THE Freeman

IDEAS ON LIBERTY

MAY 1961

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York

Open your account with

Coast Federal Savings and Loan Association
of LOS ANGELES

Join the thousands of others from all 50 states and many foreign countries who hold individual, joint, trust or corporation savings accounts and get the following outstanding advantages for your invested savings.

HIGHEST EARNINGS – Since January 1, 1960, we are paying at the rate of 4½% per annum. Accounts opened or added to by the 10th of any month earn from the 1st of that month.

ASSETS OF OVER $449,000,000.00 with over $99,000,000.00 in cash and Government Bonds and Reserves of over $32,700,000.00 as of December 31, 1960.

AVAILABILITY OF FUNDS – Coast Federal has always paid every withdrawal immediately on request.

SAVE-BY-MAIL – Airmail postage paid both ways on all transactions.

SECURITY of principal assured through progressive, conservative management and the additional protection of $10,000.00 insurance on each account.

COAST FEDERAL SAVINGS
JOE CRAIL, PRESIDENT

MEMBER – FEDERAL HOME LOAN BANK – FEDERAL SAVINGS AND LOAN INSURANCE CORP.

Coast Federal Savings, Department "H"
855 South Hill St. at 9th
Los Angeles 14, Calif.

(Please check-mark as desired.)

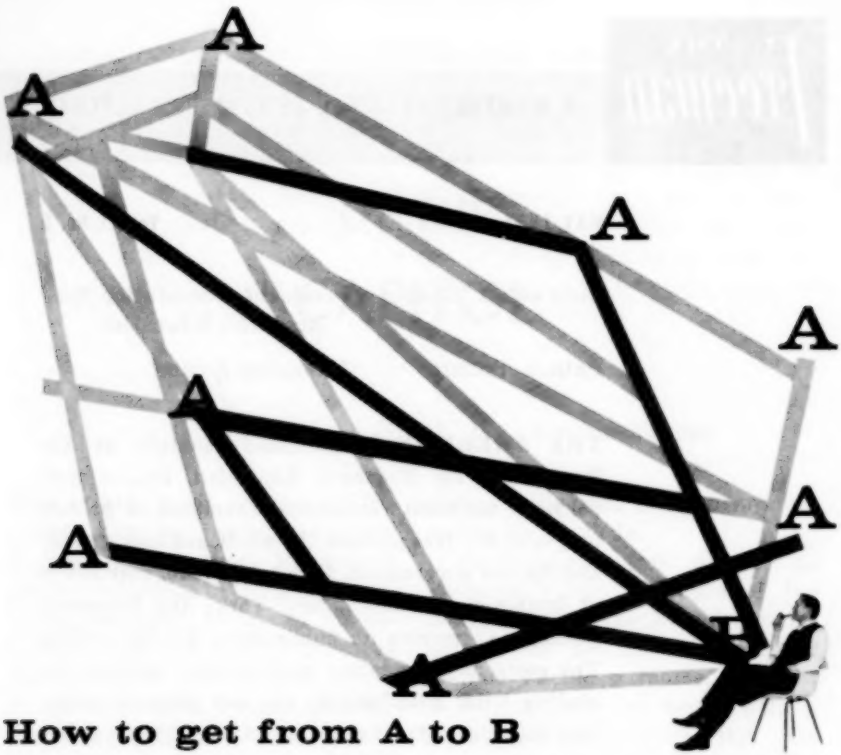
1. ☐ I enclose ☐ check, ☐ money order, to open a savings account in the following name or names: _____

2. ☐ Please send me a copy of your "Coast Federal Savings Guide," Savings Account Information and latest financial statement.

Name _____

Address _____

City _____ Zone _____ State _____



How to get from A to B

This is not a puzzle. It's a way of keeping electric rates low and making electric service ever more dependable.

You are at B in this symbolic drawing. The A's are the power plants of a number of investor-owned electric light and power companies. The lines show how their power lines connect you with many different plants.

Your electricity may come from plants run by several companies—some of them hundreds of miles away.

Each company's customers can share in the savings of the newest, most efficient plants. If an emergency shuts down one plant, others can switch their power to its customers. The investor-owned companies call this "Interconnecting and Pooling of Power."

It is one of the many reasons why these companies always have extra power ready when America calls for it.

They will continue to do so in the future. America can plan "growth unlimited" in homes . . . jobs . . . national strength. The power it takes will be waiting—from the investor-owned electric companies.

Investor-Owned Electric Light and Power Companies
Company names on request through this magazine

Keep America Powerful

THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

MAY 1961 Vol. 11 No. 5

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

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount – $5.00 to $10,000 – as the means of maintaining and extending the Foundation's work.

Copyright, 1961, The Foundation for Economic Education, Inc. Printed in U.S.A.

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

Permission is hereby granted to anyone to reprint any article in whole or in part, providing customary credit is given, except "Jobs by Inflation?" "Gifts from the Maharajah," and "The Use of Knowledge in Society."

Any current article will be supplied in reprint form if there are enough inquiries to justify the cost of the printing.

THE HEART OF THE CAPITOL

GEORGE WINDER

FEW of the great writers of literature have ever mentioned New Zealanders, so that Macaulay's famous reference to them is particularly cherished. In one of his essays the great historian foresees the end of civilization, and writes of the day when "some traveler from New Zealand should, in the midst of a vast solitude, take his stand on a broken arch of London Bridge to sketch the ruins of St. Paul's."

That day, we hope, is a long way off, although St. Paul's survived the last war only by the dispensation of Providence and the heroism of a bomb disposal squad, which removed the charge from a bomb which had fallen through the roof but did not immediately explode.

Nevertheless, this picture of Macaulay's has so captured the imagination of the New Zealander that when he travels from his distant Pacific paradise, he tries to contemplate the world with a philosophical objectivity. Of course, in times of war when the bugle sounds from the homeland, he is among the first to answer its call; but when peace returns, he likes to think that he has regained his calm detachment.

It was with this feeling, or shall we say pose, of philosophic aloofness that one New Zealander, myself, visited the American Capitol at Washington one beautiful sunlit morning in the early spring. As I walked toward that beautiful Renaissance building, the sky was serenely blue in complete contrast

---

Mr. Winder, formerly a Solicitor of the Supreme Court of New Zealand, is now farming in Sussex, England. He has written books, articles, and pamphlets on law, agriculture, and economics.

to the cold and clouded canopy I had left behind me only a week before in England.

The United States Capitol, in my opinion, is one of the most beautiful and impressive buildings in the world. Its situation on an eminence and its position as the focus for the city's chief highways adds to its magnificence. But to one of Macaulay's New Zealanders, who like most of his countrymen suffers from a rooted conservative outlook, the important thing about this wonderful building is that it is designed in an accepted tradition. It is the product of no undisciplined or untrained mind. No impressionist or abstract artist shared in its creation. It came to America by way of Greece and Rome. It can be compared with the great temple of Jupiter which once stood on the Tarpian Hill in the greatest city of the ancient world and it would not seem out of place on the Acropolis itself. It stands as proof that when it was built, the United States was firmly anchored in the long traditions of European civilization.

A Guided Tour

I was fortunate in having an introduction to an official employed in the Capitol who had asked me to call on him that morning. After climbing the great flight of steps which leads to the main entrance of the building, I had little difficulty in finding the room of my new American friend, Larry.

This efficient and accomplished U. S. official entertained me until his very attractive secretary, whom I shall call Miss Dora, appeared. She was dispatched for coffee. I thoroughly enjoyed my visit with Larry; but even a New Zealander cannot interrupt the work of the United States for too long, so I made a movement to go. At this I discovered that Larry had arranged for Miss Dora to be my guide that morning and to show me everything of interest in the Capitol. I soon found that I was a very privileged spectator, indeed. American visitors might be herded along corridors and public rooms by ordinary guides, but I was under the care of a guide to whom nearly all doors were open. Everywhere we went Miss Dora was known and welcomed. I was shown the great assembly room of the House of Representatives and introduced to many of its guardians, including the page boys. The highlights in the history of this chamber were recalled for me, and I stood where members had been wounded by shots from the gallery above.

When I visited the Senate Chamber, I found to my surprise that it was smaller than the

House of Representatives. I do not know which chamber holds the most important body of legislators, but I feel sure that in the outer world the House of Representatives takes second place. I think this is simply because the very word Senate captures the imagination. It echoes down the centuries like the sound of a great bell and reminds us of another great assembly which once governed most of the known world and which another traveler from the marches of civilization described as an assembly of kings.

It was for me a memorable occasion to see the Senate, which I believed to be the most powerful council on earth, actually in session.

Afterwards Miss Dora maneuvered me past some very special guards, and I found myself in the Vice-President's room where the most conspicuous object was a painting of the President. Then she tried to guide me into ever more exclusive parts of the building, probably the President's room; but this was too much for the guards and for the first and only time they resisted Miss Dora and reminded her that some rules must be respected when the Senate is actually in session.

But no matter, this helpful young lady made up for this defeat by showing me what I consider the most important room in all that vast Capitol, a room which I imagine not many of the American public have seen and certainly few foreigners.

One Special Room

To do so, she had to use all her charming personality on a delightful and dignified gentleman whom we met in a corridor. She left me to one side for a moment, and I heard her begging him earnestly for "the key." The response at first was not very encouraging; I am sure a lady of lesser charm and resolution would have been defeated. But at length the words "New Zealand" seemed to act like an open sesame. I was called over and introduced to the guardian of "the key" who then led the way down another passage. As we walked, he told me what I was to see; and then a door was unlocked and I was ushered through it. Then it was closed behind me and I was left alone. I found myself in a small room with a very high ceiling and with a tall window which occupied a great part of one wall. It must have looked out toward the Washington Memorial, but I could not be sure of this for it was not transparent, being made of the most beautiful stained glass such as one seldom sees except in an ancient church. Against the wall opposite this example of

an almost forgotten art stood a raised altar and on it a perfectly plain cross, the symbol of Christianity.

This room had been set aside by Congress so that any of its members might, if he wished, be alone with his God. Here in moments of doubt he might seek guidance as to how this great American nation might be governed. I felt that I had found my way into one of the most sacred places on earth.

Where Leaders Seek Guidance

Here Presidents of the United States may have knelt with the whole weight of war or peace upon their shoulders. What decisions may have been taken in this tiny room, decisions pregnant with destiny. To what better place could any legislator come in the hour of stress to ask guidance of his God.

And so I knelt and prayed where great men, bowed with a weight of responsibility almost too heavy to bear, had prayed before me. And as I prayed, it came to me that as long as congressmen repaired to this room to resolve their doubts, the United States of America will remain a great and puissant nation and, what is more, a just one. In the great building beyond the door, school children trailed their guides through the long passages; outside the fountains played softly in the sunlight. Here there was utter silence and peace.

After I had made the best use I could of the short time allowed me, my guide and the gentle guardian returned. I thanked him for allowing a stranger from so far away to penetrate into this sacred shrine. Then Miss Dora and I returned to Larry, and I thanked them both for all they had done for me.

Soon I was again outside in the sunshine, and as it was still some time before lunch I continued my survey of Washington. Crossing a wide road, I found myself beside two of the most wonderful equestrian groups I had ever seen. There before my eyes were two gun carriages with their horses almost leaping into life as if to canter once more into battle. I was brought up among horses, and I now studied these teams and their equipment with fascinated attention. Strange that from the American Civil War until shortly before the outbreak of World War I there was little change in the character of artillery, or perhaps I should say, in the manner in which guns were carried into battle. Possibly years ago in the New Zealand Territorial Army we were given obsolete guns and equipment for training purposes, but I remembered see-

ing gun carriages and teams which differed very little from those I now saw before me molded in bronze.

Historic Moments

Sitting near these lifelike horses, I fell to contemplating civilization as one of Macaulay's New Zealanders should, and I remembered some of the more somber facts of American history. If today the United States is the greatest power on earth, and if she is now the champion of Christian civilization, her success has not been achieved so very easily. It took generations of sweat and tears to build the United States of America, and in the process a great deal of blood was spilled. The American never shirked war if it was necessary for the survival of the principles in which he believed.

Only in this way can great nations and great civilizations grow, for from the very beginning they are constantly beset by enemies. The Christian civilization to which Americans and my own countrymen belong is not the planned conception of great minds; it grew painfully throughout the ages, and during the last few centuries the United States of America played a great part in its development. She now plays a vital part in its survival.

But how long can Christian civilization survive? Not very long if men cease to believe in its fundamental righteousness, perhaps also in its superior righteousness above all other forms of human association.

The culture of Rome was a poor thing compared with the Christian civilization the wealthier part of the world enjoys today, but Romans regarded it highly and had no doubt that it was the best that then existed. Every man did his stint of service on the long line of defenses which in the days of Rome divided Europe, just as the long line of electrified fencing divides it today.

While encamped in the valley of the Danube 1,800 years ago guarding the civilized world against the barbarian, one of Rome's greatest Emperors, Marcus Aurelius, wrote his sublime Meditations, perhaps after the Bible one of the most morally inspiring books ever written. For nigh on a thousand years the Roman world had to be defended ceaselessly against the barbarian. The price of civilization, like the price of liberty, has always been eternal vigilance. Once a civilization ceases to believe in its own superiority to the barbarous surrounding world, it will relax its defenses and die.

This thought caused me to consider another building which I

had seen only a few days before in New York. A huge oblong edifice, a mass of shiny steel and glass set upright in the ground. It is in no known tradition of architecture; it expresses neither the civilization of the past nor any aspiration for the future. It is the meeting place of nearly a hundred nations, whose representatives assemble there to discuss the world's problems and sometimes to pronounce authoritative judgments upon them. I suppose this unattractive piece of architecture came into my mind just then because, like the Capitol, it also has a small quiet darkened sanctuary to which men may repair in times of doubt. It is known as the Meditation Room. It is dominated by an altar before which presumably men may worship. And just as the altar in the Capitol is the setting for the symbol of the Cross, so on this altar in the United Nations building at New York there is also a symbol – a great block of polished iron ore.

No Common Code

This may shock a great many people, but how could the United Nations have found a symbol which stood for any faith, law, tradition, or even custom in which all its members believed? Could the Cross of Christ have stood on that altar? How could it when the majority of the Members of the United Nations are not Christians? Or the Crescent of Mohammed? A symbol which in many a hard-fought battle has opposed the Cross for over a thousand years. It also is unacceptable.

How many Gods are worshiped in this United Nations building, it is impossible to say. For aught we know, the pagan gods of Benin and Dahomey may have their followers sitting in the seats of the mighty in this glass tower on the East River in New York. But the ancient gods of Africa may stand for some moral code; it is when we consider one of the most powerful gods now worshiped in this United Nations building, that preanthropomorphic power which men call Economic Determinism, that we have cause to shudder and be dismayed.

This god of the Communists is no inanimate stone like that polished iron ore in the Meditation Room, for in the minds of its followers it is accepted as an irresistible force driving the world steadily and inevitably toward that paradise on earth which it has promised them.

For this god, his followers will sacrifice morality itself and commit crimes beyond human belief. Yet, in the United Nations, the followers of this dreadful god have just as much power as the

representatives of the most Christian states.

The effort of the United Nations to place upon its only altar an image devoid of all religious faith is not without significance. Its very negation of all accepted religion carries its warning. It announces to all the world that the United Nations has no faith which can possibly ensure that its decisions are based on any morality the Christian West can understand.

The New Democracies

It was possible to unify the United States of America because there already existed a widely accepted fundamental moral code based on Christianity. Its people already spoke the same moral language.

It is possible also, I believe, to achieve a real measure of unity among all Christian states because of this common origin of their ethical ideas. Moreover, because Christianity recognizes the fundamental rights inherent in every individual and therefore inherent in minorities, it has been possible to establish Christian democracies. But no modern democracy has been established by the adherents of any other religion.

A few non-Christian nations may be democracies today, but that is solely because they have been ruled by Christian states. They will not be democracies tomorrow.

Where is the accepted moral code which can bind together those nations which assemble by the East River of New York? The vast majority are certainly not free democracies; many are dictatorships of the crudest kind which subject their people to abysmal tyranny; too many believe women to be chattels; some even permit slavery. Our fathers, more honest than ourselves, would have described many of them as barbarous. Yet the United Nations claims a moral authority for the decisions of these nations when made in its name.

When a man enters into a partnership, he studies first the credentials of his prospective partners. He makes certain that they are honest men holding to the same general moral code as himself. Yet no study of credentials seems to have occurred when the Christian democracies joined the United Nations. The consequences for the Christian nations of this rash partnership may be dire.

To give but one practical example – just lately many American investors have been robbed in the most criminal way by the Cuban government. Does this arouse the moral indignation of the United Nations? There are no

signs of it; and we do not even know that if the facts of this robbery were brought before the United Nations they would be condemned. And if they were brought before the United Nations and not condemned, then millions of morally backward people throughout the world would quote this decision when it becomes necessary to support their own depredations.

Were we to look upon the United Nations as simply a meeting place where states may attempt to settle their clashing interests, the matter might not be so serious, although surely the older system of diplomacy produced better results. When, however, we allow this unscreened collection of nations, some of them barbarous, with their widely different standards of morality and culture, to pose as a moral authority which should be obeyed by the whole world, we betray not only our civilization but Christianity itself.

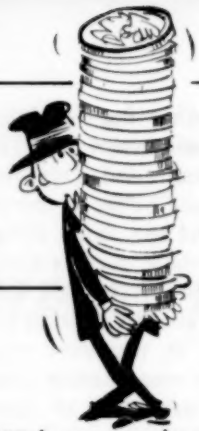
Such were my thoughts as I sat beneath those bronze horses which looked as if they might be breaking into life to canter their guns once more down the Shenandoah Valley. The United States has always had to fight for its freedom and would not hesitate to fight again if it became necessary. People of this spirit always throw off the wildest folly in the end. Somehow those bronze horses seemed to be a pledge of this. Beyond them rose the Capitol with its Grecian columns and its colored dome and its fountains playing in the shallow pools which reflected the blue sky. Somewhere behind its many-windowed façade I now knew there existed a room containing the Cross of Christ. That was the supreme pledge. ◆

IDEAS ON LIBERTY

Government

IF MEN WERE ANGELS, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.

ALEXANDER HAMILTON (1765)



JOBS BY INFLATION?

HENRY HAZLITT

WE ARE in a recession. Unemployment is alarmingly high. We must *act*. "I hope we can get action as soon as possible."

Thus the Kennedy Administration. And what is this action we must take so precipitously? It is more government spending in all directions – on unemployment compensation, crop price supports, housing, highways, depressed areas, veterans, social security, federal aid to education, and scores of other projects. It is lowering interest rates and increasing loans. It is, in a word, inflation.

Behind this proposed remedy is the same theory that has dominated the economic policy of most Western governments, especially our own, for the last quarter century. It is the theory made popular by union propaganda and the late Lord Keynes.

Keynes himself recognized that raising wage rates would only increase unemployment. He left-handedly conceded that unemployment might exist because real wage rates were already too high in comparison with prices and demand, so that the outlook for profits was too bleak to encourage full employment. But he argued that a direct lowering of money wage rates would be so strongly resisted by the unions as to be impossible. Therefore the only way to lower wage rates to a workable level was to lower the value of money. The way to do this was to inflate, to print more money, and so to raise prices and monetary demand to a level at which full employment would be possible again.

Why Not Forever?

This is the process to which we have resorted again and again in the last 28 years. Economically, it has seemed to work. We have had continuous inflation, but we have also (at least since 1942) had fairly continuous employment. Politically, it has kept whatever Ad-

ministration was in power from having to face up to the problem of how to halt constant union wage demands and increases that exceeded the gains in labor's marginal productivity at the existing level of prices. We have floated ourselves out by ever new doses of inflation.

Well, why can't we do it again? Why can't we keep it up forever?

One reason it is especially dangerous to try it again now is that we have done it so much in the past that we have undermined international confidence in the dollar. Our labor costs of production on some items have been raised to a point that is pricing them out of the world market. American capital is being invested in new plants abroad rather than at home. Our existing inflation has already caused a deficit in our balance of payments. We have been losing gold at a dangerous rate. Further inflation will only intensify the problem.

Desperate Race

And we can't keep inflating forever because the process inevitably becomes accelerative. With every dose of monetary inflation and increase of prices, the unions make demands for still further wage increases to keep up with or get ahead of the latest price increase. Each round of wage increases leads to another dose of inflation to pay the new wage level. There is a perpetual and increasingly desperate race between the printing press and the union demands.

Yet the whole race is needless. What is necessary for full employment is the coordination of wages and prices, at whatever average level. If this coordination does not exist, if a new dose of inflation simply touches off a new round of wage hikes, then the inflation is futile, even as a short-term expedient.

What labor is chiefly suffering from today is too many victories. It is no mere coincidence that unemployment now is highest in lines in which wage rates are highest. As compared with average wages of $2.30 an hour in all manufacturing industries, wages in automobile plants are $2.87 an hour, in steel mills $3.02, in bituminous coal mines $3.27. But in the excited calls of the Kennedy Administration for "action," there is complete silence regarding wage rates. They are treated as irrelevant.

Yet not quite. Among the proposed remedies for unemployment are higher and longer unemployment benefits and higher minimum wages to keep wage rates up or to force them still higher. ◆

Newsweek, March 6, 1961

STEPHEN B. MILES, JR.

RETREAT FROM REALITY

WORDS like "chimera," "myth," "phantom," and "delusion" are the only kind applicable to such economic and political absurdities as payments to farmers for not producing; featherbed rules that make lives economically useless; taxes that take 91 per cent of a man's earnings (but not of what may be given to him); statutes that make it possible for a man to "earn," through the combination of unemployment insurance and "supplemental benefits," about the same amount of money whether he works or not.

Leonard Read warns us that, "when an individual, in his thinking, unhitches himself from integrity, he 'lets himself go,' so to speak. He is anchored to nothing more stable than whimsy, momentary impulses, mere whiffs of fickle opinion. He is adrift and without compass."[1] As the individual has unhitched himself from integrity, so our social system has unhitched itself from reality.

Why is this? The clue is given by two sets of three words each. One set is "integrity, control, responsibility." The other set is "hope, faith, love." When these and related concepts and values are absent from our world, that world becomes unreal.

Reality started slipping away from us when we allowed the early scientists to define it in such a way as to exclude everything that couldn't be derived from sense-data. This ushered in the reign of materialism, on which communism, the Welfare State, progressive education, and most of the other fallacies, chimeras, and delusions of our time are based.

For the last several generations

Mr. Miles, on leave from his Los Angeles management consulting service for a teaching assignment in Idaho, also does free-lance writing and editorial work.

[1] Leonard Read, "Flight from Integrity," *The Freeman*, December 1959. p. 16.

we have been building our mental and moral codes on the theory that matter is the only reality – to conform with "the spirit of critical inquiry of modern science." Today we find that science itself has abandoned the idea of the ultimate reality of matter!

The Objective Universe, A Construct of Consciousness

In his *Universe and Dr. Einstein,* Lincoln Barnett has summed up the point of view of the greatest of our modern physicists: "The whole objective universe of matter and energy, atoms and stars, does not exist except as a construct of consciousness, an edifice of conventional symbols shaped by the senses of man. . . .Einstein carried this train of logic to its ultimate limits by showing that even space and time are forms of intuition, which can no more be divorced from consciousness than can our concepts of color, shape, or size."[2]

When we move over into biology and physiology, we find scientists of today using concepts such as "destiny" and "liberty" (Lecomte du Nouy), "goal-seeking" (Edmund Sinnott), "patterns" (J. Z. Young). And some psychologists, economists, and political scientists have been thinking in terms of "gestalts" or forms (Kurt Lewin) and "whole-seeking" (Jan Christian Smuts). Words like "unknow*able*," not simply "unknow*n*," are creeping into basic scientific expositions. The world today seems bigger and vaster than it did – yes, and more mysterious, too – in spite of all that can be said about rapid transportation and communication shrinking distance. In the last generation or so, science has discovered the meaning of Hamlet's remark:

> There are more things in heaven and earth, Horatio,
> Than are dreamed of in your philosophy.

Today we must reconsider the role we are willing to assign to unseen as against material things in our scheme of reality. Reality, Sir James Jeans pointed out more than 25 years ago, resembles a great thought more than a great machine.[3] And when St. Paul, in the famous thirteenth chapter of Corinthians, described the greatest thought of all, he wasn't catering to any sentimental tender-mindedness. In defining those things which abide – hope, faith, love – Paul was not only defining reality. He was also giving us a prescription for sanity.

[2] Lincoln Barnett, *The Universe and Dr. Einstein.* New American Library, 1948. Revised edition, p. 21. Mentor Books.

[3] Sir James Jeans, *The Mysterious Universe.* N. Y.: The Macmillan Co., 1930. New revised edition, 1948. p. 186.

Three Elements of Hope

Hope is a compound of three elements: consciousness, determination, and energy. In growth we learn to distinguish one object from another, one idea from another, one person from another – and the degree to which we will attain consciousness largely depends on the refinement to which, as individuals, we can carry this process.

At the same time that we become conscious of the differences in the world and that there are degrees of importance, we build up (if we are normal) a sense of determination: not only a purpose but a will to accomplish that purpose. This, too, is a learning process, and may be referred to as "discipline" or "discipleship," depending on one's attitude toward religious terminology. (Both mean "to learn.")

For man this determination is necessarily based on the attainment of individual consciousness and the ability to discriminate. We do not "will" to do *everything* – at least not at the same time – nor do we "will" for a mass of humanity, but rather for our individual self, and when we have attained consciousness of differences, and have made up our minds to do one thing rather than another, we still need the energy with which to do it. Part of the process of building hope is for the individual to learn how to keep himself open to receive this energy and how to utilize it.

Those whose mental and emotional growth is interrupted are characterized by a confused consciousness instead of a clear one; by the inability to determine on any one course of action, rather than decisiveness; and by ennui and apathy in place of vitality. They are creatures without hope – not so much in the sense that theirs is a hopeless case, but rather because they do not have access to the three ingredients of hope.

A tragic example of this is the plight of many of our teenagers, in whom these three ingredients have never been able to develop properly. Their sense of determination meandering, their consciousness diverted from the main current of civilization, and their energies dammed up at the source and never allowed to do real work in carving out new channels, we cannot wonder that they seem spoiled, obsessed with hot rods and Elvis Presley records and "parties," drugged with luxuries and dissipations. In a word, their "hopes" are not hopes that contribute to reality.

Actually, hope is the product of hard work. The really hopeful man is not the bumbling optimist but the man who has set himself

a worthy goal, has visualized it clearly, has worked out methods of attaining it, is willing to spend the time and effort necessary to attain it – and has already built up access to the sources of energy he will need. To *that* man always clings an aura of reality. He *knows* he and his world are real.

But this isn't all. The man who knows he and his world are real is the integrated man – the man of integrity. One cannot hope unless he has an integrated basis from which to hope. And nothing can "pull together" a man who has "gone to pieces," and thus restore his integrity, better than an infusion of new hope. Finally, if he does have integrity, he necessarily hopes – because hope and integrity both imply that the individual is able to find a meaning for himself and his world.

Much Depends on Faith

Without faith we can have no grasp of reality. Without faith we would never be able to go to sleep in the expectation that we would wake the next morning – and that the world would still be here, substantially unchanged. Without faith, almost no transaction between man and man would be possible: How could the grocery store customer, for instance, be sure the clerk would hand her the bag of groceries as soon as she hands over her money? Without faith that the ten-ton truck would stop for the red light, how do you explain your willingness to cross the street in front of it? Without faith how do you assume that, in spite of all that happens during your life, you will always remain essentially you, and that your wife and children will also retain their personalities – with no Martians "taking over" their bodies, as science fiction has it? Without faith that orders can and will be carried out – and that the one who makes them has a right to – would they seem real to either giver or receiver? And think of the faith he who writes or speaks needs to assume that someone is listening and will understand him.

Ordinarily we think of faith in connection with religion. But faith in God is not the only form of faith. It is simply the ultimate form – extending, explaining, and knitting all the rest. The two acts of (1) believing in the world our eyes tell us about and (2) believing in God differ only in degree, not in kind.

We are not born with faith, but we begin building it as we begin building our "real" world, even before we become conscious. The infant builds faith that he will be fed; the little child builds faith that his mommy and daddy will continue to be there to look after

him; the boy and girl attend school in the faith that they have a future to prepare for; the adolescent, if he develops normally, gradually finds coalescing out of a welter of emotions and impulses a faith that he can deal with the world; and the man builds faith that now he *is* a man, can stand on his own two feet, and can carry out his own responsibilities through his own inner resources. As we grow, we build increasingly complex forms of faith; deficient faith indicates arrested growth.

Few of us ever stop to think of the immense supply of faith that undergirds our daily lives – perhaps because faith itself is more fundamental than thinking. But we know what happens to those who either lose or never develop faith. These unfortunates never get beyond feeling that the world is against them. Neuroses and psychoses are almost always accompanied by hostility, fear, or withdrawing. Another way of saying this is that the mentally distressed person has lost faith both in his world and in himself.

To put it another way, it is when we don't have faith that the world seems out of control – indeed, *is* out of control. One of the most poignant reversals of feeling possible to a man is the one that occurs when he stops thinking of his affairs as controlling him, and begins thinking of himself as in control. Just what happens? No one knows – but one thing is sure: There is a concurrent, or prior, upsurge of the faith and confidence of the individual, both in himself and in essential interrelatedness of the world.

Love and Responsibility

Just as faith is the ability to accept the world, and hope is the ability to match up (or at least work toward matching up) the "inner reality" and the "outer reality," so love is the actual accomplishment of this acceptance and this matching. St. Paul well said, "and the greatest of these is love," because love comprehends within itself the other two.

It is important to distinguish the emotion which supports love from love itself, the major element of reality. Love is far from sentimental or impulsive, and calls as heavily on the mind and on the power of self-discipline as on the heart. As Paul says: "Love is patient and kind. . . . It does not insist on its own way. . . . Love bears all things, believes all things, hopes all things, endures all things."

The word we often use today to denote this kind of love is "responsibility." Does not a man who restrains his own desires in order to take better care of his invalid

wife, the father who says "No" to a wish his dearly beloved son has his heart set on, the executive who sacrifices a sure promotion in order to do what he thinks is right, exemplify love as well as responsibility?

Love is not so much a way of reacting to the world as it is a point of view from which to perceive that world. In this way, it is love which *creates* the world. For without love, the world splinters and it is perceived not as wholes but rather as details.

It is significant that two of the most characteristic attributes of schizophrenia, the common medical term indicating a retreat from reality, are that it seems to preclude both love in the ordinary sense and the ability to perceive wholes. Professor Wendell Johnson of the University of Iowa points out that "in many instances and in various ways the schizophrenic's reactions seem to express, or at least to suggest, 'bad feeling,' ill will, hatred. . . . One of the major lessons of schizophrenia is that hatred is to be viewed as a particularly pathological form of behavior."[4]

And in his *Threshold of the Abnormal,* Professor Werner Wolff wrote: "In their search for concrete clues, and because of their lack of coordination, schizophrenics split off details from the whole. In the Rorschach test, they are especially attentive to minor details, detached from the whole. Isolating a part from its context, jumping at conclusions from a partial, incomplete view of the object, the schizophrenic misinterprets relationships."[5]

One way of putting the matter is to say that the schizophrenic is so much concerned with his own identity, and has so rigidly restricted his area of interest that *his* pleasures, *his* comfort, and *his* emotional security may always be paramount, that he has no room for love. He is almost completely self-centered.

And the self-centered person is the irresponsible person – the man or woman who cannot take responsibility either for others or even himself. For responsibility asks: "What is best?" And self-centeredness always asks: "What do I want?" Between these two – between wants and needs – is ceaseless warfare.

Wants vs. Needs

It is here, in its glorification of wants over needs, that the Welfare State undermines most fa-

[4] Wendell Johnson, *People in Quandaries.* N. Y.: Harper & Brothers, 1946. pp. 311-12.

[5] Werner Wolff, *Threshold of the Abnormal.* N. Y.: Hermitage House, 1950. p. 218.

tally our sense of reality. What does man think he *wants*? Material things, satisfactions of his appetite, health, comfort, security, equality, happiness. The Welfare State does its best to guarantee all this – at least to those who have the votes.

But what does man *need* in order to see his world as real – and to gain that happiness he wants so badly? He needs to find a connection between his efforts and his rewards so that he may have a sense of accomplishment, which breeds a sense of purpose. He needs hope, faith, love. He needs integrity, self-control, a sense of responsibility. And with regard to these needs, what have we collectively done to ourselves as individuals?

First we stultify the individual's sense of purpose by satisfying his wants even before he feels them – and by inculcating in him a feeling that the world owes him a living.

Next we attack his hopefulness on three fronts: We level out all peaks and valleys in his consciousness by assuring him nothing is more important than anything else, and so destroy his power to make discriminations, essential to clear visualizations. We harass his determination to make good and do right by penalizing any evidence of superiority he may display. And we undermine the sources of his energy by forcing individuals to conform to groups.

Next comes the onslaught on the web of faith. Collectively, we seem to be trying to substitute a potpourri of man-made rigidities and certainties for the marvelously tough and malleable attitude we know as "faith." Somewhere the psychologist, Kurt Lewin, accounts for the rigidity of the feeble-minded by calling it an expression of helplessness, pointing out that feeble-minded children tend never to learn to trust the world in which they live. In the same way, those who want to replace natural laws by economic planning, God by the State, and community by communism, show that they have never developed the competence, or the maturity, required to cope with a world based on faith. In our collective capacity, we sense in ourselves a weakness that needs to rely on artificial certainty – even the kind that needs to be constantly propped up. And our collective quest for certainty is causing many of us as individuals to make the disastrous retreat from faith.

The last knockout blow is reserved for love. Love binds individuals together in true relatedness, extending the principle of family ties gradually to all who

come within radius. Agencies of coercion, governmental or otherwise, sense that love is their most formidable rival. And when the Welfare State steps in and begins dictating how people are to be related to each other, love starts slipping away from us as individuals. We begin seeing others as mere objects, and ourselves as pieces of driftwood in the ocean – which exists for no purpose except for us to float upon. When we look at life in this way, we first lose our sense of responsibility, then our feeling that we are truly in control of ourselves and our destinies, and finally our integrity. We become unreal people living in an unreal world – to which the only words to apply are "chimera," "myth," "delusion."

IDEAS ON LIBERTY

An Affluent Society

SO RICH A PRINCE was Montezuma that not only could he afford the expenses and luxuries of his court, but he also kept two or three armies permanently in the field to suppress rebellions and defend his frontiers, and there was still an opulent surplus to enlarge his treasury. He obtained great profits from his mines of gold and silver and salt, and from other ancient sources of revenue, but the greater part of the royal income he derived from taxes on his subjects, the imposition of which grew exorbitantly in Montezuma's reign. Each common man in that vast and populous domain paid the king a third of all his farm and business produce; artisans a third of all the wares they made; the poor transported, without payment, all the goods to be sent in to the court, or rendered tribute through some other form of personal service. . . .

Great were the clamors of the people, and Montezuma was not unaware of them, but he maintained that this oppression of his subjects was one of the excellencies of his government, saying often that he knew their inclination towards badness, and they needed to be thus burdened for their own good, for he could not rule them if he allowed them to enrich themselves. . . .

ANTONIO DE SOLIS, *History of the Conquest of Mexico* (1684)

EDITOR'S NOTE: Montezuma's tax-riddled empire collapsed in 1519 when Cortes arrived with fewer than 600 men.

Individuals Do It

AGAIN it makes news when an individual does something for himself or a group of people get together to accomplish what they want without governmental aid.

Up in the Willamette Valley of Oregon a group of farmers has demonstrated how to cut corners and save money for themselves and every other taxpayer in the nation.

A cutoff channel was needed to eliminate a horseshoe bend in the Molalla River. Because of the bend, the stream was eroding away valuable farm land.

Everybody, including the Army Engineers, agreed that something should be done. The Engineers Corps proposed a $188,000 project which could be started next spring.

The farmers came up with their own plan for a $1,500 project which could be completed in a couple of weeks. And complete it they did within the prescribed time.

The Army plan, of course, included more than a simple cutoff. There were levees, revetments, and the like. There also were added costs of some $12,000 to the landowners for rights-of-way and such. But the $188,000 remainder of the bill would be paid by all federal taxpayers.

Would that there were more individuals like those individuals up in Oregon who pitch in and do a job when it needs doing without asking for help from some government bureau.

Would also that somewhere, sometime, a top government official would remind the people:

"Sure, the government can do it. But you can do it better and cheaper. It's not the business of government to be jumping in to care for its citizens' every want. If you want something and want it bad enough, you'll go out and get it. But if government does it for you, it will do it for everyone else who has a pressure group. Then we'll control you by means of handouts with your own money – the taxes we take from you."

From the Colorado Springs *Gazette-Telegraph*, January 27, 1961.

Gifts from the Maharajah

IN ANCIENT TIMES, so we are told, shrewd potentates had a clever way of bringing local governors to heel. They smothered them with solicitous kindness.

Let a distant principality show too much independence and the gracious Maharajah might pay it a visit, bankrupting the countryside which had to play host to his grand entourage. Or mayhaps the local ruler would receive the generous gift of a royal elephant who would eat him into ruin. Thus reduced to need, the local people would receive gratefully any largess from the Maharajah. And of course receive resignedly the instructions that came with the relief.

This interesting gambit is still being played, as anyone might notice who listens to one of the current arguments as to why the federal government must give aid to the states for this-or-that costly program.

The argument runs like this: Education (or care of the indigent or whatever) is one of the essential tasks of a community. The blueprint of the program needed, drawn up in Washington, runs into uncounted billions. These projected billions are obviously too much for the local communities whose tax resources are already exhausted. Hence, there is no alternative but for the federal government to relieve the states of this burden.

To this argument it is not easy to turn a deaf ear; indeed, it seems a blessed relief to many a poor taxpayer already buried in local taxes to pay for the state's present program for schools or hospitals or roads or any other community service.

And in his harassed condition,

From *The Wall Street Journal*, February 24, 1961.

the poor taxpayer is hardly able to reflect how this state of affairs came about, or to think too much upon what else will come with this generosity from Washington.

Unseen Consequences

Yet the process is, really, quite simple. Take that urban development project down the street. It came as a "gift" from the federal government; but to get the gift the local community had to raise its own taxes a bit to pay incidental parts of the cost. The same is true of the new hospital or the new library. And, of course, the gift from Washington brought other hidden burdens: sometimes a drop in taxable property, sometimes the need for more roads, more police protection, more fire equipment. But all adding to the local burden. Enough such gifts from Washington and the town treasury is in dire straits.

Meanwhile, the federal government is doing other nice things for the people. The local veterans have been sent to school and the neighboring farmers have been paid for not growing things. Some of the community's money has been siphoned off and sent to Laos; there's that much less for the new school. And for more than a generation the government has been quietly clipping the coins, so that the dollars which only a few years ago would have bought the school will not do so today. All calculated to shrink the local resources.

And consider those blueprints drawn in Washington. Citizens knowing their own community can judge whether the new school is needed and if so how big. But when Washington says the nation needs to spend so-many billions, what doctor in Duluth or plumber in Poughkeepsie can measure the sense of it all?

All he can know is that, sure enough, the taxpayers of Duluth and Poughkeepsie have already got enough trouble. Isn't it nice that the Maharajah on the Potomac is going to help out?

Always a Need for More

It is, when you think of it, a beautiful gambit. First of all, the federal taxgatherer milks the poor taxpayer as dry as possible. Next the federal government "gives" the people some nice things, being careful to see that the communities not only pay Washington for Washington's share but also have to dig up some more money to pay the local costs.

Then when the gifts from Washington have just about exhausted both the local treasuries and the local taxpayer, Washington discovers a new unmet need, the size of which, true enough, is bigger than the poor local com-

munities can handle since the size is limited only by the imagination of Washington in drawing the blueprints.

At that point in the argument comes that clincher. Nobody can argue against the desirability of schools. Nobody can argue that the blueprints as drawn can be met by "local action." So there's nothing left to do but run once more up Capitol Hill, hat in hand.

For, of course, hardly anybody ever suggests that this vicious circle could be readily broken by spending and taxing less in Washington, thus leaving more for the folks back home. Hardly anyone, indeed, stops to think that anyway there's only one hide for all this to come out of, that same poor taxpayer's.

And by this time almost everybody seems beyond caring that with each gift come more and more controls from the far-away potentates. Or cares to notice that each new and gracious gift, for which relief we give such thanks, just makes the circle more vicious.

Clever fellows, those Maharajahs. ◆

IDEAS ON LIBERTY

Ample Warning

JAMES MADISON, commenting on an act to provide a subsidy to indigent cod fishermen, said: "If Congress can employ money indefinitely for the general welfare, and are the sole and supreme judges of the general welfare, they may take the care of religion into their own hands; they may appoint teachers in every state, county, and parish and pay them out of the public treasury, they may take into their own hands the education of children, establishing in like manner schools throughout the Union: they may assume the provision of the poor . . . Were the power of Congress to be established in the latitude contended for, it would subvert the very foundations, and transmute the very nature of the limited government established by the people of America."

Needed: New Vigilantes

CLYTIA C. MONTLLOR

THERE have been times in history and places on this earth when men, without being conscripted, have turned themselves into self-created soldiers, ready to fight to defend their values. Sometimes they were called vigilantes, and although the historical connotations have at times been ugly, the word itself is eloquent. There is in it a quality of alertness – a perception of danger – a will to resist destruction.

Today the abdication of that battle is manifest in the indifferent acceptance of the platitudes, extended by anyone with the slightest aura of authority, which pass as analyses and solutions of our problems. It is as though truth were not to be judged directly, but through the eyes – and words – of other men.

That this passivity exists – and is counted upon as one would count on an active, ingenious, inventive, creative, powerful ally – is demonstrated by the utterances that fill our news media and the knowledge in the minds of the speakers that they can get away with them.

In a TV interview, the new Postmaster General stated that poor postal delivery was due to the fact that "we can't control the railroad and airline schedules."[1] How many listeners experienced – instead of sympathy for the Postmaster General's predicament – revulsion that he should have implied that control is necessary? Is it necessary for a manufacturer to "control" his sources of raw materials, his suppliers of parts, his labor supply, and his market in order to get the product on the market when the consumer wants it? It isn't and he doesn't. He knows that it is in the interest of his own survival that he produce the best product and give the best service, and he makes the necessary arrangements with those whose cooperation he requires. Otherwise his customers will turn to his competitors.

It is an interesting "coincidence" that this same gentleman, when

Mrs. Montllor is a free-lance writer on subjects of political and economic interest.

[1] Dave Garroway's *Today* program, February 15, 1961.

asked about the introduction of automation in the postal service, replied that he had not been appointed Postmaster General to "preside over machines." For some people, to run an operation which ostensibly depends more on machines than on men gives them much less the feeling of being in control than to send down executive orders to men who must obey them.

The current warnings about the state of our nation are accompanied by the paltriest of justifications for government intervention. It is quite sufficient to state that a condition exists for the planners to conclude that *therefore* the government must do something about it. They seem to have forgotten that a syllogism requires a middle term to link the two propositions.

The Law Is Self-defeating

Let us put aside for a moment the fact that (1) the method for calculating unemployment has been changed so that present-day figures are not comparable with past statistics, (2) the trouble with our educational system is more in the realm of quality than quantity, (3) many old people are perfectly capable of paying for their illnesses. The question that needs to be asked is: Without arguing over the degree of its gravity, how did we get into the predicament we are in today?

If you see someone with red spots on his face and state categorically that they were caused by a deep-seated chronic infection rather than by someone nicking at him with a razor, you can go ahead and use the scalpel to dig them out. But be prepared for the consequences: a pitted face with worse scars than the original scratches. The proponents of government intervention assume the presence of the infection which they diagnose as inherent in present-day capitalism. However, since the troubles of our economy can be traced to governmental tampering with its free operation, what the interventionists propose amounts to the hair of the dog that bit you – with poison sprinkled on the hair for good measure.

Unemployment and a low standard of living will never be cured by minimum wage laws and government spending to "increase purchasing power." The latter merely shifts purchasing power from one group to another (through taxation) and cannot in itself be a factor in stimulating production. A minimum wage law is self-defeating: Any measure which *arbitrarily* adds to the unit cost of production will ultimately cause unemployment. Increased costs without a corresponding in-

crease in prices will drive the marginal producers out of business and with them, their employees out of jobs. Increased costs in any given industry or industries with an accompanying increase in prices reduces the general purchasing power which will mean less effective demand, a restriction of production, and consequently unemployment.

The expressed compassion for the "really little guy" is the most fraudulent pretense of all for enacting minimum wage legislation. He is precisely the one who will lose his job first. For if an employer is forced to pay $1.25 an hour, he will sensibly want $1.25's worth of productivity – which is exactly what he was not getting when he employed the man at $1.

Plausible Phrases

One premise and a conclusion is bad enough. The "therefore" doesn't follow, but at least it's there as a diffident tipping of the hat to logic. There are times, however, when even the pretense at logical presentation is abandoned in favor of the blatantly impossible single statement which is meant to be repeated unquestioningly. Thus, our new Secretary of Health, Education, and Welfare declared on TV[2] that he intends to give the taxpayer $1's worth of value for every tax dollar the government collects. And who, pray tell, is going to pay for the bureaucrats to administer the program?

Mrs. Esther Peterson, Assistant Secretary of Labor, identifies "human problems and needs as the vital issues of our times."[3] What problem is not a human problem? All thought, all choices, all actions must necessarily be taken within the context of human life and values. Even canine health problems are of human concern only because a pet is a value by human estimate. This sentimental contradistinction of human values and other values (which?) serves no purpose except to make the present *administration* seem somehow kinder, wiser, more "human" than *human* beings would normally be if left free.

For any single proposition to sound plausible, the speaker counts on the listener's forgetting all of his other knowledge and information. Thus Oliver J. Caldwell of the Office of Education can urge sending 10,000 American teachers to Africa[4] while the National Defense Education Act provides federal funds for teacher-training because of the shortage of teachers in the United States.

[2] Dave Garroway's *Today* program, February 20, 1961.

[3] *Daily News*, February 25, 1961.

[4] *New York Times*, February 24, 1961.

The President scolds industry for its antiquated capital equipment hoping we won't remember that (1) our very tax structure (and not just the elements related to depreciation) caused this problem, (2) Germany, with which he compares us unfavorably, had to rebuild its tools from scratch after the war; any wonder that they are new? (3) the single most important ingredient in West German prosperity is *freedom* – an element that the present Administration considers a cumbersome luxury to be replaced by government planning.

The construction industry, the President's task force tells you, will start the move toward recovery. Let us encourage building loans by arbitrarily fixing mortgage rates below the general rates for borrowing – at 4½ per cent. You are not supposed to ask why money will be lent for construction at 4½ per cent if the lender can get 5 or 5½ per cent elsewhere. Or are they planning to force upon us not only the rate of interest but the proportion of available savings which should go into home building?

A Strange Partnership

If you can't be fooled by the absence of logic, or the arbitrary declaration of intention without substantiating how the intention is to be achieved, or the isolated proposition ripped out of context, then language itself is attacked. I am sure the businessmen who gathered to hear the President speak in Washington were delighted to be reminded that government was their partner – by virtue of taking 52 per cent of their profits. (And please note, the President used the euphemism "roughly half"[5] rather than the more accurate "more than half.") Because government depends on business to provide it with a spending allowance, said Mr. Kennedy, business is government's partner. Thus was the word partnership robbed of its meaning. The fact that partnership is a voluntary association is irrelevant. The fact that the partners normally each contribute either in capital investment or in personal know-how is relegated to the inconsequential. The fact that a partnership can be dissolved by the will of either of the parties is of no importance.

The new definition of partner now is: anyone who robs you of the exclusive enjoyment of a value which you have earned. Thus the highwayman who steals your purse is your partner. And so is the man who rapes your wife.

How many discussions are ended with: Oh, well, it's only a

[5] *New York Times*, February 14, 1961.

question of semantics! We are now paying the price for not realizing that words are not arbitrary. We pay for it when we have to listen politely (at a meeting of the Society for the Advancement of Management, no less) to John Pastin of the AFL-CIO, while he accuses the steel companies of introducing automated equipment in their offices in order to make "unreasonable job combinations."[6] "Unreasonable" is a forceful word – sounds nice. But it has an objective meaning. Unreasonable by what standard, please? There is only one standard in the context of a business operation: the most efficient disposition of labor to foster the highest productivity. If Mr. Pastin sees the shifting around of employees by management as an effort to put them into job classifications which exclude them from union membership, it would be safe to guess that he is simply projecting his own motivations to the steel managers. Union officials deal in people; steel manufacturers make steel.

Precise "Nondiscrimination"

When President Kennedy makes claim to precision ("I want to be very precise") and declares "We will not discriminate for or against any segment of our society, or any segment of the business community,"[7] he should have notified the *New York Times* to keep two stories off the first page of the very issue in which his statement is reported. Those stories announced an increase in price support for cotton and a plan to increase public power projects.

Just what *precisely* does he mean by not discriminating against any segment of our society? That if he makes it possible for planters to sell their raw cotton in the U. S. above the world price, he'll make it up to the textile manufacturers by placing an import duty on Indian cottons? But who will make it up to the consumer who pays more for cotton goods and clothes or eventually to the textile laborer who may lose his job because the mill in which he works, unable to compete on the world market, is forced to reduce its production?

Nondiscrimination? Listen to Mr. Udall cite the policies of the Truman Administration as guideposts for his public power plans: "Preference in power sales shall be given to public agencies and cooperatives."[8]

Mr. Udall also provides another example of the misuse of language in a second reference to the Truman guiding principles: "Power shall be sold at the lowest

[6] *Wall Street Journal*, February 14, 1961.

[7] *New York Times*, February 14, 1961.

[8] *Ibid.*

possible rates consistent with business principles."[9] The one basic principle is profit-making. It is the label of virtue on the forehead of every successful honest businessman. It says: I have *created* wealth. For if there is no profit, nothing has been achieved by the joining of the factors of production; they might just as well have been left idle. But government is not supposed to operate its enterprises at a profit, is it? If it could and did, why not leave those endeavors to private entrepreneurs?

A Compulsive Urge To Plan

Everywhere you look, special groups are trying to harness government power to achieve an end they cannot attain on the merit of the idea and the interest others would find in adopting it voluntarily. Thus are government plans born – single authorizations, complex plans; a small laboratory here, an atomic reactor there; taxation and price-fixing and subsidies and tourist controls. *They are plans for your life.*

The plans are there for you to see – not gathered into a single document like *Mein Kampf*, or Nasser's *Philosophy of the Revolution*, or the *Communist Manifesto*. But they are there: in a newspaper interview, a message to Congress, a lecture on art, a speech to a trade association, a class in political science.

The planners are almost compulsive in their need to go to the people – to justify themselves – to get public opinion on their side. They are simultaneously the molders, by default, of public opinion and the craven dependents on it. They need to be reassured that they are right.

But it is this very reassurance which each individual has the power to withhold.

The withdrawal of automatic approval rests on the conviction that individuals must be left free to discover the truth, to apply it to their decisions and their life, to reap the rewards of their correct perceptions and their proper actions.

And the first exercise of the first lesson in regaining our freedom both from the intellectuals who set our cultural standards and the government which enforces them is to listen carefully to what is said and to focus clearly on what is written. This will not yet provide the answer to the question: What *is* right? But it is a first step in freeing yourself from the tyranny of others.

After that you must identify your values, know why they are right, and – like a vigilante – be prepared to defend them. ◆

[9] *New York Times*, February 14, 1961.

THOSE TAILFINS

or — WASTE IN THE PRIVATE SECTOR

It was a sunny afternoon
At storytelling time.
Old Kaspar nursed a small cigar
And wished for rum-and-lime,
While Peterkin and Wilhelmine
Looked at the panoramic screen.

They saw the superhighways blocked
By uniformed brigades
Who stopped the passing private cars
At countless barricades,
From which a few would soon emerge
While others parked along the verge.

"Now tell us what it's all about!"
The little children cried.
"It is the Federal Waste Control,"
Old Kaspar soon replied.
"They're out to catch and commandeer
The cars with fins on front or rear."

"The Planners cherish," Kaspar said,
"A passionate distaste
For all displays of private wealth
Or signs of private waste.
And owning cars adorned with fins
Now tops their list of wasteful sins."

"It's hard to see," cried Wilhelmine,
"Why tailfins are so bad!"
"To simple folks," Old Kaspar said,
"They seem a passing fad.
But still there's no denying, dear,
They don't look modestly austere."

"It's seizing cars," cried Peterkin,
"That's dreadful to behold!"
"It must be done," Old Kaspar sighed,
"Like seizing private gold.
Extravagance is wasteful, dear,
Except within the *Public* sphere."

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

Waste-Maker Nonsense

SELF-CRITICISM, as someone has said, is a luxury which only a very successful society can afford; less fortunate people are too busy being poor to denounce themselves very vigorously.

Such a criterion should give Americans much comfort, for we have no dearth of critics and an endless variety, it seems, of criticism.

Only a few years ago the theme was that a third of our people were in poverty.

Then it turned out that the trouble wasn't poverty but something called "affluence."

Then it seemed that our vulgar, meretricious society was insufficiently concerned with personal, nonmaterial values. Then it seemed that it was *overly* concerned and was preoccupied with status symbols, whatever they may be.

The latest critique scornfully charges us with advocating waste, with somehow inducing consumers to throw away perfectly good articles for replacement with new items of dubious utility.

Well, sir, what sometimes seems like waste is economy of the most stringent kind. The fact is that Americans are a much more thrifty people than you'd suspect. Things aren't abandoned until something comes along that provides an improvement over what came before. When it does, it's true that the outmoded gets short shrift, not because discarding it is waste but because continuing it is wasteful.

Du Pont, like other large units of American industry, has had a

hand in this process and the national scrap-heap is crowded with things rendered obsolete through constant research.

Take that darning basket that used to occupy grandmother's evenings – an endless reconstruction of socks and stockings that today's nylon yarn has rendered almost indestructible. Grandma faced this chore by light of a smelly and demanding kerosene lamp. Insulated wiring for the electrical industry helped put a million lamp chimneys into the trash – to everyone's relief.

Or, take the tire pump. It used to be standard equipment with every car, along with the tire irons and tool box. Tires used to last 5,000 miles or so if we were lucky. When one went flat, we pried off the shoe, found the leak in the tube, and cemented on a patch. Then we'd pump it up by hand. Chemical antioxidants put this grim chapter behind us and a vast quantity of pumps became unemployed – as if anyone cared.

Before modern insecticides, stores used to have a spiral of sticky flypaper hanging from the ceiling, bespecked with the remains of its victims. Its sign said, "Last year Ed Rousch[1] caught 485 flies. Tanglefoot caught 1,482,960,000." Any arguments about Tanglefoot versus the modern bug-bomb?

Anyone have a plea for the passing of the card that used to tell the iceman how many pounds to leave? Anyone bemoaning the developments that put the stereopticon viewer out with the ashes? Or the cracker barrel that preceded cellophane packaging, exposing pounds rather than ounces to deterioration?

The idea that the better, the less costly, or the safer, should be turned aside because it replaces something else would relegate progress itself to the scrapbasket. And that's the kind of waste *no* nation, however affluent or successful, can well afford. ◆

[1] An eminent National League outfielder, 1913-1931.

From *Better Living*, Employee Magazine of E. I. du Pont de Nemours & Company, January-February 1961.

IDEAS ON LIBERTY

War and Taxes

IN REVIEWING the history of the English Government, its wars, and its taxes, a bystander, not blinded by prejudice nor warped by interest, would declare that taxes were not raised to carry on wars, but that wars were raised to carry on taxes.

THOMAS PAINE, *Rights of Man*

V. M. NEWTON, JR.

"They [an administrative bureaucracy of officials, jurists, clerks, and bookkeepers] constitute a supreme and sovereign self-recruiting body, immune from political intervention, responsible to no one outside their own hierarchy, a rock against which all political storms beat ineffectively and in vain; a completely closed mandarin system, even in the social choice it exercises in reproducing itself. . . ."

HERBERT LUETHY,
France Against Herself

BACK IN 1951, I wired the Comptroller of the United States, the man who pays all federal salaries, to give me the exact number of the major federal bureaus. He wired back that he could not do this, that to the best of his knowledge, there were approximately 1,875, not including the new ones created that year. I would hazard the guess that there are more than 2,000 major federal bureaus today.

Then, in addition, there are approximately 5,000 advisory federal bureaus, all of which wield tremendous power in the lives of the average American citizen. It is interesting to report, in this connection, that Rep. Dante Fascell, of Florida, introduced and got passed in the House of Representatives in 1957 a bill that would force these 5,000 federal advisory bureaus to reveal the identities of their membership to Congress and to keep minutes of their secret meetings. But the Senate refused even to consider the bill, and many of us to this very day do not even know the identities of our secret governors and much less of the political privilege that goes into their edicts.

From an address by V. M. Newton, Jr., editor, *The Tampa Tribune*, before the Arizona Newspaper Association at Tucson, January 14, 1961.

This mushrooming American bureaucracy has draped a stifling curtain of secrecy over virtually all of the executive branch of federal government, wherein the facts of our government are denied to the people, Congress, the press, and even the General Accounting Office, which is our auditing restraint upon government spending. If you doubt this, let me point out that no records of the federal expenditure of the billions of your tax funds are open to the inspection of the American citizen. Let me point out further that no audited reports of the expenditure of your federal tax funds are available to the citizen.

As just one small example of the great secrecy enshrouding the expenditure of your tax funds at Washington, our federal government never has accounted to the taxpaying citizens for one penny of the 75 billions of dollars it has spent on foreign aid since the close of World War II.

All of the information of the spending of the citizens' tax dollars comes to you in the form of press handouts from the 50,000 federal press agents in Washington. Many of these federal handouts are little more than propaganda, designed to prolong the political lives of our bureaucratic bosses and to tyrannize the public, against which Thomas Jefferson warned the world 175 years ago.

How It Began

The American bureaucracy and the American secret government jointly got their start in the thirties when the Roosevelt Administration moved government into all phases of the citizen's private life in coping with the great depression. They became entrenched at Washington in the forties when the Roosevelt and Truman Administrations put more and more power into central government in coping with World War II and with the Korean War in the early fifties.

During the dire days of the depression and the exciting days of the war years, the press, short of manpower, materials, and time, was gravely preoccupied with those tragic affairs. At the same time, it became accustomed to accepting in good faith the proclamations, reports, and propaganda issued by federal press agents.

So, ignored by the press and left largely on his own in federal office, the fledgling American bureaucrat developed the new American philosophy that our government belongs to him as his private domain; that he feels he has the privilege to give out or withhold information of government as he sees fit; and that he sincerely thinks that the American people should be satisfied with the decisions of government after he has made them.

After the Korean War, when the press finally turned its attention back to the domestic affairs of our nation, it found itself confronted with a tight secret government in Washington. Under the Truman Administration, by White House executive order, every federal bureaucrat had the right of censoring information of government under the stamp of sacred security, regardless of whether or not the information actually affected our national security.

"Classified" Is Right

Let me give you just two of the hundreds of examples of ridiculous security foisted upon us at that time.

First, the Department of Labor refused to give out details of the Armed Services' purchase of peanut butter on the grounds that the clever enemy could deduce from these purchases the approximate number of men in our armed services. Yet you could walk down the street a few blocks in Washington to the Department of Defense and obtain mimeographed sheets giving the exact number of men in our Army, Navy, and Air Force.

Second, the Pentagon affixed the censorship stamp "for military use only" on military weather data. Yet the Soviet Ambassador could telephone the Department of Defense, ask for Extension 79355, and a recording would give the latest 24-hour weather forecast from the nearby Bolling Air Force Base. This automatic recording concluded with the following words: "This information is for military use only and dissemination to the public is not authorized."

The press so protested this blanket security censorship that Mr. Eisenhower eased our security regulations upon his arrival at the White House in 1953. But not even the new Eisenhower directive limiting security censorship stopped the bureaucrats. They simply pulled out an old dust-covered federal statute pertaining solely to the safekeeping of governmental records as their excuse for censorship, and then blandly went right on doing the American people's business in secrecy as they chose, with little restraint from anyone.

By this time Congress became aroused over the problem simply because the American bureaucrat, in his new-found arrogance, denied essential information of government to our federal lawmakers. I have in my files dozens of concrete cases of refusal to give legitimate information of government to Congress in the middle fifties.

So Congress created the Hennings Subcommittee on Constitutional Rights in the Senate and the

Moss Subcommittee on Government Information in the House to investigate the matter of free flow of information of federal government to the American people. During public hearings in 1956 and 1957, the heads of no less than 19 major federal bureaus testified before these two committees that they had used the old federal record custody statute to withhold legitimate information from the American people, Congress, and the press.

Early in 1958, Congress, supported by the press, amended this old record custody statute with a sentence stipulating that it cannot be used to withhold information of federal government from the American people. This should have curbed needless censorship and assured the American people of information on the expenditure of their tax funds.

"Executive Privilege"

But by this time, the American bureaucrat really was flexing his muscles. After Congress and the press destroyed such excuses for secret government as national security and the old record custody statute, Attorney General William P. Rogers appeared before Senator Hennings' Subcommittee on Constitutional Rights in April 1958, with his "doctrine of executive privilege."

The Attorney General argued that this doctrine, based on the separation of powers in our federal government, gave all the legal right needed to withhold information of government from the American people, Congress, and the press.

Actually, this ridiculous "doctrine of executive privilege" is nothing more than the bureaucrats' fanciful theory of doing as they please in the domain of the people's business. In subsequent testimony before the Hennings Committee, I pointed out that there was not a single judicial decision upholding it, and I called for a return to the original American "doctrine of the people's privilege."

In the months that followed, the late Senator Hennings and other eminent lawyers wrote articles in our bar journals pointing out that the "doctrine of executive privilege" had no standing whatsoever in the law. But, nevertheless, the doctrine is still with us in Washington, used most effectively in the following cases during the last two years:

1. The Navy withheld information of its Military Sea Transportation Service from the General Accounting Office.
2. The Air Force withheld information of its billion-dol-

lar-a-year missile program from the General Accounting Office.

3. The International Cooperation Administration withheld information of our foreign aid program from Congress, even though there were strong indications of waste and dishonesty in such countries as Laos.
4. The National Aeronautics and Space Administration withheld information on U. S. space programs from Congress.
5. The Space Administration declined to give information to Congress on a 102 million dollar rocket contract with North American Aviation, and its administrator, Dr. T. Keith Glennan, gave the "doctrine of executive privilege" as his excuse.

"The Public Be Damned"

All of this secrecy in our space program will explain to you the great public confusion today over whether or not we are in a position to match missiles with Soviet Russia.

It was the secrecy in our foreign aid program that brought the issue squarely before Congress. In 1959, Rep. Porter Hardy, Jr., chairman of the House Subcommittee on Foreign Operations, discovered from outside sources evidence of waste and corruption in our foreign aid in Laos. He asked for the facts and figures on the foreign aid program in that country and also in Formosa, Brazil, India, Guatemala, Pakistan, and Bolivia. The International Cooperation Administration refused to give the information. Whereupon, Representative Hardy proposed, and the House subsequently adopted, an amendment to the foreign aid appropriations bill that would bar funds to those who refused to give Congress information. But the Senate declined to accept the amendment and, in its place, adopted an emasculated provision that placed all the power in the White House.

All of this was repeated in 1960. Representative Hardy again was refused information on the foreign aid program in Laos and Vietnam; again the House adopted his amendment to withhold funds in the event of secrecy; and again the Senate ducked the issue.

On December 2, 1960, the General Accounting Office shut off foreign aid funds in Latin American countries after officials refused to give information to Representative Hardy's Committee. On December 23, President Eisenhower intervened, upheld the secrecy in our foreign aid program, and ordered the fund to be handed over.

The Congress Yields

Thus, the White House has tossed at the feet of Congress the glove of challenge, not only in the matter of freedom of information, but also in the very important matter of who is to rule America in the future, the appointed bureaucrats or the people's elected representatives in Congress. I am not optimistic at all over the immediate outlook. And there is ample evidence to support my pessimism.

First, in recent years, Congress has yielded more and more of its power to the bureaucracy. As an example, the Democrats have had an overwhelming majority of Congress for the last two years. Each January, they talked long and lustily over how they were going to put our Republican President in his place.

Yet every time the Democrat majority balked over the administration's program, which was conceived in the secrecy of the bureaucracy, the Republican President either went on the national television network – or warned that he would do so – and that was that. The Democratic Congress, with no such entree to the American living room, quickly folded its tent, rubber-stamped his program, and, in some cases, left the American people uninformed and utterly confused over the major issues of government in the deluge of governmental propaganda. There is no indication whatsoever that this bureaucratic dictatorship will be changed during the Kennedy Administration.

Second, there have been many revelations in recent years of Congress' utilization of such political privileges as unlimited and unchecked expense funds on both foreign and domestic junkets, which are easily available behind the locked doors of governmental secrecy. And none can tell exactly what political privileges are being utilized today behind the locked doors of the 1,200 annual secret sessions of the congressional committees; but there have been many rumbles of this, particularly in the syndicated news columns.

Third, it took the Moss and Hennings Committees, composed of hard-working, sincere public servants deeply interested in the American people's inherent right to know about government, five years to get through Congress one lone freedom of information bill. And this was quickly buried under the ridiculous "doctrine of executive privilege."

Fourth, the American Bar Association, now greatly worried over the menace of governmental secrecy to justice, and the Hennings Subcommittee on Constitu-

tional Rights each introduced bills in the U.S. Senate in 1960 that would have opened all records of the federal expenditure of the people's tax funds to the inspection of the American citizen. But neither bill ever reached the floor of the Senate and, therefore, automatically died.

In conclusion, as an editor of the free American press who has spent ten active years in the great fight for freedom of information, I point a finger at Congress with the warning that the very future of American freedom is in their hands today. And I call upon each and every newsman in our land, as well as on the American people, to keep constant pressure on the individual congressman to remind him that American government is the servant – not the ruler – of the American people; that man's freedom always has been extinguished by secret government; and that only an informed public opinion can preserve the processes of free government.

IDEAS ON LIBERTY

Usurpation of Power

THE DOCTRINE of regulation and legislation by "master minds," in whose judgment and will all the people may gladly and quietly acquiesce, has been too glaringly apparent at Washington during these last ten years. Were it possible to find "master minds" so unselfish, so willing to decide unhesitatingly against their own personal interests or private prejudices, men almost god-like in their ability to hold the scales of Justice with an even hand, such a government might be to the interest of the country, but there are none such on our political horizon, and we cannot expect a complete reversal of all the teachings of history.

FRANKLIN D. ROOSEVELT,
as Governor of New York, March 2, 1930

YAF

Youth in Search of Freedom

LOUIS H. SOLOMON

SOMETHING is happening in America that has a real promise for tomorrow. I have actually heard the augury of its approaching thunder.

Some days ago I received a phone call from a charming Greenwich Villager, inviting me to an informal gathering at her home. The young lady is a recent acquaintance. She had been attracted by the conservative tenor of an article that I had written in this column, and had graciously sent me a generous note commending the article. The invitation followed.

When I arrived at her home, I found a heartening assemblage of 17 buoyant young people. To me it represented a sampling of young America, aroused. They ranged in age from 22 to 35. They were college men and women, largely, whom I would class in the leadership group. They were determined. They wanted a forum. They wanted to be heard. The urge for action and expression brought back memories of early American history. It carried the suggestion of what must have happened before the Boston Tea Party. It suggested memories of the early rumblings at Bunker Hill.

This was not just an excited mob aroused to action. This was not just a sporadic outburst. This was a group with a purpose, with a hard core of deliberate intelligence and studied purpose. Their sights were on long-range objectives.

When the meeting was organized and everybody was given a chance to be heard, the underlying unity of purpose became manifest. These were young American conservatives, seeking to be heard. They were aroused to a sense of

---

Mr. Solomon is a retired attorney, civic leader, and regular contributor to the *Greenwich Village News*, where this article first appeared on February 2, 1961.

the dangers confronting America. They were annoyed by the crop of "welfare state" politicians in positions of power in government.

They were fearful of the growing power of central government, expanding far beyond the intent of the Founding Fathers. They recognized that the extension of the power of government meant corresponding surrender of the freedom of the individual.

They were fearful of the growing taxing power of the central government – taxing not merely for administration needs, for defense, for peace, but for political opportunism. They were fearful of more taxing and more spending as the political expedient of the politician to gratify a voting constituency.

They were fearful of growing subsidy programs, with the taxing power being used to impose tax burdens on one segment of the population for the benefit of another.

They were concerned about the growing Welfare State and the invasion of the rights of the individual inherent in freedom, for the sake of creating special privileges for others. They were fearful of the emphasis on welfare devices, at the expense of added burdens on the worker and the producer.

They were also concerned about the growing monopoly of organized labor, as reflected in powerful unions, capable of crippling every industry in America. They discussed the spectacle of those leaders, with a record of corrupt power in action, that frustrates all attempts of government to discipline and control. They feared the regimentation of the workers of America, brainwashed within the organization, deprived of the right to work, except as loyal members of the union, holding the threat that ultimately every job in the nation would be held at the will of the union.

In short, I listened to a review of the great growth of power in the central government through which the rights of the individual and his freedom were whittled away.

Young Americans for Freedom

Does this reflect an awakening of youth, finally? Does it represent a renaissance of conservatism? After the session, I reflected on what is happening. Frankly, I was startled by the development. I made some inquiry. I spoke to Leonard Read of the Foundation for Economic Education, and learned that this movement toward conservatism is finding expression all over the United States. I was brought in direct contact with YAF (Young Americans

for Freedom) and had lunch with one of its directors. I quote the preface to the declaration of principles adopted by YAF at its first conference:

"As we look at America today, and particularly at its young people, we note the resurgence of an active and articulate Conservatism. . . .

"Today's students and young people are rebelling against the uniformity, the false security, the infringements upon their liberty which all collectivist systems demand. . . ."

It may be that I am overly sensitive to this group movement, but to me this suggests the rumbling awakening of a sleeping giant, the youth of America, in a movement that may have historical implications.

The group scheduled another meeting with me. This time the number in attendance was not 17; it was 71! The program looks to emphasis on educational activity, with active participation in political action. They are not devoted to party line. Their creed is conservatism, a return to fundamental principles in government, a respect for the rights of individuals, a determination to recapture the American heritage. ◆

IDEAS ON LIBERTY

The Pursuit of Happiness

FRANK MCMAHON, a market gardener in Australia, tells a story about two poor boys who went down to the beach where each built a sand castle.

Soon a rich man came in his nice car. His son, admiring the handiwork of the other boys, said, "I'm going to build a sand castle, too."

"No, I don't want you to get dirty and messed up," the rich father responded. "I'll buy you the two castles those boys have built."

Which is the happier: The poor boys or the rich one?

Boys to whom this story is told all agree that the poor boys are happier. Yet, many adults want the government to build them sand castles, forgetting that without a struggle life has no meaning.

Submitted by STANLEY YANKUS

THE USE OF KNOWLEDGE IN SOCIETY

F. A. HAYEK

The marvel of the price system

is how little we need to know

in order to be able

to take the right action. . . .

IN ORDINARY LANGUAGE we describe by the word "planning" the complex of interrelated decisions about the allocation of our available resources. All economic activity is in this sense planning; and in any society in which many people collaborate, this planning, whoever does it, will in some measure have to be based on knowledge which, in the first instance, is not given to the planner but to somebody else, which somehow will have to be conveyed to the planner. The various ways in which the knowledge on which people base their plans is communicated to them is the crucial problem for any theory explaining the economic process. And the problem of what is the best way of utilizing knowledge initially dispersed among all the people is at least one of the main problems of economic policy – or of designing an efficient economic system.

The answer to this question is closely connected with that other question which arises here, that of *who* is to do the planning. It is about this question that all the dispute about "economic planning" centers. This is not a dispute about whether planning is to be done or not. It is a dispute as to whether planning is to be done centrally, by one authority for the whole economic system, or is to be divided among many individuals. Planning

---

Friedrich A. Hayek is an economic theorist of international reputation whose works include, among others, the 1944 classic, *The Road to Serfdom*, and his most recent book, *The Constitution of Liberty*. Formerly a professor at the University of London, he has been at the University of Chicago since 1950 as professor of social and moral science in the Committee on Social Thought.

This article is slightly condensed and reprinted by permission from an essay which first appeared under the same title in the September 1945 issue of *The American Economic Review*. It also appeared as a chapter in the book on *Individualism and Economic Order* (University of Chicago Press, 1948).

in the specific sense in which the term is used in contemporary controversy necessarily means central planning – direction of the whole economic system according to one unified plan. Competition, on the other hand, means decentralized planning by many persons. The halfway house between the two, about which many people talk but which few like when they see it, is the delegation of planning to organized industries, or, in other words, monopoly.

Which of these systems is likely to be more efficient depends mainly on the question under which of them we can expect that fuller use will be made of the existing knowledge. And this, in turn, depends on whether we are more likely to succeed in putting at the disposal of a single central authority all the knowledge which ought to be used but which is initially dispersed among many different individuals, or in conveying to the individuals such additional knowledge as they need in order to enable them to fit their plans in with those of others.

Different Kinds of Knowledge

It will at once be evident that on this point the position will be different with respect to different kinds of knowledge; and the answer to our question will therefore largely turn on the relative importance of the different kinds of knowledge; those more likely to be at the disposal of particular individuals and those which we should with greater confidence expect to find in the possession of an authority made up of suitably chosen experts. If it is today so widely assumed that the latter will be in a better position, this is because one kind of knowledge, namely, scientific knowledge, occupies now so prominent a place in public imagination that we tend to forget that it is not the only kind that is relevant. It may be admitted that, so far as scientific knowledge is concerned, a body of suitably chosen experts may be in the best position to command all the best knowledge available – though this is of course merely shifting the difficulty to the problem of selecting the experts. What I wish to point out is that, even assuming that this problem can be readily solved, it is only a small part of the wider problem.

Beyond the Scientific

Today it is almost heresy to suggest that scientific knowledge is not the sum of all knowledge. But a little reflection will show that there is beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place. It is

with respect to this that practically every individual has some advantage over all others in that he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation. We need to remember only how much we have to learn in any occupation after we have completed our theoretical training, how big a part of our working life we spend learning particular jobs, and how valuable an asset in all walks of life is knowledge of people, of local conditions, and special circumstances. To know of and put to use a machine not fully employed, or somebody's skill which could be better utilized, or to be aware of a surplus stock which can be drawn upon during an interruption of supplies, is socially quite as useful as the knowledge of better alternative techniques. And the shipper who earns his living from using otherwise empty or half-filled journeys of tramp steamers, or the estate agent whose whole knowledge is almost exclusively one of temporary opportunities, or the *arbitrageur* who gains from local differences of commodity prices, are all performing eminently useful functions based on special knowledge of circumstances of the fleeting moment not known to others.

Facts Also Are Important

It is a curious fact that this sort of knowledge should today be generally regarded with a kind of contempt, and that anyone who by such knowledge gains an advantage over somebody better equipped with theoretical or technical knowledge is thought to have acted almost disreputably. To gain an advantage from better knowledge of facilities of communication or transport is sometimes regarded as almost dishonest, although it is quite as important that society make use of the best opportunities in this respect as in using the latest scientific discoveries. This prejudice has in a considerable measure affected the attitude toward commerce in general compared with that toward production. Even economists who regard themselves as definitely above the crude materialist fallacies of the past constantly commit the same mistake where activities directed toward the acquisition of such practical knowledge are concerned – apparently because in their scheme of things all such knowledge is supposed to be "given." The common idea now seems to be that all such knowledge should as a matter of course be readily at the command of everybody, and the reproach of irrationality leveled against the existing economic order is frequently based on the fact

that it is not so available. This view disregards the fact that the method by which such knowledge can be made as widely available as possible is precisely the problem to which we have to find an answer.

The Consequences of Change

If it is fashionable today to minimize the importance of the knowledge of the particular circumstances of time and place, this is closely connected with the smaller importance which is now attached to change as such. Indeed, there are few points on which the assumptions made (usually only implicitly) by the "planners" differ from those of their opponents as much as with regard to the significance and frequency of changes which will make substantial alterations of production plans necessary. Of course, if detailed economic plans could be laid down fairly long periods in advance and then closely adhered to, so that no further economic decisions of importance would be required, the task of drawing up a comprehensive plan governing all economic activity would appear much less formidable.

It is, perhaps, worth stressing that economic problems arise always and only in consequence of change. So long as things continue as before, or at least as they were expected to, there arise no new problems requiring a decision, no need to form a new plan. The belief that changes, or at least day-to-day adjustments, have become less important in modern times implies the contention that economic problems also have become less important. This belief in the decreasing importance of change is, for that reason, usually held by the same people who argue that the importance of economic considerations has been driven into the background by the growing importance of technological knowledge.

Is it true that, with the elaborate apparatus of modern production, economic decisions are required only at long intervals, as when a new factory is to be erected or a new process to be introduced? Is it true that, once a plant has been built, the rest is all more or less mechanical, determined by the character of the plant, and leaving little to be changed in adapting to the ever-changing circumstances of the moment?

The fairly widespread belief in the affirmative is not, so far as I can ascertain, borne out by the practical experience of the businessman. In a competitive industry at any rate – and such an industry alone can serve as a test – the task of keeping cost from rising requires constant struggle, absorbing a great part of the energy of the manager. How easy it

is for an inefficient manager to dissipate the differentials on which profitability rests, and that it is possible, with the same technical facilities, to produce with a great variety of costs, are among the commonplaces of business experience which do not seem to be equally familiar in the study of the economist. The very strength of the desire, constantly voiced by producers and engineers, to be able to proceed untrammeled by considerations of money costs, is eloquent testimony to the extent to which these factors enter into their daily work.

One reason why economists are increasingly apt to forget about the constant small changes which make up the whole economic picture is probably their growing preoccupation with statistical aggregates, which show a very much greater stability than the movements of the detail. The comparative stability of the aggregates cannot, however, be accounted for – as the statisticians seem occasionally to be inclined to do – by the "law of large members" or the mutual compensation of random changes. The number of elements with which we have to deal is not large enough for such accidental forces to produce stability. The continuous flow of goods and services is maintained by constant deliberate adjustments, by new dispositions made every day in the light of circumstances not known the day before, by *B* stepping in at once when *A* fails to deliver. Even the large and highly mechanized plant keeps going largely because of an environment upon which it can draw for all sorts of unexpected needs; tiles for its roof, stationery for its forms, and all the thousand and one kinds of equipment in which it cannot be self-contained and which the plans for the operation of the plant require to be readily available in the market.

The Statistical Formula

This is, perhaps, also the point where I should briefly mention the fact that the sort of knowledge with which I have been concerned is knowledge of the kind which by its nature cannot enter into statistics and therefore cannot be conveyed to any central authority in statistical form. The statistics which such a central authority would have to use would have to be arrived at precisely by abstracting from minor differences between the things, by lumping together, as resources of one kind, items which differ as regards location, quality, and other particulars, in a way which may be very significant for the specific decision. It follows from this that central planning based on statisti-

cal information by its nature cannot take direct account of these circumstances of time and place and that the central planner will have to find some way or other in which the decisions depending on them can be left to the "man on the spot."

Prices Convey Essential Information

If we can agree that the economic problem of society is mainly one of rapid adaptation to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with these circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating *all* knowledge, issues its order. We must solve it by some form of decentralization. But this answers only part of our problem. We need decentralization because only thus can we ensure that the knowledge of the particular circumstances of time and place will be promptly used. But the "man on the spot" cannot decide solely on the basis of his limited but intimate knowledge of the facts of his immediate surroundings. There still remains the problem of communicating to him such further information as he needs to fit his decisions into the whole pattern of changes of the larger economic system.

How much knowledge does he need to do so successfully? Which of the events which happen beyond the horizon of his immediate knowledge are of relevance to his immediate decision, and how much of them need he know?

There is hardly anything that happens anywhere in the world that *might* not have an affect on the decision he ought to make. But he need not know of these events as such, nor of *all* their effects. It does not matter for him *why* at the particular moment more screws of one size than of another are wanted, *why* paper bags are more readily available than canvas bags, or *why* skilled labor, or particular machine tools, have for the moment become more difficult to acquire. All that is significant for him is *how much more or less* difficult to procure they have become compared with other things with which he is also concerned, or how much more or less urgently wanted are the alternative things he produces or uses. It is always a question of the relative importance of the particular things with which he is concerned, and the causes which alter their relative importance are of no interest to him be-

yond the effect on those concrete things of his own environment.

It is in this connection that what I have called the economic calculus proper helps us, at least by analogy, to see how this problem can be solved, and in fact is being solved, by the price system. Even the single controlling mind, in possession of all the data for some small, self-contained economic system, would not – every time some small adjustment in the allocation of resources had to be made – go explicitly through all the relations between ends and means which might possibly be affected. It is indeed the great contribution of the pure logic of choice that it has demonstrated conclusively that even such a single mind could solve this kind of problem only by constructing and constantly using rates of equivalence (or "values," or "marginal rates of substitution"), *i. e.*, by attaching to each kind of scarce resource a numerical index which cannot be derived from any property possessed by that particular thing, but which reflects, or in which is condensed, its significance in view of the whole means-end structure. In any small change he will have to consider only these quantitative indices (or "values") in which all the relevant information is concentrated; and by adjusting the quantities one by one, he can appropriately rearrange his dispositions without having to solve the whole puzzle *ab initio*, or without needing at any stage to survey it at once in all its ramifications.

Market Prices Coordinate Actions of Different People

Fundamentally, in a system where the knowledge of the relevant facts is dispersed among many people, prices can act to coordinate the separate actions of different people in the same way as subjective values help the individual to coordinate the parts of his plan. It is worth contemplating for a moment a very simple and commonplace instance of the action of the price system to see what precisely it accomplishes. Assume that somewhere in the world a new opportunity for the use of some raw material, say tin, has arisen, or that one of the sources of supply of tin has been eliminated. It does not matter for our purpose – and it is very significant that it does not matter – which of these two causes has made tin scarcer. All that the users of tin need to know is that some of the tin they used to consume is now more profitably employed elsewhere, and that in consequence they must economize tin. There is no need for the great majority of them even to know where

the more urgent need has arisen, or in favor of what other needs they ought to husband the supply. If only some of them know directly of the new demand, and switch resources over to it, and if the people who are aware of the new gap thus created in turn fill it from still other sources, the effect will rapidly spread throughout the whole economic system and influence not only all the uses of tin, but also those of its substitutes and the substitutes of these substitutes, the supply of all the things made of tin, and their substitutes, and so on; and all this without the great majority of those instrumental in bringing about these substitutions knowing anything at all about the original cause of these changes. The whole acts as one market, not because any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all. The mere fact that there is one price for any commodity – or rather that local prices are connected in a manner determined by the cost of transport, etc. – brings about the solution which (it is just conceptually possible) might have been arrived at by one single mind possessing all the information which is in fact dispersed among all the people involved in the process.

A Marvel of Efficiency

We must look at the price system as such a mechanism for communicating information if we want to understand its real function – a function which, of course, it fulfills less perfectly as prices grow more rigid. (Even when quoted prices have become quite rigid, however, the forces which would operate through changes in price still operate to a considerable extent through changes in the other terms of the contract.) The most significant fact about this system is the economy of knowledge with which it operates, or how little the individual participants need to know in order to be able to take the right action. In abbreviated form, by a kind of symbol, only the most essential information is passed on, and passed on only to those concerned. It is more than a metaphor to describe the price system as a kind of machinery for registering change, or a system of telecommunications which enables individual producers to watch merely the movement of a few pointers, as an engineer might watch the hands of a few dials, in order to adjust their activities to changes of which they may never know more than is reflected in the price movement.

Of course, these adjustments are probably never "perfect" in the sense in which the economist conceives of them in his equilibrium analysis. But I fear that our theoretical habits of approaching the problem with the same assumption of more or less perfect knowledge on the part of almost everyone has made us somewhat blind to the true function of the price mechanism and led us to apply rather misleading standards in judging its efficiency. The marvel is that in a case like that of a scarcity of one raw material, without an order being issued, without more than perhaps a handful of people knowing the cause, tens of thousands of people whose identity could not be ascertained by months of investigation, are made to use the material or its products more sparingly; *i. e.*, they move in the right direction. This is enough of a marvel even if, in a constantly changing world, not all will hit it off so perfectly that their profit rates will always be maintained at the same constant or "normal" level.

I have deliberately used the word "marvel" to shock the reader out of the complacency with which we often take the working of this mechanism for granted. I am convinced that if it were the result of deliberate human design, and if the people guided by the price changes understood that their decisions have significance far beyond their immediate aim, this mechanism would have been acclaimed as one of the greatest triumphs of the human mind. Its misfortune is the double one that it is not the product of human design and that the people guided by it usually do not know why they are made to do what they do. But those who clamor for "conscious direction" – and who cannot believe that anything which has evolved without design (and even without our understanding it) should solve problems which we should not be able to solve consciously – should remember this: The problem is precisely how to extend the span of our utilization of resources beyond the span of the control of any one mind; and, therefore, how to dispense with the need of conscious control and how to provide inducements which will make the individuals do the desirable things without anyone having to tell them what to do.

The Automatic Response

The problem which we meet here is by no means peculiar to economics but arises in connection with nearly all truly social phenomena, with language and most of our cultural inheritance, and constitutes really the central theoretical problem of all social sci-

ence. As Alfred Whitehead has said in another connection, "It is a profoundly erroneous truism, repeated by all copybooks and by eminent people when they are making speeches, that we should cultivate the habit of thinking what we are doing. The precise opposite is the case. Civilization advances by extending the number of important operations which we can perform without thinking about them. "This is of profound significance in the social field. We make constant use of formulas, symbols, and rules whose meaning we do not understand and through the use of which we avail ourselves of the assistance of knowledge which individually we do not possess. We have developed these practices and institutions by building upon habits and institutions which have proved successful in their own sphere and which have in turn become the foundation of the civilization we have built up.

The price system is just one of those formations which man has learned to use (though he is still very far from having learned to make the best use of it) after he had stumbled upon it without understanding it. Through it not only a division of labor but also a coordinated utilization of resources based on an equally divided knowledge has become possible. The people who like to deride any suggestion that this may be so usually distort the argument by insinuating that it asserts that by some miracle just that sort of system has spontaneously grown up which is best suited to modern civilization. It is the other way round: man has been able to develop that division of labor on which our civilization is based because he happened to stumble upon a method which made it possible. Had he not done so he might still have developed some other, altogether different, type of civilization, something like the "state" of the termite ants, or some other altogether unimaginable type. All that we can say is that nobody has yet succeeded in designing an alternative system in which certain features of the existing one can be preserved which are dear even to those who most violently assail it – such as particularly the extent to which the individual can choose his pursuits and consequently freely use his own knowledge and skill.

EDITOR'S NOTE: *John Stuart Mill (1806-1873) coupled an enthusiastic belief in democratic government with pessimistic apprehensions as to what the democracy was likely to do. The following comments on voting rights, from his "Considerations on Representative Government" written in 1861, seem especially worthy of reconsideration in 1961.*

EXTENSION of the Suffrage

JOHN STUART MILL

IT IS also important, that the assembly which votes the taxes, either general or local, should be elected exclusively by those who pay something towards the taxes imposed. Those who pay no taxes, disposing by their votes of other people's money, have every motive to be lavish and none to economize. As far as money matters are concerned, any power of voting possessed by them is a violation of the fundamental principle of free government; a severance of the power of control from the interest in its beneficial exercise. It amounts to allowing them to put their hands into other people's pockets for any purpose which they think fit to call a public one; which in some of the great towns of the United States is known to have produced a scale of local taxation onerous beyond example, and wholly borne by the wealthier classes.

That representation should be co-extensive with taxation, not stopping short of it, but also not going beyond it, is in accordance with the theory of British institutions. But to reconcile this, as a condition annexed to the representation, with universality, it is essential, as it is on many other accounts desirable, that taxation, in a visible shape, should descend to the poorest class. In this country, and in most others, there is probably no laboring family which does not contribute to the indirect taxes, by the purchase of tea, coffee, sugar, not to mention narcotics or stimulants. But this

mode of defraying a share of the public expenses is hardly felt: the payer, unless a person of education and reflection, does not identify his interest with a low scale of public expenditure as closely as when money for its support is demanded directly from himself; and even supposing him to do so, he would doubtless take care that, however lavish an expenditure he might, by his vote, assist in imposing upon the government, it should not be defrayed by any additional taxes on the articles which he himself consumes.

It would be better that a direct tax, in the simple form of a capitation, should be levied on every grown person in the community; or that every such person should be admitted an elector on allowing himself to be rated *extra ordinem* to the assessed taxes; or that a small annual payment, rising and falling with the gross expenditure of the country, should be required from every registered elector; that so every one might feel that the money which he assisted in voting was partly his own, and that he was interested in keeping down its amount.

Who Fails To Support Himself Deserves No Voice in Public Affairs

However this may be, I regard it as required by first principles, that the receipt of parish relief should be a peremptory disqualification for the franchise. He who cannot by his labor suffice for his own support has no claim to the privilege of helping himself to the money of others. By becoming dependent on the remaining members of the community for actual subsistence, he abdicates his claim to equal rights with them in other respects. Those to whom he is indebted for the continuance of his very existence may justly claim the exclusive management of those common concerns, to which he now brings nothing, or less than he takes away.

As a condition of the franchise, a term should be fixed, say five years previous to the registry, during which the applicant's name has not been on the parish books as a recipient of relief. To be an uncertified bankrupt, or to have taken the benefit of the Insolvent Act, should disqualify for the franchise until the person has paid his debts, or at least proved that he is not now, and has not for some long period been, dependent on eleemosynary support. Nonpayment of taxes, when so long persisted in that it cannot have arisen from inadvertence, should disqualify while it lasts.

These exclusions are not in their nature permanent. They exact such conditions only as all are

able, or ought to be able, to fulfill if they choose. They leave the suffrage accessible to all who are in the normal condition of a human being: and if any one has to forego it, he either does not care sufficiently for it to do for its sake what he is already bound to do, or he is in a general condition of depression and degradation in which this slight addition, necessary for the security of others, would be unfelt, and on emerging from which, this mark of inferiority would disappear with the rest.

IDEAS ON LIBERTY

Senator Borah Was Wrong

IN AN EARLIER ERA, it seems clear, the advocates of the federal income tax had no conception of the extent to which it would grow – and the tremendous portion it would take from the earnings of the people.

In defending this tax, the late Senator Borah once said: "The great and honored lawyer, Joseph Choate, denounced such a tax as socialistic. He said that if you can levy a tax of 2 per cent, you may lay a tax of 50 per cent or 100 per cent.

"Who will lay the tax of 50 per cent or 100 per cent?

"Whose equity, sense of fairness, of justice, of patriotism, does he question?

"Why, the representatives of the American people – not only that, but the intelligence, the fairness, the justice of the people themselves, to whom their representatives are always answerable."

Senator Borah was a famous and able man, but in this case he could hardly have been more wrong. An income tax of 50 per cent now applies at levels which are far from great wealth. And in the top bracket the tax is 91 per cent – only 9 per cent short of the total expropriation that Joseph Choate feared.

Moreover, even in relatively modest brackets, the tax collector hits very hard. Taxes, direct and indirect, account for about one-third of a $7,500 annual income. And a man earning $85 a week works more hours to pay his taxes than to pay for his food and clothing combined.

From *Economic Highlights*, E. HOFER & SONS

Clichés of Socialism

This article by PROFESSOR HANS F. SENNHOLZ *of Grove City College, Pennsylvania, is Number 20 in the series of proposed answers to various socialistic clichés as listed on the inside back cover of this issue of* THE FREEMAN. *Copies of this article, 1 cent each; the full set of 20 answers, 20 cents.*

"Don't you want to do anything?"

THE SOCIALISTS use good psychology when they depict themselves as champions of political "initiative" and "action." They know that both attributes still demand the respect and admiration of decent people. Therefore, in the name of action and progress these self-styled activists denounce the friends of freedom and individual enterprise for their "negative" attitudes and "do-nothing" policies. "Don't you want to do anything?" is a common retort that aims to stymie all objections.

These arguments are wholly fallacious. Their premises must be rejected and their conclusions corrected. In reality the call for action is a manifestation of individual lethargy and inertness. It is tantamount to a call for government action rather than individual initiative.

The advocate of foreign aid who depicts in dark colors the misery and suffering in foreign countries does not mean to act himself when he demands action and initiative in this field of social endeavor. He does not mean to send CARE packages to starving Asians and Africans. And he does not plan to invest his savings in the socialized economies of India or the Congo. He probably knows rather well that his investments would soon be consumed, squandered, and confiscated by governments that are hostile to capital investments. And yet, he calls on his government to waste billions of dollars of the taxpayers' money.

The advocate of more abundant and better housing does not mean to use his own funds to provide low-rent housing. He, himself, does not want to act; he calls on the government for action. It is the government whose initiative and action he would like to employ and the people's tax money he proposes to spend. He, himself, probably is a tenant complaining about high rentals but shunning the tasks and responsibilities of house

ownership. He is probably aware that the returns on apartment house investments are mostly meager and always jeopardized by rising taxes and government controls. Therefore, he prefers safer investments with less worry to him. And yet, for better housing conditions he clamors for government action and spending of tax money.

Most advocates of "better education" are clamoring for more state and federal aid to education. They are convinced that better education depends on additional spending of government funds. They want new school buildings, more classrooms, modern equipment, and transportation, and, above all, higher teacher salaries. Since individual effort seems so minute in their grandiose schemes of spending, they fall on the government as the bountiful source of limitless funds.

The apostle of rapid economic growth does not advocate personal initiative and action. He does not mean to offer his own effort and thrift toward economic growth. It takes more than $15,000 in savings to create an additional job. Even more savings are needed if the job is to be more productive with higher wages and better working conditions. In his personal life the growth apostle probably is spending next month's income on consumption, relying mainly on charge accounts and installment loans. He, himself, does not save the capital that is needed for economic growth. His call for initiative and action is merely a call for government expenditures financed with the people's money or through inflation.

This is why the quest for "initiative" and "action" must be seen as a quest for government action. When seen in proper perspective, the question, "Don't you want to do anything?" actually means "Don't you want the government to spend the people's money on foreign aid, housing, education, economic growth, and so forth?" It means in many cases, "Don't you want socialism?"

This analysis clearly reveals why the friend of freedom and individual enterprise is often denounced for being "merely negative." The terms "positive" and "negative" are relative to given points of orientation. Whoever opposes socialism and all its encroachments on individual initiative and action is "negative" in the eyes of socialists. But he is unwaveringly "positive" when freedom is the criterion of orientation, because freedom is his positive concern. His life is filled with initiative and action.

This article first appeared in *Christian Economics*, February 7, 1961.

THE WEALTH OF "'ATIONS"

IN THE OLD DAYS, when economists talked about the "factors of production," it was recognized that combining labor and capital to create going concerns was a highly delicate art. The art required an atmosphere of fair dealing – i.e., the assurance that contracts would be honored. Men would not volunteer their services, nor would people risk their savings, without the promise that things would remain stable over a stated interval of time.

Today, however, "absolutism" – or the right of arbitrary interference from above – has been revived as a matter of course in many places in the world. As Harold M. Fleming shows in a remarkable little book, *States, Contracts and Progress: Dynamics of International Wealth* (Oceana Publications, 128 pp. $1.50 paper, $3.50 cloth), the idea that a contract should have sanctity is held only provisionally. Nations are presumed to have rights that are superior to contracts, even to such contracts as may have been entered into freely by the nations themselves.

The retreat from fair dealing has been sanctioned, at least indirectly, by a new economic gobbledygook which talks of "infrastructures" and "take-off stages," oddly spiced with some old and honored words such as "growth" that are now used in contexts that deny their original unforced meanings. The dealer in the new gobbledygook doesn't think it important to distinguish between honorable and dishonorable methods of procuring investment. The new vocabulary would be objectionable enough on esthetic grounds alone. But its real menace is that it abets the omnipresent modern craving to believe that carts are what move horses. The "infrastructurists" talk as if capital plant can be had without reference to such things as contractual probity: capital is something that exists to be seized if it is not offered.

The main object in many a lawless land is to get an "infrastructure," or basic capital plant, by

hook or crook, without waiting upon the normal processes of human labor, human saving, and human faith. Once obtained, the "infrastructure" is supposed to generate mass consumption at some point along the line known as the "take-off stage." "Infrastructures" are not to be thought of in terms of laborious combinations of the old-fashioned factors of production; they are something that come into being as if by dower right. If foreign "capitalists" have already built an "infrastructure" within your territory in the expectation of getting something for their pains, you simply grab it from them in the name of national "sovereignty." Then, to expand the infrastructure, you simply ask for further capital gifts. These can be had by the magical device of threatening to go Communist if you don't get them.

The Suez Seizure

Mr. Fleming has traced out the process of "infrastructure grabbing" in some detail. In Russia, in Eastern Europe, in Mexico, in Iran, in Bolivia, in Guatemala, in Egypt, in Argentina, and in Cuba, politicos have broken the contractual arrangements of their own past governments and their own people with trusting foreigners. The most flagrant case was that of Nasser's seizure of the Suez Canal, a nonexploitative waterway which had been dug by an international company that had brought great prosperity to many Egyptians in the course of making some money for risk-taking Frenchmen and Englishmen. The worst thing about the Suez seizure, in Mr. Fleming's opinion, was that it was supinely accepted in the West as a legitimate exercise of "sovereignty." The West simply did not dare to bring up the point that the Egyptian government had freely entered into a contract with the Suez Canal promoters that was supposed to run until 1968.

In the seventeenth and eighteenth centuries, says Mr. Fleming, there were some real imperialisms: the British East India Company, for example, existed to take capital out of India by force. But nineteenth century "colonialism" was not ordinarily of this nature, and the twentieth century has forsworn the methods of the East India Company entirely. Neither the Suez Company, nor the United Fruit Company, nor the Iranian oil consortium, was devised to rob anybody. The modern "imperialist" makes a quid pro quo agreement, usually leaving a third or a half of the profits of an enterprise to representatives of the local inhabitants. (If

the representatives choose to spend the money on Cadillac cars for government officials, it is hardly the foreign "imperialist's" fault.) The Communists, who still practice the East India Company type of imperialism in the satellite nations of Eastern Europe, have the gall to call quid pro quo oil lease deals "capitalist exploitation." But the true exploitation comes when the oil refineries are grabbed and "nationalized." It is fair dealing itself that is exploited.

Prosperity Explosions

Infrastructure grabbing, however, hasn't wrought the wonders which Nasser and Company have expected. As Mr. Fleming demonstrates, the big "prosperity explosions" since World War II have taken place in the free capitalist world, not in the countries run by the exponents of "nationalized" industry. While Chinese peasants starve amid the propaganda of the "Long Leap Forward," Canadians grow more and more prosperous as a billion a year in private capital moves into the decent exploitation of Canada's farm, forest, mineral, oil, and water-power resources. Canadians respect contracts — and so the excess capital of the U. S. moves north, not to Nasser's and Mao-Tse-tung's East. And the Canadians have long since reached the "take-off stage" of mass participation in the fruits of the free capitalist system.

A Consequence of Freedom

Taking a tip from the late Isabel Paterson, Mr. Fleming speaks of "circuits of economic energy." In the dynamic analogy, the energy-flow of capitalism depends on two things, the "voltage" provided by investment and the state of the industrial arts, and the "resistance" offered by financial and political obstructions. "Overbusy governments" are always increasing the resistance. Sometimes governments learn by bitter experience that you can't "seize" wealth without causing it to disappear; sometimes they never do learn, and have to be overthrown before the voltage of the economic energy circuit can be stepped up again.

In the Argentine, President Arturo Frondisi learned by experience. Before World War II Argentina was a prosperous exporter of beef. It had good railroads, built by British capital; it had a free press, and it had accumulated net gold and exchange reserves of considerably more than a billion dollars, which was a lot for a nation of 18 million people. Then came Perón and his wave of "nationalization." The government took over the export

of meat – and much of the meat market disappeared. With potential oil resources of its own, the country was importing its petroleum products for lack of the know-how needed to drill wells. And the gold reserve dwindled to zero as inflation ran riot. All of this was too much for President Frondisi, even though he had supported most of the expropriation and the inflationary measures. He did an about-face in 1958, making the astounding confession that his government enterprises had lost untold millions, that the railroads were showing a deficit of 14 billion pesos a year on expenditures of 20 billion without provision for amortization or replacement, and that per capita production in the nation had remained stationary for ten years.

Such candor in a public man who had been committed to ideas of "growth" as something to be manipulated, not as something possessing its own inner laws, was astonishing, to say the least. But it showed that countries can escape from "public sector" clamor and "infrastructure" nonsense if their leaders once summon up the courage to admit mistakes.

First, Be Trustworthy

To Mr. Fleming, the reason why "underdeveloped" countries remain underdeveloped is really very simple: they don't respect the idea of contract. Americans have made more investments in Canada than in all twenty Latin American republics during the past fifteen years simply because Castros don't appear North of the Border, up Canada Way. It isn't that Canada has greater raw material prospects than Latin America; after all, Mexico and Venezuela have great natural resources. But trust must come before development, not after.

Mr. Fleming sums it up by saying that "the meagerness of the flow" of investment money to the world outside North America, Europe, and Australia "can be largely explained by the 'four 'ations': – violations, expropriations, inflations, and regulations." He thinks the whole trend could be changed if "four maxims, all negative," were adopted: (1) Do not break your word; (2) Do not take things without paying for them; (3) Do not tax or spend any more than you have to; and (4) Do not try to mind the business of your own people or of foreigners except when it is unquestionably necessary.

Good maxims, these – and they might profitably be applied by American politicos right here at home as well as by the "infrastructure seekers" abroad.

▸ **FACTS ON COMMUNISM: THE SOVIET UNION FROM LENIN TO KHRUSHCHEV.** Government Printing Office, Washington 25, D. C. 365 pp. $1.25.

Reviewed by Lawrence Sullivan

A NEW PAPERBACK published by the House Committee on Un-American Activities, the second of a projected three-volume series, presents for the lay reader a complete and authoritative history of international communism and the devil's disciples who set it up.

From the mountainous records of the Committee, accumulated through twenty-two years of hearings, and other sources, Dr. David J. Dallin, a world authority on the history and techniques of communism, has compiled a smooth-running 400-page narrative tracing the inspirations, motives, and methods of Lenin, Trotsky, Stalin, and Khrushchev.

Communism has advanced by conquest and terror, but it has also made headway because so many people have been led to believe that it is but the economic extension of parliamentary liberalism. In truth, communism is the sworn enemy of every form of representative government, and an economic failure besides. Lenin's basic philosophy, as expressed by a co-conspirator was that "the masses are only the obedient tool of a group of revolutionists, the conscious minority, the bearers of the truth. . . ." Acting on this principle, an elite of brutality become the determined authors of chaos, trying, by means of political and military conquest, to escape the consequences of their economic mistakes.

▸ **THE LAW AND THE PROFITS** by C. Northcote Parkinson. New York: Houghton Mifflin Company, 1960. 246 pp. $3.50.

Reviewed by Robert M. Thornton

THE SIXTEENTH AMENDMENT, which saddled us with the national income tax, wrote absolutism into the Constitution, observed Albert Jay Nock shortly after the event. And so it did, as we are coming to realize, nearly fifty years later. Those who opposed the progressive income tax on this ground were no doubt laughed at as alarmists, but time has shown how right they were. The Amendment does not limit the percentage of a citizen's earnings the national government may legally take, so, naturally, the rate has risen steadily. Initially a tax taking a small percentage of high incomes only, the income tax is now a substantial levy even on low incomes – not to mention the 91 per cent "take" on the incomes of the very wealthy. Needless to say, government *expenditure rises to meet income.* This is Parkinson's Second Law

and, "like the first, is a matter of everyday experience, manifest as soon as it is stated, as obvious as it is simple."

One of the points Mr. Parkinson makes out so well is that when taxes take too high a percentage of people's income, they will, in time, reduce the amount of work they perform. In other words, taxation beyond a certain point will so discourage the producer, the wealth-creator, that he will cease any effort beyond what is necessary to maintain a modest existence. This does not happen overnight, of course, so the tendency is not clear to some persons. Men whose incomes are taxed 50, 60, 70 per cent – and more – still continue to work as hard as ever. Likely out of habit, for one thing, and also because of the satisfaction they may derive from doing the job as well as they are able. But after a generation or two, what then? Will the youngsters of today, accustomed to the ever-present paternal hand from Washington administering to their every need, continue to work hard (if they ever start!) when taxes take a great proportion of their income?

Bureaucracy, which Mr. Parkinson dealt with in *Parkinson's Law*, subsists on huge amounts of money. It never gets enough; it is always demanding more. Private individuals, unless they wish to end up in bankruptcy court, tailor their spending to their income; to some extent at least, they budget their money. Bureaucrats, however, decide how much they would like to spend and then set about trying to raise the money, one way or another – they place another levy on the taxpayers or they run the printing presses overtime. They adapt to their purposes any so-called crisis which lowers the resistance of taxpayers against an increase in Washington's take.

Mr. Parkinson writes in a light, humorous vein (the Robert Osborn illustrations also bring many chuckles), but his message is a serious one. ◆

IDEAS ON LIBERTY

Communist

What is a Communist? One who hath yearnings
For equal division of unequal earnings.
Idler or bungler, or both, he is willing,
To fork out his copper and pocket your shilling.

EBENEZER ELLIOTT, *Epigram*, 1831

WHEN a devotee of private property, free market, limited government principles states his position, he is inevitably confronted with a barrage of socialistic clichés. Failure to answer these has effectively silenced many a spokesman for freedom.

The Foundation for Economic Education is developing a series of suggested answers to the most persistent of these

Clichés of Socialism

Available now are answers to the following:

1. *"The more complex the society, the more government control we need."*
2. *"If we had no social security, many people would go hungry."*
3. *"The government should do for the people what the people are unable to do for themselves."*
4. *"The right to strike is conceded, but. . ."*
5. *"Too much government? Just what would you cut out?"*
6. *"The size of the national debt doesn't matter because we owe it to ourselves."*
7. *"Why, you'd take us back to the horse and buggy."*
8. *"The free market ignores the poor."*
9. *"Man is born for cooperation, not for competition."*
10. *"Americans squander their incomes on themselves while public needs are neglected."*
11. *"Labor unions are too powerful today, but were useful in the past."*
12. *"We have learned to counteract and thus avoid any serious depression."*
13. *"Human rights are more important than property rights."*
14. *"Employees often lack reserves and are subject to 'exploitation' by capitalist employers."*
15. *"Competition is fine, but not at the expense of human beings."*
16. *"We're paying for it, so we might as well get our share."*
17. *"I'm a middle-of-the-roader."*
18. *"Customers ought to be protected by price controls."*
19. *"The welfare state is the best security against communism."*
20. *"Don't you want to do anything?"*

Each one is on a separate sheet, 8½" x 11". Single copies for the asking. Quantities at 1¢ a sheet. For sample copies (no charge) write to:

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, N. Y.

THE Freeman

THE SOURCE OF WEALTH

■ It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of the people.

ADAM SMITH
Wealth of Nations, 1776

THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

To: _____

_____
street

_____
city zone state

PLACE
4½-CENT
POSTAGE
HERE