages can rise only as much as productivity, appropriately measured, rises. (Increases in the total share of national output going to wage and salary earners do modify this assertion; but such changes are so slow and the possibilities for further increases from the present 80 per cent are so limited that they can be overlooked in discussing short-run practical questions.)

Productivity, and changes in productivity, throw little light on what wages should be, or what changes in wages should occur, in any particular job, firm, industry, occupation, or region. Above-average increases in productivity in any one industry, for example, may

- ... to some extent raise wages in the industry,
- ... to some extent increase employment in the industry,
- ... to some extent decrease employment in the industry,
- ... to some extent increase output in the industry,
- ... to some extent lower prices in the industry,
- ... to some extent raise wages in other industries which compete for similar workers,
- ... to some extent lower wages in other industries,
- ... to some extent raise prices in other industries,
- ... to some extent lower prices in other industries.

The extent to which each of these adjustments is appropriate in any instance depends on literally thousands of details and special circumstances, and can best be worked out by individuals who have freedom and opportunities to choose among jobs and among the goods and services they buy. Since the public interest may be little concerned with each separate adjustment in each instance, and since the maintenance of free institutions and free collective bargaining are paramount goals of public policy, attainment of the appropriate over-all result for the whole economy must be sought by controlling the environment in which wage and salary negotiations occur.

An Environment of Freedom

The key to a proper environment is to maintain a legal and institutional framework such that the self-interest of each party is either consistent with the public interest, or else is balanced and checked by opposing interests of other parties. If excessive wage and price increases would cause severe losses of employment, sales, and public good will, for example, one side or the other will resist them. Where excessive concentrations of power in the hands of labor or business produce too many results or an average result contrary to the public interest, remedies should be sought through eliminating the power to injure the public interest, rather than through direct control of unions, businesses, or collective bargaining.

Another important key to an environment which will hold wages and salary settlements in line with the public interest is sound management of money, budgets, and debt by governments. When mismanagement creates pervasive inflationary pressures, little success can be achieved by those who attempt to hold down particular wages or prices, for neither party to transactions gains any advantage from preventing increases – and to the extent that they do succeed they may do as much harm as good, since "grey markets" appear under these conditions.

Productivity is the basis of prosperity. Increases in productivity, on which depend the rapid improvements that characterize the American standard of living, spring from many different sources: more effective workers, more and better capital equipment, better natural resources, better management, new knowledge and technology, and a social organization which affords broad opportunities, encourages competition, and provides incentives and rewards to individuals for efficiency, thrift, and industry.

The Motivation to Conserve

FREDERICK NYMEYER

PRIVATE PROPERTY is not an institution that men can abandon without penality. The possession of private property gives to the owners a sense of responsibility and a wish to retain what they have, which means that they *conserve* and become *less wasteful.* What men do not own, or do not have to pay for in accordance with their consumption, they *always* waste, more or less.

The water supply of the world will probably be the ultimate barricade at which the increase in population will be halted. Nearly everywhere the demand for water is increasing relative to the supply, and the trend is that water will progressively need to be more carefully conserved than it is today.

The following is a paragraph taken from a commercial advertisement:

One proved way to stretch dwindling water supplies is to discourage water waste through universal metering. Water consumption in the United States averages 150 gallons per day, per person. When water meters are installed in a

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Mr. Nymeyer is owner of the Libertarian Press. South Holland, Illinois, and publishes *First Principles in Morality and Economics* where this article first appeared in October 1959.

previously unmetered community, per capita water consumption decreases by about 50 per cent.

What people do not have to pay for in proportion to their consumption, and what is not their own possession, *they waste.* It is always that way. Even the most conscientious persons are less careful with what belongs to others, and especially to the public, than with what belongs to themselves.

Socialism-communism always impoverishes a people because it does not utilize the *motivation to conserve,* which becomes operative only with private ownership and charges in accordance with use.

Socialism teaches: from each according to his ability, to each according to his need. What is the *need* of people? Is it 150 gallons of water per day per person? Nobody knows what each person needs. He alone can appraise that. One person needs more and another needs less. No government decree can take care of *variable* needs for water by different persons, or by the same person at different times. The only effective way to conserve water is to charge for it, and let people determine their own consumption. But what they must pay for will certainly be less wasted than what they do not need to pay for.

Because socialism-communism does not stimulate human effort by incentive in the form of ownership, and because it does not curb so effectively as capitalism does the *universal propensity to be wasteful* unless something must be paid for, there is an inherent tendency for socialist-communist societies to be poor. History substantiates that.

IDEAS ON LIBERTY

A False Liberalism

A "LIBERAL" is one who is so preoccupied with spending the fruits of a nation's production, according to his own notion of how they should be spent and regardless of the cost in human liberty, that he is oblivious of the problem of how to produce those fruits in the first place.

CHADS O. SKINNER, Bronxville, N. Y.

An analysis of the respective roles of the free market and the government in affording consumers protection from...

THE PHANTOM CALLED "MONOPOLY"

HANS F. SENNHOLZ

IN THEIR denunciation of capitalism the socialists use some frightful phantoms. The oldest and perhaps the most effective one is the notion that monopolistic concentration of business inheres permanently and inseparably in capitalism. They depict in vivid colors the horrors of monopolistic capitalism and then conclude that a free enterprise economy obviously requires governmental restraint lest it deteriorate to a chaotic system of business monopolies and public oppression.

Recalling the era of "trusts" and "tycoons" around the turn of this century, these socialists valiantly defend the Sherman Antitrust Act of 1890, the Federal Trade Commission Act, and the Clayton Antitrust Act of 1914 which aim at the suppression of business monopoly. And they will be shocked if anyone casts doubt on the wisdom of the antitrust legislation.

Unfortunately, even free enterprisers are divided on this point. Some defend our antitrust legislation and the governmental supervision of big business which it entails, while others summarily reject the prevailing notions on monopoly and the antitrust activity of the government.

An unbiased investigation of the monopoly problem might well begin with the question: Are monopolies inherently bad? Are they identical with destruction of competition, with enormous monopolistic gains, and with gouging of workers and consumers? Under what conditions, if any, are monopolies really the evil organizations which they are assumed to be?

In an unhampered market econ-

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omy a monopoly affords no cause for alarm. A company that has exclusive control of a commodity or service in a particular market is prevented from exploiting the situation by the following competitive factors: potential competition, competition of substitutes, and the elasticity of demand.

Potential Competition

In the United States thousands of different commodities are each produced by a single producer, i.e., by a monopolist, and no one seems to care about it. The 5 and 10 cent stores are full of items produced by monopolists. And yet, all these items are sold at competitive prices. Why? Because of potential competition. As long as there is potential competition, a monopolist cannot charge monopolistic prices.

Potential competition exists in all fields of production and commerce which anyone is free to enter. In other words, wherever government does not prevent free entry through licenses, franchises, and other controls, potential competition exists. Most corporations are searching continuously for new lines and items of production. They are eager to invade any field in which business earnings are unusually high.

The invasion of another field by a corporation may involve no more than a simple retooling or reorganization that is achieved in a few weeks or months. Or, brand new facilities may be employed for an invasion. Thus one producer, whether he is a monopolist, duopolist, or a competitor among many, always faces the potential competition of all other producers.

Even if a corporation the size of General Motors were a monopolist with regard to certain commodities, it would have to act as if it were a single producer among many. For it continuously faces potential competition from the Fords, Chryslers, General Electrics, and others. These potential competitors undoubtedly have the resources, technical know-how, and marketing organizations to compete with General Motors.

But even if competitors of similar size and structure should be absent, the monopolist must be mindful of the potential competition that can arise overnight. Numerous financiers, promoters, and speculators continuously search for opportunities to establish new enterprises. They have formed new giant companies in the past. And they are willing to risk their capital again if they see an opportunity for profits.

Dreading the promoter who may invade his field, the monopolist therefore must act as if he were surrounded by numerous competitors. He must be alert and always "competitive." He must continuously improve his product and reduce its price. For if he should relax, another company will soon invade his field. The newcomer is likely to be a formidable competitor for he has new machinery and equipment. He has new ideas and applies new methods of production. And he enjoys the good will of all customers. Indeed, a monopolist who relaxes invites disaster.

If an enterprise nevertheless enjoys a monopolistic position, it must by necessity be the most efficient producer in the field. In other words, *in an industry endowed with freedom of entrance, a monopoly is an efficiency monopoly.* For the government to impose restrictions on it or even dissolve it by force would be to destroy the most efficient producer and invite the less efficient to enter the field. In this case, the economy suffers a net loss in output and efficiency.

In my hometown a small manufacturer succeeded in gaining a monopolistic position in the production of creep testers, which are machines that test the behavior of materials at elevated temperatures. When I inquired into the reasons for his astonishing position, he explained with a smile: "I completely routed my two competitors, both billion-dollar corporations, by continuously improving the quality of my product and reducing its price. They finally abandoned the field." Obviously, he would immediately invite his formidable competitors to re-enter the field if he failed to improve his product in the future, or charged monopolistic prices.

That government has not investigated or prosecuted this monopolist probably is due to the smallness of his operations. Experience, however, suggests that such large corporations as General Motors, du Pont, or U.S. Steel would face governmental investigation and prosecution if they were the monopolist. If this is true – and unfortunately there is no reason to doubt it – governmental prosecution aims at big business rather than at monopolies.

Competition of Substitutes

But even if American enterprises failed to compete with each other and potential competition failed to exert a restraining influence on monopolists – which is a most unrealistic assumption – the people would escape monopolistic pricing through recourse to substitutes. In many fields the competition of substitutes is more important than that of competing producers.

People's wants may be satisfied

by a variety of products and materials. In the manufacture of clothing, for instance, a dozen different materials vie with each other for the consumer's dollar. The monopolist of any one material is powerless because monopolistic pricing would induce consumers to switch immediately to other materials. The producers of suspenders compete not only with each other and with potential competitors, but also with the producers of belts. In the transportation industry the railroads compete with trucks, cars, airplanes, pipelines, and ships. In the building industry lumber competes with aluminum, steel, bricks, and stones. And Bayer's aspirin competes with Anacin and Bufferin.

In some cases, the adoption of substitutes requires large capital outlays which producers are not willing to make immediately. Complete substitution then will take time, although it will ultimately be as effective as immediate substitution. A railroad that wants to substitute oil for coal needs large capital for the purchase of diesel engines. Therefore, it may switch from coal to oil only when it needs to replace worn-out coal locomotives. A house owner may switch from coal to oil or natural gas when his old coal furnace must be replaced. Thus, within a period of several years, substitution will have its restraining effect on a monopolist.

Demand Elasticity

The existence of substitutes makes for demand elasticity which, in turn, makes monopolistic pricing unprofitable; for higher product prices would greatly curtail product demand, and thus sales and income, of the monopolist. Therefore, he again must act as if he were a competitor among many.

The same is true in all cases of demand elasticity, whether or not there are substitutes. For instance, electricity for heating must compete with such substitutes as oil, gas, and coal. However, as a source of light and of energy for power tools, it probably faces no substitutes. An electricity monopolist, nevertheless, would be greatly restrained by potential competition and demand elasticity.

If electricity prices would rise considerably, the most important consumers, such as industrial plants and other business organizations, would soon produce their own electricity. With the proper equipment anyone can produce his own. Of course, the monopolist may counteract this danger by charging different rates to his different classes of customers: low rates to all industrial users who are apt to produce their own electricity, and higher rates to all others. Assuming that residential users do not readily resort to independent power production, are they not liable to fall in the grip of a monopolist? No! Demand elasticity would prevent this. Many people undoubtedly could reduce their consumption of electricity without suffering mentionable discomfort. A house owner who may enjoy the light of a hundred bulbs on a winter evening might easily curtail his consumption if electricity charges should increase greatly. But this curtailment of demand would reduce the sales and income of the monopolist.

All producers in fact compete with all other producers for the consumer's dollars. The manufacturer of television sets competes with the manufacturer of freezers and refrigerators. If the monopolist of one commodity – say, television sets – should raise his price, the consumer may forego the purchase of a new set and buy instead a new refrigerator. We consumers do not allocate our income to the satisfaction of categories of wants but to that of specific wants yielding the greatest net addition to our well-being. This addition, in turn, is determined by the urgency of our wants and by the cost of acquisition. Rising costs obviously affect us adversely, which may induce us to purchase an entirely different product that now contributes most to our well-being.

Consumer resistance to monopolistic pricing finds expression in yet another form. People who suspect monopolistic practice by a producer tend to favor any newcomer who would compete with him. Any enterprise striving to invade the field is assured the patronage and good will of all dissatisfied consumers. In our example of the electricity monopolist, the industrial user producing electricity for his own consumption may decide to supply power also to his workers and neighbors who, at lower rates, would gladly transfer their patronage. Thus, in a free economy, even the electricity monopolist is greatly limited in his pricing policies.

The same limitations apply in all other industries, including the public utilities. A mail monopoly would face not only the people's demand elasticity for mailing services but also the potential competition by the numerous intercompany mailing systems. At the present time hundreds of companies have intercompany mail delivery systems that could expand their services to include their workers, customers, and other people in their communities if the law allowed. The case is the same with other "public utilities" supplying goods and services such as water, telephone, and telegraph.

On Optimum Growth

In a system of unhampered economic freedom, a monopolistic market position could be attained only through efficiency. Without government intervention, an efficient enterprise tends to grow until it reaches its optimum size at which the unit costs of production are lowest. This optimum depends on the nature of the industry, the state of the product and capital markets, the rate of taxation, and the caliber of management. Obviously, a steel company requires a much larger capital outlay and work force than does a dentist's office or a barber shop. Also, the enterprise managed by a brilliant businessman has a higher point of optimum than one managed by his mediocre successors. A monopolistic position can be attained only if the optimum size suffices to supply completely a given market.

The territorial expanse of the market which a monopoly is capable of supplying depends on two factors: the difference between the unit costs of production of the monopolist and those of his potential competitors, which determines the margin of superiority of the monopolist, and the unit costs of transportation, which are determined by the nature of the product and by the distances involved. A bulky commodity such as cement, for instance, is burdened with high costs of transportation. Consequently, the market of the cement monopolist will be relatively small, for an increase in distance from plant to consumer rapidly increases his unit costs. On the other hand, commodities with relatively low transportation costs such as watches or diamonds can be distributed over vast market areas.

This analysis of the territorial range of markets also reveals that bulky item monopolies are in a relatively favorable position to conduct monopolistic policies. While an American producer of watches must cope with foreign competitors all over the globe, a cement producer may be little concerned about the competition of another producer some 100 miles away. He may indeed be tempted to restrict output and raise prices in order to maximize his income. But, of course, such action would invite other producers to invade the territory of the monopolist. Another corporation soon would build a modern plant in that territory. With a new plant and the good will of all consumers, it undoubtedly would rout the monopolist.

It is apparent that a change in transportation costs, production technology, management, or any other cost factor can upset a monopolistic position. Also, a concentration beyond the optimum point is an invitation to failure, for the unit costs of production tend to increase again. The monopolist who disregards this fact invites potential competitors to invade his field and reduce him to his optimum size. There is no need for government to break up a giant enterprise; if it were too large, the competitors would reduce it.

This is not to deny that even in a capitalist economy a monopoly may temporarily reduce output and charge monopolistic prices. Having reached a monopolistic position through efficiency, a businessman may attempt henceforth to follow monopolistic policies. But the foregoing analysis clearly indicates that his attempts are bound to be short-lived. Soon, he will face a crucial struggle with powerful invaders producing with new equipment and enjoying the good will of the public. Of course, it is most unnatural and unlikely for a businessman to rise to eminence through product improvements and lower prices, and then suddenly to turn toward output curtailment and price increases. But if he should act in such a manner, which is conceivable, he practices self-destruction.

It cannot be denied that in our interventionist world many monopolies actually have the power to restrict output and charge monopolistic prices. But the reason for this unfortunate state of affairs is to be found in the multiplicity of government restrictions of competition. If the government prevents competitors from entering the field, the people lose their protection by potential competition. The public utility that enjoys an exclusive franchise is a local monopoly. In this case, the people's only line of resistance is their demand elasticity and perhaps, also, their recourse to independent production. Meanwhile, the planners resort to political controls.

Through franchises, licenses, patents, tariffs, and other restrictions, modern government has in fact created thousands of monopolies. Having thus crippled and hampered competition, it then proceeds to control the monopolies. Political bodies now decide vital economic questions in many important industries. They regulate our railroads, airlines, and other means of transportation. They grant exclusive franchises in radio, television, telephone, and telegraph. They monopolize the production and marketing of electricity, water, and gas. They issue patents that assure their recipients monopolistic positions.

And, finally, they own and operate the whole postal industry and prevent competition through fines and imprisonments. In all these cases, the government effectively restricts competition and thus creates local or national monopolies.

Labor legislation has granted monopolistic powers to labor unions, which control whole industries employing hundreds of thousands of workers. They close down vital industries and cripple the entire economy. Through the union shop arrangement, or directly through brute force, they dictate employment conditions in thousands of enterprises. All this is done in perfectly legal sanctity without interference by the government. On the contrary, the legal framework for this union power is provided by the very government that professes to oppose monopolistic practices and positions in the economy.

This frightful union power, in turn, forces enterprises to unite. A small businessman cannot possibly meet the challenge of a powerful industry union. He therefore is tempted to sell out to a giant corporation with greater power of resistance. Of course, even the giant corporation will be closed by unions. But it cannot be destroyed as easily as can a smaller company.

Effects of Tax Policy

The confiscatory taxation imposed by the interventionist state causes the same industrial concentration. The middle-aged founder and owner of a million-dollar enterprise is forced to sell out to a large corporation for fear of confiscatory estate taxation. In case of his sudden demise his widow and heirs, who may not be qualified to carry on his business, will face confiscatory inheritance taxes. They would have to liquidate the business in a very short time to meet the tax liabilities. As the sale of a specialized business requires great skill and good timing, the sale by the widow probably would entail large losses. Therefore, a responsible businessman will arrange the liquidation of his own enterprise in good time. He himself will sell out to his corporate competitors and invest the proceeds in marketable securities. Government bonds, for instance, can be readily sold for estate tax purposes. Thus, hundreds of small companies disappear every year.

Especially the most efficient small enterprises tend to be liquidated on account of tax considerations. A going concern that generates profits is taxed at a rate of 52 per cent after which the corporate owner may be taxed at rates up to 91 per cent. If the owner should decide to liquidate his enterprise during the year, his profits are subject to a capital gains tax amounting to 25 per cent. It is obvious that a businessman is tempted to generate a maximum amount of profits in a given year and then quickly sell or liquidate his enterprise. Thus, hundreds of efficient "collapsible" companies disappear every year.

Governments Create Cartels

Since the rise of political intervention in economic affairs, governments have frequently organized or fostered the organization of cartels. These are combinations of enterprises for the purpose of controlling the output or marketing of a commodity or trade through regulation of production, allocation of markets, price fixing, or other means. This regulation always aims at assuring the cartel members a "fair" income, which means a higher income than they otherwise would have.

The German government led the way toward cartelization of key industries. From about 1880 to 1930 it organized more than 2,100 cartels. It was prompted to this disastrous policy by yet another intervention: its labor legislation. Since the 1880's, the German government had imposed tremendous "social" costs on its industry through social security legislation and other measures that increased labor costs and reduced labor efficiency. Without further government intervention, this social legislation would have put German producers at a competitive disadvantage against foreign producers. Under the new burden of social costs, they would have lost not only many foreign markets but probably some domestic markets as well. Then there would have been depression and unemployment until German wages declined sufficiently to offset the social security costs.

Instead of facing depression and unemployment, the German government decided to form cartels. It imposed high tariffs on foreign goods, which protected the German industries laboring under the heavy burden of labor legislation. Businessmen were thus enabled to raise prices, which meant that workers were obliged to pay for their social benefits through higher product prices instead of lower wages. In order to prevent unemployment in the export industries, the government encouraged them to sell their products at world market prices. Such sales involved losses, due to the burden of social costs, so the cartels adopted profit-sharing schemes by which the producers supplying the domestic market at higher prices were forced to subsidize exporters.

Thus, the cartels commenced dumping, which tended to destroy the world market and the world division of labor.

In the United States the formation of trusts proceeded along similar lines. However, the motivating force was different. There was no social legislation depressing the American economy. Yet, the McKinley administration, by imposing high import restrictions, quite unintentionally achieved the same sort of trustification as was done intentionally by the Bismarck administration in Germany.

The Dingley Tariff of 1897, which became known as "the mother of trusts," granted tariff protection to basic industries. With industrial imports from Europe greatly reduced, the American producers enjoyed monopolistic positions. Consolidations took place on a large scale. During the "Golden Age of Trusts" between 1897 and 1904, 425 trusts were organized with a total capital of more than $20 billion.

This trustification of American industry was promoted by yet another factor for which the government was solely responsible. This was the rapid credit expansion that culminated in the panic of 1907 and the ensuing depression. "Easy money" permitted the organization of new corporations. It made the promotion of combinations most profitable, as new securities could be sold at premium prices. Consequently, Wall Street financiers eagerly promoted mergers and reorganizations on a vast scale. When, in 1903, investors began to question the overcapitalization of the industrial combines, a trust-share panic developed which signaled the temporary end of trustification.

Two decades later, when the Federal Reserve System was flooding the capital market with huge quantities of new credit, gigantic trusts again made their appearance. Easy financing permitted the organization of powerful holding companies that controlled production through several layers of subsidiaries. They reigned supreme in all industries that were sheltered from healthy competition through government franchises, charters, tariffs, and other restrictions. In the field of public utilities, nine holding company systems – among which the Insull group was outstanding – controlled about three-quarters of the power resources in the United States. Holding companies dominated one-fifth of the railroad mileage. As was to be expected, this period of industrial combination came to an end with the stock market crash in 1929.

A few years later, the Roosevelt administration resorted to extensive industry combinations in order to control the American economy. Under the National Industrial Recovery Act, the industries were organized along the lines of a cartel with codes that regulated most phases of production. The objective was shorter work hours, reduced production, higher prices. Under the Agricultural Adjustment Act, American agriculture was organized to reduce production by plowing under crops and thus raise agricultural prices artificially. It is a record of history that all these measures failed dismally. Instead of reviving the economy, they kept it in the grip of deep and lengthy depression. But it was the American government that enacted and enforced these policies which the enemies of capitalism ascribe to private corporations.

Antitrust Legislation

The failure to distinguish between the monopolistic tendencies of government and the propensity of private corporations to grow to optimum size probably underlies the American antitrust movement. Our Founding Fathers were fully aware of this difference. They were so hostile to monopoly power granted by government that Thomas Jefferson wanted to include an antimonopoly provision in the articles of the Constitution. But their hostility was aimed at monopolistic policies as they were conducted by the colonial powers of Europe before the age of capitalism. They condemned "mercantilism" which was an economic system similar to modern socialism. As Adam Smith had pointed out, monopoly was "the chief engine of mercantilism."

It was entirely natural that the nineteenth century disciples of capitalism should continue to oppose monopolistic endeavors. The common law as it developed in the United States reflected their attitude. But during the 1880's, the prevailing ideology began to change. Under the influence of new schools of thought that were hostile to various aspects of capitalism, the American public began to view with alarm the growth of industrial enterprise. Advancing technology, especially in the manufacturing and transportation fields, and the rapid accumulation of capital, made private enterprises grow by leaps and bounds. But such growth in most cases merely moved toward optimum size. Of course, in some cases a very successful entrepreneur may have overexpanded his organization, which sooner or later resulted in losses and failure. In other cases, government franchises, patents, tariffs, and other trade restrictions actually promoted the growth of monopolies. But public opinion, which was molded by numerous "antimonopoly parties," by the Populist and Grange movements, laid the blame solely on private enterprise. Thus, while the Founding Fathers had clearly recognized the role of government in every monopoly, their descendants from the 1880's on saw only the "monopolizing businessman."

Kansas was the first state to enact an antitrust law in 1889. It was quickly followed by other states. In 1890, in performance of campaign commitments and in response to widespread public demand, the federal government passed the Sherman Antitrust Act. The act set forth as a national policy the proposition that restraint of trade and monopolistic market positions of private corporations are contrary to the public interest. Later legislation included the Clayton Antitrust Act and the Federal Trade Commission Act, the Robinson-Patman Act, certain provisions of the Wilson Tariff Act, the Webb-Pomerene Act, and the miscellaneous provisions of other acts.

Responsibility for the enforcement of the antitrust laws was placed with the Antitrust Division of the Department of Justice. From a modest beginning, this division has grown today into a large bureaucracy with swarms of lawyers and investigators. During President Harrison's administration only seven cases were instituted against large corporations. President T. R. Roosevelt initiated 44 cases. Taft began 80, and Wilson 90. Coolidge's administration instituted 83 prosecutions, Roosevelt's 332, and Truman's 169. It is significant that the Roosevelt administration filed its 332 formal charges although its National Industrial Recovery Administration had suspended the Sherman Act and was occupied with organizing the American economy along the lines of a cartel. Under President Eisenhower's administration, the number of prosecutions per year promises to be even higher than under any preceding administration.

These figures suggest that the antitrust prosecution of American corporations shows a marked tendency toward acceleration. Two reasons may account for this ominous development. First, the growing antitrust bureaucracy feels compelled to bring proof for the justification of its existence and growth. An antitrust lawyer knows of no better evidence of his worth than the number of his prosecutions. Consequently, he will file more and more charges against businessmen. Then, these charges, being made in the limelight of nationwide publicity, poison the political atmosphere and create further business hostility that demands more charges. In fact, the antitrust charges of the U.S. Justice Department have created a badly distorted picture of our enterprise economy, which has contributed to the rise of a political ideology that is opposed to capitalism. Today, the Antitrust Division is an efficient arm of government omnipotence. It has prosecuted virtually every large corporation in the country and continues to embarrass and harass thousands of businessmen, especially the most eminent.

The New Ideology

Of course, the government lawyers and eager politicians offer a different explanation for the acceleration of their antitrust activity. According to them, the mature capitalist economy, such as the American, tends to deteriorate into a monopolistic economy that deprives small enterprises of fair and equal chances; increased monopolization requires increasing antitrust prosecution; the restraint of trade by big business is the cause, and the government actions are its effect, not vice versa.

No matter how plausible, this is a vicious line of thought taken from the armory of Marxism. According to Karl Marx, the proclaimed father of modern socialism and communism, the exploitation of the workers by the capitalists leads to industrial concentration and monopolization. A declining number of industrialists grow richer and richer while the masses of the people form an ever-growing army of paupers and unemployed. Finally, this process of concentration will come to a head when the people expropriate the expropriators. Thus, socialism is born.

Our statist politicians and antitrust bureaucrats embrace the first half of this Marxian explanation. They subscribe to the theory that our capitalist system breeds monopolies. But then they part with Marx by proclaiming their desire to save this monopoly-breeding system from its own destruction. They propose to destroy the monopolies through government action.

We need not here refute this argumentation. Our foregoing discussion of potential competition, competition of substitutes, and the optimum size of capitalist enterprises contains a cogent refutation. But we wonder about the sincerity of the government intention to preserve our capitalist system. How can it seriously oppose monopolies if the government itself continuously is creating them?

A modern offshoot of the Marxian concentration theory is the "monopolistic competition theory" which is propagated at hundreds of our colleges and universities. It was first stated by Edward H. Chamberlain of Harvard University and Mrs. Joan Robinson of Cambridge University. Both believe that the old idea of alternative – either monopoly or competition – is fallacious, and that both situations are combined in our economic system. The monopoly of each producer in his own brand is the starting point that gives producers the power to "administer prices," gouge consumers, and exploit workers. Pure or perfect competition, they believe, can only exist if the number of competing producers is large and if they deal in perfectly standardized products.

The foregoing discussion of potential competition clearly denies the requirement of numerous competitors. Competition is at work, even if there be only one producer. For, in an industry without government franchises or other entrance restrictions, the monopolist must act as if he were surrounded by hundreds of competitors. If he were to attempt to restrict output in order to raise prices, he would invite immediate invasion by other producers.

The requirement of a perfectly standardized product is based on the assumption that consumers can be pulled into a monopolistic grip by trade names, minor product variations, by advertisement, and other producer devices. Once you drive a Ford car, you will always be sold on Ford products. This consumer habit will give Ford a monopolistic position which entails the power to charge monopolistic prices.

We reject this assumption of a dull and gullible public. We believe that people continuously shop around, comparing the quality of products with different trade names and labels. Many consumers switch brands and suppliers, always seeking the better product for their money. Consequently, the Ford manufacturers compete not only with General Motors cars, Chrysler cars, American Motors cars, all foreign cars, but also with the manufacturers of houses, freezers, washers, dryers, and so on. For the high price of one product may induce us to buy an entirely different product.

The monopolistic competition theory offers as frail a foundation for government antitrust activity as the Marxian concentration theory itself. Both fail to describe and explain capitalism. But they are succeeding in destroying American big business which is the mainstay of our high standard of living. In fact, they are destroying competition and individual enterprise.

REGAINING LOST FREEDOMS: A PLAN

VOLLIE TRIPP

EVERYONE agrees that "sin" is a bad thing, to be overcome if possible, resisted always. There is complete agreement that all should enjoy good health. Practically everyone assumes a personal obligation to keep as fit as he can, not only for his own sake but also to avoid trouble to others and to build the reserve needed if he is to be helpful to others.

This personal concern for our own health, the intense, intimate responsibility we feel for that aggregation of bone and tissue we call the body, is a powerful shore in the cause of liberty and freedom. Very few have shown any disposition to entrust this vital matter to the "guv-mint," or that vague thing we call "society."

At first thought, socialized medicine – as practiced in Britain, for example – may seem to contradict the foregoing conclusion. But in this case the British, as individuals, have merely shifted to others a part of their financial responsibility for medical care. For health is such a personal thing it cannot be left to others. Nor for that matter, I suspect, can responsibility for sin be safely delegated to a bureau, a department of government, or other proxy.

Salvation, too, is still a personal matter, according to modern ecclesiastics and the great religious teachers of the past. While some modern faiths attempt to intercede in the fate of departed friends and relatives, no prudent Christian, Moslem, or Hebrew would think of risking such a vitally important matter – getting safely into Heaven – to a third party.

So long as man insists on retaining close personal control in these two basic aspects of life, his total subjugation by the State will be impossible.

However, vast numbers of people now seem willing, even anxious, to turn over to others, often strangers, their fortunes in a third

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

and most important realm – their economic health. This has not always been true. And this retreat from personal responsibility on the economic front is, as I see it, the root cause of our present troubles.

Why have people relinquished control in an area they once guarded so zealously?

A full and complete answer would be lengthy, as well as tedious, involving evaluation of such fortunate accidents as the birth of James Watt, and the equally unfortunate entry of a whiskered, half-mad reformer, Karl Marx.

The Revolution Reappraised

The invention of the steam engine made possible the use of the vast energy stored in fossil fuels: first coal, later oil and gas. With machines to harness this power, the industrial revolution was now inevitable. Eventually, the revolution was to free great numbers of people from back-breaking toil, poverty, and insecurity. But the immediate results were not so full of promise.

It was against a background of the revolution's first years, with widespread employment of young children in English mills, that Marx brewed his wild political philosophy and wrote his mischievous books. Marx was not wise enough to see that the early working conditions, intolerable as they now seem to us, were but temporary, and would "wither away" in a few years. Nor was he honest enough to admit that employment of children, even at low wages, was preferable at the time to no employment and no wages. So he wrote, in the cold fierce anger and illogic of a maniac – and waited.

Communism Belittles the Individual

The core of communism is belief in the insignificance of the individual, his impotence to improve his own lot by his own efforts; insistence that he must turn over to a superstate his former prerogatives in these matters.

Communism had little effect on the course of events for some time. The industrial revolution continued, and spread, making possible a vast increase of wealth over most of the Occidental world. Little by little the condition of workers improved. Coincident with the increase of wealth came more leisure to think and study. Something like a moral renaissance followed, and we in the United States achieved the highest state of moral and intellectual integrity in our history. But the seed of communism did not die with its mad author. Like a malignant tumor, it continued to grow and develop in the filthy atmosphere of political intrigue, waiting its chance.

Communism got its first real opportunity in this country on the heels of the depression, though there had been some interest in the milder malady, socialism, which reached an apex in 1914.

When a Man Loses Faith

While Americans have rejected the uglier, grosser aspects of communism, they have embraced, in great measure, its most dangerous and revolutionary tenets—namely, those that deny man's ability to handle his own funds and solve his own problems on a personal, individual level. The depression caused great suffering to millions. When at last the shock and bitterness wore off, many citizens, formerly stout individualists, were ready to renounce trust in themselves in favor of the "welfare" promised by the State.

It is impossible to estimate the implications of this retreat. At that time we came closer than we like to admit to complete extinction of all political liberties. That we did not plunge headlong into the yawning gap of utter communism or socialism should be encouraging now.

Just the same, with many willing to turn over to government a good part of their earnings, and the rest forced to do so, political morality and integrity reached a pitiful low. For the basis of moral and political integrity is independence, in turn resting on the economic health of the individual citizen. Those who must come crawling to government for their daily substance, or who think they must, are impelled to vote in perpetuation of this corruptive system. A man independent in money matters is not easily intimidated. Others are.

The Welfare State was not a new idea, but it did have elements of newness over here. Always there are those who are carried away with the false luster of the new or novel. First of all, the welfare idea appealed to the lazy and ineffectual, promising them a portion of the earnings of others. But another group, including those who craved power and authority over others, cynical little despots, social experimenters, were quick to latch onto the welfare wagon. There they have entrenched themselves in its labyrinths. There they will fight to retain their parasitic sinecures.

Moral Standards Deteriorate

Along with the epic retreat from responsibility on the economic front has come a reversal of long-held convictions on the *moral* aspects of success. Socialists and "liberals" viciously attacked those who were wealthy and productive. In this they were abetted by certain pulpiteers, and at least one powerful church group "resolved" that all profits were morally suspect.

This idea gave comfort to the shiftless and improvident. For, if accumulation of wealth is wrong, *ergo,* to live in poverty must be right. At any rate, they saw in these attacks on wealth some moral justification for their own lack of effort. It is always pleasant to feel a warm glow of righteousness inside.

What these moralists and Keynesian theorists failed to see is that no man can either gain or hold great wealth if he tries to confine to his own selfish use the entire creation of his genius and industry. This is economic law. It was true even before the infamous Income Penalty Law went into effect. By far the bulk of such wealth finds its way into other channels, helping to create many different kinds of wealth, in which many people share.

I feel that the simile between physical health and economic health is a legitimate one. If it is right and moral to work for bodily health, is it not equally right to strive for financial solvency in one's own economic affairs? At the very least, shouldn't we try to avoid being a burden on others? And further, ought we not try to set aside enough to be of some real help should misfortune strike our fellows?

Admittedly, a vast accumulation of wealth might prove a worry, even embarrassing. Andrew Carnegie faced this problem, and devised a simple remedy. He gave his money away.

Rewards for Leadership

The most useful man in any community is not the theorist, the dreamer, the social reformer. Rather, it is one who can take the raw, shapeless energy of men and women and turn it into useful goods and services, for the benefit of all. Such men merit our highest esteem and honor, plus rewards appropriate to their talents.

If we are going to recapture our lost freedoms and liberties, we must first recapture the "precious ingredient" we were tricked into giving up years ago. That is, the personal, individual responsibility for our own economic health. For this is the keystone in the arch of all freedoms, all liberties. It is the thing first attacked by communist, socialist, or statist strategy. In this unholy design, people must first be made to feel personally *insecure,* unequal to the problems of life. In practically all socialist tracts, and I have read a lot of them, this theme is seldom varied. The "downtrodden worker" must be made to feel sorry for himself.

Confidence in himself, and in his ability to tangle with the economic problem, must be undermined. Once this is accomplished, the rest is easy.

We must also re-examine the moral dogma attending wealth and material success, totally demolish the false and libelous charges the able and talented have borne so long. Worship of the common and mediocre must give way to recognition of character and ability. In other words, success and achievement must be made worthy of emulation once more.

Obviously, this is a job for the individual, not "the masses." It will likely appeal more to those still struggling to save their freedoms, or recapture lost ones, than to those who have meekly surrendered.

Let each of us begin now, within the limits permitted by a grasping bureaucracy, to try to regain control over our economic health and independence. In the quaint words of Governor Bradford, let us "set corne, every man for his owne perticuler." The formula saved his colony from economic disaster, over 300 years ago. That same plan can save us from extinction, as individuals, now.

IDEAS ON LIBERTY

"Rights"

NO MAN has simply by virtue of his humanity any positive claim on his fellows. Charity is a debt we owe to God. He wills that it be paid to men instead. But men do not deserve it. For them to demand it by right is presumption, and for society to enforce it is sacrilege. Since government exists, properly, for the purpose of securing rights, through its characteristic and exclusive power of the sword, its role should be limited to protecting the individual from predation, since freedom from predation is the only right man actually has – predation being understood as a positive violation of the person or of property or contract, which are extensions of the person. Any so-called "right" which does not derive from this fundamental inherent right is not really a right at all, for rights are reciprocal relationships between persons: claims, grounded, either positively, on the basis of services rendered, or negatively, on the basis of noninterference.

ROBERT V. ANDELSON

BEYOND RELATIVISM

TALKING with Albert Galloway Keller, his disciple and successor as head of the sociology department at Yale University, William Graham Sumner once remarked of his *Folkways,* originally published in 1906, that it was "as good as a bond. I just got sixty dollars from it. More than I ever got from any other book."

This self-congratulatory statement, as Keller recalls, was made in 1908 or 1909, when *Folkways* was selling a mere few hundred copies a year. Sumner, who died in 1910, would have been greatly surprised if he had lived to watch the snowballing effect of the book he likened to a "bond." It was selling in the nineteen twenties at a faster pace than it had ever achieved in Sumner's lifetime. And now, in 1960, a full half-century after its author's passing, it has reached the ultimate in canonization with the publication of a paperback edition (Dover Publications, Inc., 692 pp. $2.49). The book is still "as good as a bond."

Whether its influence has been wholly good is another matter. In one sense it represents the summary of a whole lifetime of study. In another sense, however, it is a negation of that life. As a great pioneer work in codifying the comparative manners and morals of peoples, it broke ground which sociologists have been following ever since. Every time a Margaret Mead journeys to Samoa or New Guinea, for example, to note how Polynesians or Melanesians or Micronesians conduct their courtships or prepare their foods, it is because of currents set in motion by Sumner. The "cross-cultural survey" which Yale sociologists are currently engaged in making comes straight out of the *Folkways* and Sumner's and Keller's subsequent work on *The Science of Society.*

Sumner started a digging for fundamentals, a spade work that is absolutely necessary if we are to discover the truths that animate human beings under the stress of varying life conditions. Someday this spade work may give us a true "science" of social behavior. But in his own work in the *Folkways* Sumner often prejudged the case, insisting that morals and ethics – the stuff of the human thought-action-thought sequence—are always relative to time and place. In the "mores," he said, it is "might that makes right." "There's nothing right or wrong but thinking makes it so."

A Semantic Misrepresentation

Sumner did not actually believe this for a minute, of course. He would never have said that the protective tariff is good because the "mores" accept it. He would never have justified a "grab" either by the "plutocracy" or by a predatory labor or farm group on the specious plea that the "general welfare" requires "intervention" to "correct" the workings of "laissez faire." He would never have argued that a society which has never known civil liberty is just as "right" as a society in which men can sleep safely in their beds without fearing the invocation of *ex post facto* laws, or bills of attainder, or judgment by a Star Chamber court. Sumner would always have commended the sobriety and thrift of his favorite character, the "forgotten man" who unfortunately is compelled to pay for every "absurd effort to make the world over."

Sumner distinctly was not a "relativist" in economics or political science in the years before he decided to push beyond economics and politics into the still unexplored realms of sociology – or "societology," as he preferred to call it. And if he has become the patron saint of a whole breed of relativists in sociology, it is, I think, a semantic misinterpretation of the man based on his own confused use of such terms as "natural law" and "right." If he had lived and thought about the supposed relativity of "right," he would certainly have pushed through to the idea that the very reason for investigating the customs of the Bantus, or the habits of the Marquesas islanders, or the class structure of Newburyport, Massachusetts is to isolate and state prevailing uniformities in human behavior, both in its workings and its consequences. Science, as Alfred North Whitehead reminds us, is the search for uniformities in the midst of flux; its metaphysical assumption that truth – or "law" – can be found is the reason for its being. If there were no uniformities in nature – if, indeed, all is flux – there could be no science.

"Relativism," indeed, is simply a way station in the quest for certainty, an admission that things have not yet been reconciled as parts of a unified field. If, paradoxically, the current hypotheses about certainty must always be set forth on a tentative basis, it is because we recognize that it is the searcher himself that is fallible, not the truth which he hopes, someday, to nail down for all time.

Elusive "Natural Laws"

Sumner disliked the term "natural law" because of the slipshod way it was used in his lifetime to justify a number of unrelated things. But if we are to have a valid jurisprudence, we must posit a "natural law." And if there is a natural law governing the proper selection of "positive" – or "legal" – law, then there are "natural rights" that can be derived from that law. The Jacobins of the early nineteenth century, and the socialists of Sumner's own day, had assumed a whole tissue of "rights" that had no discernible connection with the laws dictated by what men were faced with in scratching a living in a world of more or less scarce materials and limited time and energy. The socialists spoke of the "right" of everyone to a living, or of the "right" to shares in the "boons of nature." The "rights of man" were judged by Jacobin and socialist to be the arbitrary gift of the State as the regulative organ of society, not an induction about the "inalienability" of life, liberty, and property derived from the self-evident truth that men rise to greater heights of creativity and welfare if they are free.

Naturally, Sumner resented and scorned the Jacobins and the socialists as soft-headed. But, in abandoning the use of the idea of "natural law" and correlative "natural rights" merely because collectivists had corrupted the old phrases, or because metaphysicians had assumed that "law" had literally come out of a burning bush, Sumner prejudiced his own idea that a "science of society" might someday be possible. The "law" that underlies any science of human behavior must be "natural." And if human beings are to make the best of that "law," they must have "natural rights."

The Case Against Coercion

On many pages of the *Folkways* the reader gets the idea that the "mores" are purely whimsical. But on other pages the "mores" are modes of response to the necessities imposed by the "competition of life." Sumner noticed that human beings seldom exalted a tooth-and-claw individualism for very long: they combined by families, by blood-groups, and by societies, to gain the values of cooperation in winning more from nature than they could get if everyone's hand was set against his neighbor's. But if "communalism" – or the making of communities – was a basic part of the "mores," it usually depended on individual and family responsibility for the deployment of energy. Extreme compulsion could be found in many places on the earth's surface. But life was less "brutish and short" in societies that had made progress in civil liberties, and in the fluidity of combinations. Men, said Sumner, might overlook many of their differences to practice "antagonistic cooperation" for the sake of larger ends. Even in low forms of life there is "symbiosis." But forms of cooperation cannot grow or adapt as easily when they are forced by legal compulsion.

Not All Folkways Are Best

All of this is obvious in *Folkways* – which is tantamount to saying that Sumner was on the track of some good definitions of "natural law." He refrained from drawing certain conclusions largely because he knew that different civilizations have developed different sets of characteristics, summed up in the old Greek word, "ethos." The Orient had gone one way, the Occident another. India differed from China, and both India and China differed from Japan. Yet Sumner, the moralist, could not resist remarking that certain folkways are "harmful." And he spoke as a judge when he said that India "furnishes a great number of cases of harmful mores." The "harm" of caste rules, he said, "is so great that of late they have been broken in some cases, especially in regard to travel over sea. . . . The Hindu folkways in regard to widows and child marriages must also be recognized as socially harmful."

"Diseases of the Mores"

In other words, there are standards of judgment above the mores to which folk behavior everywhere must be compared. Sumner used the phrase, "diseases of the mores" – which again implies an intuition of the healthy ideal. Sumner says of "human interests" that they require "thrift, selection, and preservation." "Capital," he says, "is the condition precedent of all gain in security and power, and capital is produced by selection and thrift." Furthermore: "Primitive folkways are marked by improvidence, waste, and carelessness, out of which prudence, foresight, patience, and perseverance are developed slowly, by pain and loss, as experience is accumulated, and knowledge increases also, as better methods seem worth-while."

For the unblinkered reader the question naturally arises: Are "primitive folkways" as "right" as the folkways that are the result of the "increase" of knowledge? Sumner never posed the question of "right" in such terms; if he had, he would not have said that "might makes right." If it is true that "whatever is, is right," then change itself is humanly meaningless. And Sumner's own predilection for a society governed by a mature conception of the value of civil liberty would be just another whimsy.

Self-Righteousness

The harm that is done by *Folkways* is that it confirms the "emancipated" student in the idea that since any custom is as "right" as any other, there can be no rational choice between political and social systems. If "right" and "wrong" are in the mores themselves, then if a people wishes to turn over the conduct of its affairs to a tyrannical central committee, there is nothing to stop it in the name of any higher morality. The mores, having sanctioned socialism, or communism, or fascism, or the concept of top-down planning, or the Robin Hood State devoted to leveling the rich "down" and the poor "up," will have simply created a new standard of "right." It will judge itself in terms of itself.

To this harmful conclusion that may be drawn from *Folkways*, the over-all warning of Sumner – that the mores are not lightly to be set aside – stands as an antidote. Sumner stood with Burke in warning his readers against the "social engineer" type of mind; over and over again he insisted that the attempt to cut into the tissue of existing society and remake institutions in accordance with rational blueprints must result in great social harm. The top-down planner might seek order, but he usually sowed the wind and reaped chaos. Of the Russian czars pursuing a "westernizing" policy, Sumner remarked: "By their policing and dragooning" they have "spoilt one thing without making another, and socially Russia is in the agonies of the resulting confusion. Russia ought to be a democracy by virtue of its sparse population and wide area of unoccupied land in Siberia. In fact, all the indigenous and most ancient usages of the villages are democratic. The autocracy is exotic and military." Substituting the commissars for the czars, the description might fit the Soviet Russia of today. Proof enough that the mores are stubborn and slow to change!

A Prodigious Beginning

Keller once called *Folkways* a "tired" book insofar as its later chapters, the ones that amass the evidence to prove the generalities, are concerned. But, while the book is certainly neither as lively nor as incisively logical as the many essays on liberty that Sumner wrote before he had quit political science for sociology, the "tired" quality is probably an illusion. The fact is that Sumner had marked out enough work in the ground-plan of *Folkways* to keep a whole army of investigators busy for a generation. The book sometimes drags from the weight of its hundreds of fact-jammed categories. But it took a prodigious energy to write it – and a truly "tired" man would have quit before its completion.

A younger man would have gone on after its completion to tackle the problem of constancies and uniformities in the behavior of man, the social animal. And a younger man would have been concerned with rectifying a contradictory position on the subject of natural law. But it is given to no one to do more than a certain amount of work in a lifetime. Sumner had at least three careers; he was, successively, clergyman, political economist, and sociologist. Since sociology was the preoccupation of his old age, his accomplishment in marking out the boundaries of an entirely new science is remarkable.

The proof of Sumner's prodigiousness is that *Folkways* is still a classic, still able to compete for a market on the paperback stalls fifty years after its author's death.

THE LANGUAGE OF DISSENT

By Lowell Mason. Cleveland, Ohio: World Publishing Company. 314 pp. $5.00.

SOME BUREAUCRATS may be just paper jugglers. Others may spend most of their time trying to find new paths to expanded power or prestige. But a brave few, who understand the rich role of freedom, are veritable bastions in the defense of individual liberty. One such libertarian is Lowell Mason, former Federal Trade Commissioner and author of *The Language of Dissent,* a very readable book on the dangers of modern bureaucracy in these United States.

Long years within our malignant bureaucracy have taught Mr. Mason that "no one acquires a love of liberty working for government. You either bring it along with you or you never have it." When government provides you "the opportunity to impose your own brand of virtue on others," liberty is seldom your guiding concept.

"Bureaucracy," he tells us, "never explains, never denies, never defends. It rolls with all the punches, and the only effective attack against bureaucratic tyranny is through the official channels of dissent." And so, as a Federal Trade Commissioner for eleven years, Mr. Mason filed a series of "I am against it" minority decisions. His dissenting opinions, which appear as part of his book, were well reasoned and clearly expressed. When they were placed before higher courts, the judges agreed with him as often as they did with the majority decisions he opposed.

His *raison d'etre* is to "fight tyranny." He finds the fight "dull and monotonous. . . . It consists almost entirely of a lot of petty recognitions of the petty encroachments, arrogances, and cruelties of bureaucracy that lie hidden under the government's sweet promise of security." He also finds "little point in reciting the rules – the Constitution, the Bill of Rights, due process. People yawn when you do. There is nothing exciting about anything that seems as permanent as liberty. We treat it like a vase of artificial flowers on the parlor table. Apparently all it needs is a little dusting off on Flag Day and the Fourth of July.

Eternal Vigilance Needed

"But liberty is oh, so fragile. The purpose of this book is not to prove its strength but to demonstrate its weakness. Liberty cannot stand alone. It calls for constant help and surveillance."

The former Commissioner found "plenty of trigger-happy bureaucrats who still today would sooner sue a businessman than eat." He was "against it" when "the Federal Trade Commission sued the grocery boys for doing what the head of the Commission's Washington Office had told them they could do." He reports that "little effort is made to hide the fact that determining who shall be sued is like playing 'pin the tail on the donkey,' with everybody blindfolded."

His book tells of businessmen starting complaints against competitors for doing what the complainants themselves may well have been doing. In one such case, he admitted that, under the law, there was no alternative but to force one small firm out of business for giving the same discounts as those given by all its unsued competitors.

He tells how precedents restrictive of our freedom are built up by orders against the once legal actions of: (1) Shady characters who shun lawsuits for fear their other, more questionable, actions may be exposed; (2) Firms that find it easier to change their ads or actions rather than defend their rights in a long and costly legal battle; and (3) Terrified little businessmen who shrink at sight of official badges and lack funds for the legal advice to fight back. Then, these unopposed cease-and-desist orders are forever after cited as the accepted law of the land.

Who would dare question a Federal Commission citing such an "established" federal ruling? The answer is big corporations. Only a well financed corporation can command the top legal talent needed to oppose the constant assaults on freedom by bureaucrats backed by taxpayers' funds. And so "big bad business" is often our only defense against the bureaucratic attacks on the legal phases of freedom that it took so many generations to write into our laws and constitutions.

The Faceless Bureaucracy

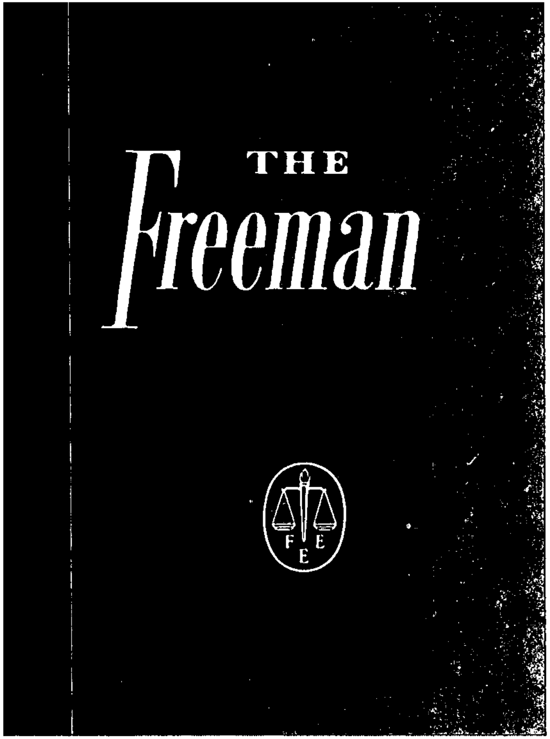
"Top leadership in government," the author tells us, "is generally ineffectual against the quiet, hard-working staff which pushes its pens noiselessly but with dedicated and ruthless unanimity across the dockets, briefs, statements of policy, and orders that tell people what they must do. It makes no difference how much a President declaims against a 'swollen bureaucratic government in Washington,' when far down at the bottom of the judicial ladder a faceless bureaucracy decrees otherwise. A President is to be applauded, but bureaucracy is to be obeyed."

Commissioner Mason warns us that the greatest tyranny has the smallest beginnings. Let a law open a crack in the legal bulwarks of liberty and the bureaucrats will soon produce a gaping hole. Mason's law for this procedure holds that "bureaucracy will arrogate to itself all power available under a statute in spite of the limitations against tyranny in the Constitution. This it will do, quietly and unobtrusively, through decisions at the lowest rung of the quasi-judicial ladder where the issue seldom meets the eye of the public."

As Mr. Mason states, "There is no finish line anywhere in the race for liberty. It is a race our ancestors started, and our heirs will be running long after."

This book should be read for an understanding of the little noticed legal erosions of our liberty that our daily papers seldom find worthy of adequate reporting.

PERCY L. GREAVES, JR.



LONG RANGE CONSEQUENCES

☐ THE ECONOMIC CONSEQUENCES of socialism are fairly obvious, and they have been dealt with at length and competently by a number of economists. Government gets into business and industry in a big way, as a producer itself and as the major consumer for industries tied in with government spending. But important as these economic effects are, collectivization has long range consequences of far deeper significance. Political control and direction of economic life, even under the noblest of auspices, carries with it demands and imperatives which are hard to reconcile with the basic assumptions which lie at the foundation of our culture and our institutions.

BEN MOREELL, The Admiral's Log

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