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PAUL L. POIROT

The Pension Idea

Editor's Note

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The progress of which we boast in America seems to have become a problem.

Material progress, including the advance of medical science, has lengthened the life span of individuals. Added leisure is another dividend made possible as men have learned to produce beyond their minimum requirements for sustenance. In many minds, these two aspects of progress have combined to create the "problem" of gracefully growing old – security for those who are retired – the pension idea.

The Pension Idea

Pose "Grandma's" kindly questioning face above the caption, "Why Do They Hate Me?" or display an elderly couple with, "Would You Let Them Starve?" The result will be an emotional appeal beyond the capacity of the typical charitable American citizen to reason. Where is the man who would deny security and sustenance to the aged?

This instinct to be charitable seems to be a universal human trait. Kindness toward the unfortunate comes naturally to people – friendliness between neighbors, strong family ties, the ready extension of a helping hand. Persons of no one nationality, nor of any "class" within any nation, ever had a monopoly on charitable instincts. If people of foreign lands have seemed less charitable at times than Americans, the reason might well have been the lack of freedom to exercise it, rather than any lack of the charitable instinct.

For the substance of alms is to be found in cold economic reality, not in misty-eyed sentimentality. If tears blind us to reality, our sentimentality to that extent renders us quite as helpless as those for whom the tears flow. Grandma will not survive on salt water.

Charity is the voluntary response to need as recognized by the donor. But the mere existence of "need for help" does not

assure the extension of charity. On the contrary, the granting of charity works from the opposite direction. Unless someone possesses property, or its equivalent in energy needed to perform a service for another person, there can be no charity. Short of suicide – giving his life for a friend – not even a kind deed can be done until the doer has saved enough to sustain his own life while he performs the act of kindness.

The United States of America was founded by men who generally understood the true nature of charity. The rights to life and the pursuit of happiness were then known to be based upon the liberty of the individual to produce according to his capacity and to consume or dispense that product according to his own judgment, provided he respected the similar rights of others to what they had produced. *The right to accumulate a surplus of personal property beyond one's immediate needs is the foundation of capitalism and the only true foundation upon which the principles and practice of charity can stand.*

False Charity of Government

The fact that the formation of capital and the means behind charity both stem from a common source, the savings of productive individuals, is not well understood. Some people believe that a government can be charitable. They will even go so far as to say that the government is obliged to be charitable under the "general welfare" clause of the Constitution.

But the Constitution does not say that the federal government shall promote the "general welfare" of special interests – the welfare of one person at the expense of another. A government cannot be charitable because the only property at government's disposal is that which it has confiscated –

taken from individuals by taxation. Such compulsory sharing can hardly be classified as true charity. The giver is forced to contribute, with no opportunity to appraise the "needs" of the receiver or to judge the goodness of the deed. Charity is not a product of coercion; there is no such thing as charity unless it be granted voluntarily.

The framers of the Constitution sought to guarantee the rights of individuals to own property. They understood that whatever government can do to secure those individual rights to property is a contribution to the general welfare – and that no government can promote the general welfare in any other manner. Only through safeguarding their right to ownership of property could the Constitution permit individuals to be charitable. The government established under the Constitution was so limited in power as to allow productive persons to accumulate the only means from which charity can flow.

In a climate of personal freedom tempered by the Constitution, which granted limited powers to government, the people of the United States prospered to the envy of the people of any other time or place. And the instinct toward charitability was widely exercised. Here lies, undoubtedly, the reason why Americans have been noted for their magnanimity. And here, too, may be found the reason why some people of other nations or of other times may have seemed to lack the charitable instinct.

A slave has no opportunity to perform an act of charity. He has no property and no right to retain or give away anything he might produce. He is a slave. And the nature of the cloak and the throne of the master is of little consequence to the slave. Whenever individuals become slaves of the government – when they are dependent upon government for

education, medical service, housing, minimum diets, employment, sustenance in old age — then to the extent of their dependence they have lost the opportunity of being charitable.

Government cannot charitably diminish need, because government is non-productive. Individuals produce. But a "welfare" government can and does destroy the incentive of productive individuals. If a people seem to be losing the instinct of charity, that loss may well be traced to the power of government to regulate their lives. If the people themselves have given that power to government, even in the name of democracy, they deserve little sympathy. That the rights of individuals may have been surrendered through their lack of understanding, alters neither the fact nor the consequence.

The modern dreaming of pensions is but a phase of man's never-ending search for "life, liberty and the pursuit of happiness."

The Dividend of Freedom

Government in the United States was designed as the defender, with equality and justice, of the life and property of every individual. Under such a government, the people of the United States became highly productive and were thrifty in the accumulation of tools to aid them in production. One dividend of individual initiative and enterprise, springing from this guarantee of the right of a person to the product of his own labor, was a high level of material well-being for all citizens. It cannot be proved that this development has brought complete satisfaction at all times to all people; no system of government and economic way of life can claim that degree of perfection. But the American system has been widely recognized as the best in the world in this respect.

This fruitful system has been undergoing a change. In the United States during much of the Twentieth Century, the savings of individuals have been increasingly subject to systematic plunder. Savings have been stripped of their purchasing power. The dollar of 1950 has about a third of the purchasing power of the dollar of 1900.[1] And the theft has been accomplished under governmental management.

One after another, the traditional storehouses of the wealth – the property – of individuals have been pried open by government. Savings have been dissipated. And in their stead have been substituted promises of future replacement by taxing future production. The result has been progressive inflation, a process which sends the aged in search of the security which has been taken from them. When each passing year of life further depletes what a man thought he had laid aside, then men of foresight become panicky for protection in their declining years. In panic, men seize upon strange cures. Without understanding, new meanings are accepted for old words such as "freedom" and "liberty."

When the government resorts to the tactics of a Robin Hood or a Sicilian Giuliano, it has ceased to be a protector of property rights or a guarantor of security. Instead, it becomes the weapon by which one citizen, or a special-interest group, may rob other persons, upon the excuse that these others had produced and saved more than their "fair share." Government cannot create security in this fashion, by taking one man's earned security and giving it to others, in accordance with politically determined need; it only destroys security.

[1] The National Industrial Conference Board index of consumers' prices, taking January, 1939 = 100, was 160 in early 1950, compared with 53.6 in 1899 and 55.6 in 1900.

Thus, theft has become legalized. In the confusion of that situation, the hangers-on and victims together have turned to their government, to the chief of the thieves, asking that he extend and better organize his foraging, and hoping to catch more crumbs from more stolen property. But always there are more and more victims dependent on fewer and fewer crumbs. Only the head robber and a few of his hirelings can be expected to continue their ill-gotten gains under such a state of affairs – and inevitably at the expense of those seeking crumbs.

This vicious system of concentration of power feeds upon itself, each step creating a new crisis which seems to justify the next step. It can feed upon the security of individuals in proportion to their lack of understanding of the value of individual freedom. Government can provide "security" at the minimum level of a society of crumb eaters, but such "security" permits death by starvation, as experienced in Russia under such a scheme.

So it is that men who have been stalwart defenders of the rights of individuals, of the freedom of enterprise, now find themselves reduced to indigence by a power they fail to comprehend. Since their "school days," they have thought of government only as an agency for their protection. They continue to look to government for protection – even after that government has committed the crime of robbing them of the security they once had.

Those who contend in this day that the government of the United States owes a living to any citizen, or group of citizens, are forfeiting their own liberty and that of their fellowmen to a grasping government which can and will make beggars of men otherwise able to care for themselves and naturally

inclined to be charitable toward others. Much of the apparent need for governmental aid today is strictly a product of too much government, not the other way around. When government forcibly deprives productive men of a fourth to a third of their earnings, as it does now in this country, it has seriously reduced their opportunity to care for either the aged or the youthful unproductive members of their own families.[2] The cure for this situation lies in less government – not more; in greater individual opportunity – not less.

If all fathers and mothers were shot or herded into a concentration camp, their children would stand little chance of survival to maturity. If productive men are taxed by government of their charitable means and of further incentive to produce, then unproductive persons can no longer hope for charitable "security."

The "right" of any person to "freedom from want" exists only to the extent that some productive person enjoys liberty to be charitable with what he is able to produce and save. *History records no instance where governmental intervention has solved a problem of starvation among free men. And further, that problem will never occur where individuals are free to produce, save, and help the needy.*

Signs of Greed

Among those most anxious to "share the wealth," the false notion prevails that private saving is a sign of greed. To have produced beyond one's needs is, in their minds, a mark of selfishness to be corrected by government. On the contrary, the selfish person is the one who claims a right to what another person has produced – through forthright robbery, or

[2] For more detailed discussion of the extent of lost liberty, see Chapter 13, *Liberty: A Path To Its Recovery,* by F. A. Harper (Irvington, New York: The Foundation for Economic Education, 1949).

by riding into or maintaining himself in public office on such a platform.

Would you be unkind to Grandmother? Let the old folks starve? Passing the buck to government for the answer to those questions means the loss of individual liberty to practice Christian charity.

Whatever security has been lost to individuals in the United States can be recovered only through the slow and difficult process of taking back from the government the liberty which persons have given up in worship of governmental power, and in the illusion that personal responsibility can be shifted to someone else. This task demands thinking, of the kind which leads to understanding. It requires that every man think for himself and understand how the source of his own security is to be found within himself.

Production is Security

Where liberty prevails at the maximum, each individual is free to develop, to the extent of his unhampered ambition, his own peculiar skill or ability and to trade it for what others have to offer. The advantages of freedom to specialize in production and of freedom to trade have allowed modern Americans an escape from the agrarian self-sufficient way of life known to their ancestors.

But the foundation of security in either the agrarian self-sufficient society or the industrialized society of specialists is the right of the individual to the product of his own labor. It is the right to produce a product or perform a service, and the right to use that product or service for one's own consumption — now or later — or for sale or exchange, or as a gift. The right of an individual to the product of his own labor includes the right to own property and to manage its dis-

position. This right of the individual carries with it the responsibility to recognize and to protect the similar right of every other individual. Otherwise there can be neither incentive for production nor freedom of exchange.

In any society which strictly recognizes and protects property rights of individuals, what a man consumes is limited by what he has produced or has received as a gift from others. And the combined production of all individuals is the absolute limit of possible consumption of all people.

The people of any nation consume about as rapidly as they produce. The poorer they are, the shorter the time lag from production to consumption. Some Asiatic nations never have found a way to conserve food enough from a bumper crop to avert famine in a year of short crops. In modern America the flexibility of an animal agriculture, as a storehouse and converter of feed-stuffs into human food, averts any semblance of famine during and following a year of poor harvest. A "bad year" for an industry still leaves the durable tools of production for use in following years. But even in highly industrialized America, nearly all the goods and services consumed within any year are those which are produced in that year. On a national basis, we have not been able to afford — or it has never seemed worth the cost — to store up a significant supply of consumer goods for security in the distant future.

Try to imagine the cost and the colossal magnitude of the warehousing task in accumulating in this country at any one time even a two year's supply of all consumer goods. For instance, in recent years the corn crop of the United States has averaged well over 3 billion bushels a year, yet the largest year-end carry-over of corn in history on October 1, 1949, amounted to slightly more than 700 million bushels. And the

government then was turning to discarded airport hangars and liberty ships in frantic search for storage space for "its share" of the grain carry-over. There have been indications that carry-over of an extra year's supply of potatoes would constitute another problem. The stench of government-owned dried eggs arose from a stock pile at the end of 1949 amounting to less than 5 per cent of the annual egg production of the United States.

Imagine two years' supply of coal above ground; two years' supply of gasoline in storage tanks; two years' supply of new cars in show rooms; two years' supply of men's suits or ladies' hats; even two years' supply of water for New York City.

The route to security does not lead in that direction.

Wealth of Capital Goods

But what of the capital wealth of an industrialized nation? What of the miles of railroad track, the facilities and equipment of the mines, the steel mills, the breeding herds of livestock, the farm machinery, the factory assembly lines and machine tools — the working capital of American enterprise? Is there not a great backlog of security in these things? Careful study reveals that aside from the value of land, the combined value of the productive capital equipment in the United States is about equal to the value of total stocks of consumable goods on hand at any given time, and that either of these figures is about equal to the amount spent by all persons in a year for all consumer goods and services.[3] These facts sug-

[3] The most recent National Industrial Conference Board analysis of national wealth in 1938 valued productive capital other than land at $70.2 billion, and stocks of goods at $73.2 billion. Personal consumption expenditures amounted to $64.5 billion in 1938. Such evidence as can be found of change in these relationships since 1938, generally indicates accelerated consumption and less saving by individuals.

gest that even in the America of "fabulous wealth" there is no great backlog of security stored up in those things which men have produced.

If there be any enduring security for men in this world, that security rests in the preservation of individual liberty and private property — opportunity and incentive from which stem man's willingness to keep on producing. This simple truth applies as much to an industrialized economy like that of the United States as to a primitive tribe of hunters or to a nation of Chinese farmers constantly striving to avoid starvation. Its truth is not altered by medical discoveries which lengthen the life span of an individual. A nation of oldsters is no less obliged to consume in accordance with what is produced than is a nation of youngsters, or a nation of men and women in the productive prime of life. Any law which promotes idleness, or which tends to limit the constructive effort of any individual, is a bad law.

The standard of living in the United States rose above the world level, not through decrees limiting individual productivity, such as "compulsory retirement at age 65," but because every individual had the right to work and the right to have the product of his own labor, regardless of age, race, or other status. History has recorded no workable substitute for this incentive to production.

Exchange among Specialists

The more highly industrialized a nation becomes, the greater is the variety of occupations to which individuals may direct their efforts. Some men produce apples. Others make watches. Some search for gold. Some apply their energies to management of a business. Some men own the tools which they use to increase their productivity. Others — "employees" —

do not own the tools which they use in producing a product or service for sale. From the proceeds of sale, managers and other employees derive both their own wages and the necessary reward to the stockholders or owners of the tools.

In a truly liberal society each individual has the right to the product of his own labor. He also has the right to turn to the occupation of his choice. A delicate mechanism known as the free market guides him automatically toward the most useful occupation for his talents. The sole function of the free market is to guide production and consumption among men who exchange goods and services with one another. A free market does not guarantee a "living wage" or even a job to any worker, or a profit to any investor. It is a non-coercive and impersonal guide primarily concerned with results. Each individual is free, if he chooses, to produce the maximum amount of which he is capable. It forces no one to produce, nor does it afford anyone a direct reward for having failed to produce anything. It allows him to give of his product to other individuals, but does not force him to do so. American enterprise has never enjoyed complete freedom of exchange, but the degree of individual liberty has been sufficient to yield the highest level of real security the world has known.

The Agricultural Ladder

Under a system which protects the right of the individual to property and to the product of his own labor, the individual may give away, or set aside part of his production for more tools and for future consumption, to whatever extent his current consumption is less than what he produces. But he must do more than produce the surplus; he must arrange for its safe-keeping if he is to enjoy its use in the future.

In the United States there used to be a mechanism known as the "agricultural ladder" by which a farm boy might come into possession of a farm of his own. In those days, a farm youth gained experience on his father's farm, then worked for a time as a hired man for a neighboring farmer. Eventually he might expect to save enough from his wages to acquire a team of horses and sufficient tools of farming so that he could rent a farm. As a tenant, he might begin to build up a dairy herd or the foundation stock for some other livestock enterprise. As his ownership of tools and livestock and his other savings increased, he could look forward to the down payment on his own farm land and buildings, the former owner holding a mortgage on the property until the young farmer could work himself out of debt. And that led to the top of the ladder – ownership of all the capital needed in one's own business.

Under this system, a man could arrange for security in his old age. He could rent his farm to someone else. Or he could sell it to a younger man, taking a down-payment and a mortgage. The income from this combination loan-and-sale would provide the living for the retired farmer. It was immaterial whether the new farmer was the son of the one who retired, or someone outside the family. The security of the older man was assured by the fact that he had saved something of value – capital – which could be used productively by someone else.

Industrialization

This principle of saving, this method of providing one's own security against old age, was not outmoded by industrialization. There was no magic in the "agricultural ladder" unless

it be the productive magic that lies in the right of each man to own and dispose of what he has produced. Tools and facilities and experienced workmen are requirements for any successful business operation, whether it be a one-man farm or a factory which affords employment to hundreds of workmen. Industrialization, the division of labor whereby each man is a specialist, allows greater output by each workman. But if the benefits of industrialization are to be widely dispersed, if this system is to prove effective, there must also be freedom of opportunity to work and freedom of exchange — no monopoly by management, by organized labor, or by government. Each individual must be free to work and to exchange what he can best produce for the things that others can best produce.

Some persons have been contending that industrialization must be followed in America by a wholly new attitude on the part of "business leaders" toward "employee welfare," "community relationships," and other "social responsibilities." They will argue that the "pension problem" is a by-product of the assembly line. Somehow, the man who punches a drill press 40 hours a week is supposed to be dulled by the monotony of the operation. He becomes a mechanical man, adept at a single operation, to the point that he cannot remember why he took the job in the first place, or why he goes back to work every day except Saturdays, Sundays, and legal holidays. Thus, he is supposed to become a ward of an industrialized society, fully dependent on someone else whenever he steps from his place on that line — a pensioner, unfit to care for himself. But, why?

Since when has monotony become this thief of foresight which destroys a man's independence? Does he not sleep 8 hours each night — 56 hours a week? Most men must sleep

to keep alive. Is the man who sleeps regularly each night until he reaches the age 65 entitled to a pension by reason of that monotony? Since the dawn of man he has slept regularly, weekends and holidays included, with all the monotony of the machine-age assembly line.

The Mystery of the Pay Check

Does not his wife explain to him during the intervals of 72 hours a week between sleep and work that what he brings home in the pay envelope buys food, clothing, fuel, shelter — necessities, and luxuries — all told, perhaps ten times as many things as hundreds of millions around the world find actually necessary for sustaining life? Do his labors at the drill press somehow prevent his understanding that someone had postponed consumption long enough to produce and save the drill press he uses — someone now receiving income from that saving? Is he thus deprived of understanding the only process by which there can be any provision for his own old age? Does he want some other "operator" to direct him through life in the same manner in which a drill press is operated in an assembly line? Those who would argue that industrialization is father to the need for pensions leave unanswered many such questions that cannot be ignored.

The reverse of industrialization is an agrarian society of self-sufficient farmers, each providing his own food, fuel, clothing, medicinal herbs, shelter, and recreation. Would those who hold the "machine age" excuse for pensions consider this to be the "perfect society"? Or would these same individuals have found in that agrarian society of their ancestors the same supposed need for pensions because some farmers were more productive than others?

Progress stems from productivity, and industrialization is

a mark of progress. But unless productivity itself is the problem, how can it be argued that industrialization gives rise to need for old age pensions? Does one who grew old hacking a meager living from the soil find any less social justification for his old age than one who hacked a much higher level of living from a drill press in an assembly line?

The Industrial Ladder

So long as each productive man is free to dispose of his product — or the monetary returns from it — as he chooses, the principle of the climb toward security can function in the manner of the "agricultural ladder." Then the workman on the assembly line in a factory has the opportunity to save a part of the value of what he has produced. He may convert this money saving into tools of production, land, buildings — whatever he pleases — thus contributing, as owner and guardian, more and more things of value to a new generation of ladder-climbers.

If any man is to enjoy the privilege of climbing any ladder of his choice, of choosing his own place of work, without coercion, then every man must have the freedom of choice to spend or to save what he has produced. If the government is to direct the savings of individuals, the government also will direct their labor and decide how much of its worth the individuals may claim as their own. History records no exceptions, nor can there be any exception to that principle.

Let there be no misunderstanding about this principle of climbing a ladder to security. It involves work and thrift. Each step requires effort. A mis-step can be painful — perhaps disastrous. The security at the top depends upon the productivity and thrift of individuals. Each man's rightful share depends in part upon his own productive effort and in part

upon his thrift. Any security beyond that rightful share can be had only through the voluntary workings of true charity, or through theft.

Company Pensions

Karl Marx did not believe in private ownership and control of property. His blueprint for overthrowing capitalism was conceived in the erroneous belief that the income of workers would not rise above the level of bare subsistence unless the state intervened to give each his "fair share."

In more modern times, Lord Keynes dealt with the same concept in what is popularly known as the "purchasing power theory of wages." His solution to "the problem of the day" was to spend and spend – to give enough money to workers to enable them to buy back all that could be produced.

The ideas held by the disciples of Marx and Keynes rest upon the assumption that every man is somehow entitled to a certain level of living, or to some "fair share" of all that "the community" produces. They would place no responsibility upon the individual to find his place in the community by competing in a free market. In fact, their logic tells them that a man's mere existence, whether or not he is productive, is sufficient basis for his claim of a "share" against "the community's" supply of goods and services.

This collectivist logic is exactly the same as the concept of pensions for retired employees financed in some manner other than by the savings of the employees. The man lives; so it is asserted that he is entitled to "his share." On the validity of that point alone must rest the case for compulsory company pensions. Unless one believes in collectivism – the forceful subjection of individuals to centralized control for the "common good" – he cannot defend the concept of com-

pulsory pensions. Advocates of such pensions have concealed that truth with considerable success. Promises impossible to fulfill have been made by management, while stockholders, public officials, union officials, employees, taxpayers, and others join in endorsement of what amounts to a blank check from a man who has no bank account.

Worn-out Workers

The union cry is that a venerable employee has devoted his best years to the company. And therefore, the company *must* support him for the rest of his life. Like Marx, they are saying that employees are chronically underpaid. When company management agrees to that kind of a pension claim, it says in effect: "Yes, our policy has been to underpay employees, and we hope to continue the practice."

The company sets aside a depreciation fund for its machines but makes no provision for its worn-out employees. That notion rests upon the assumption that the company can own a man as it owns a machine — that the company "buys its employees for keeps" — that men are not free to choose or change occupations. Men are not like machines. A man can operate a machine, but the mechanical operation of man remains human mystery.

It is true that a machine wears out and has to be replaced, but a machine is a capital implement specifically designed for a specific purpose. The purpose is to enable a man to use his labor to *better* advantage than he could without the machine.

Unless some workman wants to use a machine, it is just a piece of junk — worthless. A workman's "right" to use a machine carries with it an obligation to reward the owner of the machine for its use. Those facts must be of first consideration to any successful manager of a business operation. The mana-

ger's job is to assemble the facilities and machinery with the hope that other men will want to join him in the use of it as a way of increasing their own productive capacity. The workman bargains with the manager for a wage. That wage is the price the workman receives for his product. The manager in turn attempts to resell the workman's product in the open market. Unless the margin between what he paid the workman and what he received in the market for that product is sufficient to cover the maintenance and replacement costs of the factory facilities and machines, this manager will discover that he failed to earn the wage for his own efforts. The question would then be: Should he quit, or wait for the stockholders to replace him?

Trial and Error

Consumers constitute the impartial jury in the continuous trial to which the products of each business operation are subjected. This jury does not concern itself with motives and theory – just facts. The final products of the business operation, the supplies of these products and their quality, comprise the facts. The jurymen are not directly concerned that the product of "X" company was produced in 18 minutes by 27 workmen whose wage was paid 80 per cent in cash and 20 per cent in deferred benefits called pensions. Nor are consumers directly concerned as to the annual salary of the manager of the "X" company. To this jury, it is immaterial that machines were used in the operation, or that the company's accounting system allowed adequate depreciation of the machines. The product itself, and not its history, sways the verdict of the jury of consumers.

The trial is continuous. A verdict is released each time a sale is consummated. The free market allows the verdict to

vary from one sale to the next, in consideration of new evidence of supply or demand.

Under this process of direction of business operation by consumer verdict, through free markets, it is illogical to contend that the manager of a business is free to arbitrarily set the wage level of employees wherever he may desire, or that he may arbitrarily add pension benefits to the going level of cash wages. Such argument is equivalent to saying that each workman should have the right to any job of his choice at whatever wage he wants. But that would assume the absence of competition. It cannot be thus under a free market. In such a market, the self-employed worker takes his product and bargains with the consumer. In that way the worker discovers the value of his labor. That he may choose to deal with the consumer through an intermediary, the manager of the business, in no way alters the essential nature of the market process of valuing a product or a worker's time. The wages of management are similarly determined. The same free market process determines the size of the stockholder's reward.

Employee-Controlled Pensions

The subject of compulsory company pensions is not to be confused with any pension plan whereby each employee has the right to request that the company withhold a portion of *his* current earnings to be paid to *him* as a pension at some time in the future. Even though the company sets aside a specific pension fund for a specific employee in this manner, it is in reality a part of his wage, to be included in the company's current cost of labor. The individual employee has a choice as to when he will accept his wage – now or in the future. And if he really has control over the choice of his being in or being out of the plan, then it is not compulsory.

So long as the choice of staying in or withdrawing his accumulated fund rests with the employee, the company management cannot use the pension fund as a means of tying the employee to his job. If control of *his* pension fund is vested in the employee, then it cannot be used to immobilize him when greater opportunity exists elsewhere.

If the employee is to have full control of his own pension fund he must be free to determine how and where the fund is to be invested for maximum security *to him.* If the employee is to have full control over his own security he must be at liberty to so handle his pension fund as to keep it out of the control of company or union or public officials; he must be free to protect his own interests and to promote the "general welfare," *as he sees it.* The employee might well choose to invest for his own security in the stocks or bonds of the company which provides his employment, if he is free to do as he pleases. Such freedom to choose the field of investment does not exist in the case of compulsory company-controlled employee pension plans, whereby the company is told by government officials how and where the pension fund is to be invested for what they call "safety."

Who Will Decide?

Each employee should have the right to save any part of what he has produced, and to keep it in the place and form chosen by him to best protect his future. He should be free to bargain as an individual with his employer, free to designate his employer or others as manager and custodian of his savings if he chooses, free to withdraw and either reinvest or use his savings whenever and however he pleases. To that extent, and only to that extent, may an employee "be a man instead of a machine" with respect to his own security.

The compulsory company or union pension plan allows no such freedom or security for the employee. If the individual employee lacks control over his supposed savings, then his only immediate concern in his pension is whether or not it makes a difference in his current take-home pay. He doesn't care whether it is promised out of accumulated assets, or current income, or future earnings of the company. But how the pension promise is to be fulfilled does make a difference to stockholders of a company and to employees of the future.

The Funded Pension

Some advocates of compulsory company pensions contend that the only problem is to see that the pension is funded on an actuarially sound basis. This means that each company would have to build up an investment trust during the working life of each employee, which would be sufficient in principal and interest to provide that employee's pension from the date of his retirement until his death. Their argument will be that some companies have already done just that — now have a sound fully-funded pension plan.

But the facts are that few of the business corporations in America today can boast a net worth sufficient to guarantee payment of a pension of $100 a month for each employee now on the payroll after he has reached the age of 65.[4] This means that some firms already have pledged themselves, via the pension route, into technical bankruptcy. Their promise extends beyond their own means of delivery. This situation may

[4] "If the union's proposed pension plan is made effective, on that day U.S. Steel's liability for past service cost is one billion dollars. If the same union plan is extended to all corporations other than banks and insurance companies, the liability of such corporate industry is more than its entire working capital of $65 billion." — Statement by Enders M. Voorhees, Chairman of the Finance Committee, U.S. Steel Corporation, before the Presidential Steel Board, August 22, 1949.

be clarified somewhat by a mental excursion into the market place.

The promise of a pension payment to any employee now on the job, just like any part of the wage currently received by him, must be considered as part of the current cost of production. If the pension is fully funded – an amount accumulated during the working life of the employee, sufficient to satisfy his pension claim at retirement – then the cost of the pension automatically becomes a part of the current cost of the labor utilized to get the product into the market place. If the market price fails to cover this specific item of cost, the company is headed for failure just as surely as though it could not afford to buy raw materials or pay the tax bill. If the product cannot currently carry the full load of the pension promise, and still compete in the market place, then the employee has no security in the job that promises such a pension dividend.

The Empty Promise

On the other hand, if the company pension is unfunded – promised to be paid out of the market price at some time in the future – it is indeed a foolish promise. No business manager in a competitive industry, nor any union official, can have that kind of control over market conditions of the future as to either the prices of commodities or the wages of labor. Such a promise, then, becomes in reality an immediate claim of employees against the capital of the company – against the equity of holders of stocks and bonds in that company. Recent stockholder approval of unfunded pensions indicates considerable lack of understanding concerning the full meaning of those promises. But eventually, enlightenment will be forced upon stockholders, bringing

death to the false theory of the unfunded company pension as a means of postponing reality.

Recent reports of companies in the steel industry, for instance, indicate overwhelming stockholder approval of employee pension plans, the cost of which runs in some cases to as much as half the current rate of net earnings of the company. Unless this cost is to be recovered by cutting the future wages of employees, it would seem that stockholders have been voting away some part of their equity in the business. They have voted a fixed cost which may prove unbearable in less prosperous times.

The argument has been advanced in some quarters that company pension plans will pay off in greater employee satisfaction. However, a certain consequence of an unfunded (to-be-redeemed-in-the-future) pension promise is that it must discourage younger employees and applicants who stop to realize where the burden of the unfunded promise will fall. Such a promise constitutes a lien against the wages of workers in the future. It places a sizeable problem in the lap of the company's director of personnel.

Illusions of Monopoly

The reason why management has been willing to promise pensions payable out of future earnings, and why stockholders have been patient about these enactments of management, might be the belief that the company stands secure against competition, that it holds a position of market monopoly. In some instances this monopoly position has been promised by leaders of organized labor for all companies throughout an industry. The company management has promised pensions to retired employees, out of future earnings, because the union leader, by the very nature of his

demands upon the entire industry, has pledged to management the privileges of monopoly in its future market operations. Unscrupulous or unthinking management thus feeds the growing power of union leaders, at the expense of stockholders, future customers, and future employees of the company.

On such a foundation of mortgaged futures and pyramided personal power rest all schemes of compulsory unfunded company pensions. The structure is no more secure than monopoly can make it – no better for the "general welfare" than collectivism can be – whether advocated in the United States or in England or in Russia.

The promise of a pension is an immediate cost of production. If it is not currently recoverable from the market place – from the jury of consumers – it is a fraudulent promise from either a prospective bankrupt or from a would-be dictator.

Deferred Wages

If the product can meet the market competition, can afford an allowance toward employee pensions, that is just another way of saying that the company could afford to pay higher immediate wages to employees, were it not for the pensions. In fact, the voice of the market then would be signaling the success of that company and a possible expansion of its operations, to provide additional plant and facilities, to provide better employment opportunities to present employees and an open door to new employees.

Industrial progress is thus directed by the market. If the direction is heeded, greater productivity occurs, and the general welfare is promoted. Consumers – all consumers – can designate their most urgent needs in a free market. When-

ever government, or company management, or the organized union of employees ignores that compass for progress, modifies the current market signal with some far-off pension promise, then consumers generally will have been deprived of opportunity to guide progress as they see it. Individuals will have been subjected to coercion – forced to promote the "general welfare" of a favored few. At whose expense? Primarily at the expense of the liberty of those who seek employment – who want to be productive.

Government Pensions

Some business leaders know the futility in a competitive world of attempting future delivery on promises of juicy company-financed pensions to all aged employees. They know that business is not transacted in the realm of promise and make-believe. Yet, some of these same persons will say that the problem of caring for the aged is a responsibility of government. They forget that government has no income beyond what it takes from those who expect governmental protection.

This is not a matter to be considered lightly. It is not a question of a little bit of governmental intervention in behalf of the "general welfare," in an "emergency." This is not a question of following some middle-of-the-road course to security. For the government to guarantee pensions for all, amounts in effect, to governmental ownership and control of all wealth, all production, all consumption – all individuals.

This proposed wonderland for the aged idle, this promise of adequate sustenance for all who are old enough to retire, has two approaches. One path might be called the direct approach. It is well lighted and clearly marked. It simply calls for governmental possession and control of all wealth

— confiscation of all private property. Most proponents of "pensions for all" would surely deny any such intent on their part. Yet, the facts ought to be examined.

Enough for All?

The total wealth of the United States today is presumed to be worth approximately $619 billion.[5] Put it into one giant pension fund, managed as well as private life insurance companies have been able to do with their investments in recent years, and the annual income from the fund will be about $15.5 billion. Divide this equally between 12 million people aged 65 or over and the individual monthly income would amount to $108.

This pension fund would embrace the ownership of all land, oil and mineral rights, factory buildings, railroads, communication facilities, water-works, machinery, tools, livestock, homes, furniture, inventories of goods, and all other property — everything. There would be left no other investment opportunity — no means by which any individual might save for his own account; all savings, all wealth, would be swallowed up, into this pension fund.

Such an all-embracing pension scheme would constitute socialism, or communism. A completely dictatorial government would be the penalty for the pension-paved road to universal "security."

The inadequacy of the monthly income, which would be available to each person of retirement age, is not the real danger in the scheme just outlined. At the outset the plan

[5] In its Economic Almanac for 1950, the National Industrial Conference Board reported a national wealth of $309.4 billion for 1938. The author has taken the liberty of multiplying by 2 to bring that figure up to date. This adjustment is presumed to cover the effects of monetary inflation plus any additions to real wealth since 1938.

could yield a bearable level of living for all those over 65, though it would be distasteful to many who had known a higher degree of security. Under the "plan," each elderly person would be allowed $108 a month, *and nothing more.* There could no longer be any accumulation of private property to be transferred at death to one's dependents. There could no longer be any privately endowed schools or colleges, or other charitable institutions. There could no longer be any personal ownership of homes, farms, offices, or anything else. The pension fund would own all property – and any person wanting to use the property, in his business or daily living, would rent it from the pension fund monopoly. Collectivism as a way of life differs from capitalism in these and in many other important respects. A compulsory, fully-funded pension for everyone is collectivism – the whole works – with all the insecurity that collectivist dictatorship involves.

Cause for Alarm

Take from every man the opportunity to save and the responsibility for his own old age, and you will have taken from him the precious goad of progress. With no incentive, who would labor to replace the worn-out tools of industry? Who would go to the effort of erecting a new factory building and equipping it so that others might have jobs? Who would produce beyond the necessities of today? Who would develop such things as automobiles, airplanes, radio, refrigeration, television – things which the capitalistic system has freely spawned to the benefit of all men?

The answer is that they would not be done at all, if we may judge from history. The police state destroys rather than builds, because it lacks in creative motivation. The directors

of the pension fund would have to direct everything else, too. The result would be, not the record of rising wealth and increasing security characteristic of America's past, but the record of decay and loss of wealth characteristic of the decline of ancient Athens and Rome, modern Britain, and of all other civilizations in which men have been tempted to exchange individual liberty for promises of collective "security."

The dangers of the direct path to "universal security," whereby government would confiscate all private property, are so well understood that few Americans would try to follow it. Yet many propose that we follow a more devious path to the same end.

The Back Door

This second approach to "universal security" would leave the apparent ownership of property in the hands of individuals, with the government printing new dollars for distribution each month to all pensioners. Some persons might argue that a third alternative exists — that the government can tax workers' incomes or tax private property in amounts sufficient to provide the pension funds. However, this amounts to the same thing as counterfeiting new dollars to cover all governmental expenditures. Governmental inflation of currency is simply an easy way of imposing taxes upon everyone — consumers, producers, and owners of property.

It should be clear at this point that government can finance itself in either of two ways. It can impose taxes upon production and property sufficient to cover current governmental expenditures. Or, it can resort to deficit financing. The taxation method is deflationary; it is obvious to the people; it is not a smooth technique for robbers. The second method is inflationary, easier to camouflage, and, therefore, much more

popular than outright taxation. But the end result is the same. *The governmental debt is just as surely a claim against private property as though the title had already been transferred, as it would have been under direct taxation.* The only question yet to be answered pertains to how and when the government will exercise its control over what it already has confiscated.

Theoretically, the government could print enough new money to cover pension checks of $100 each month and continue to do so indefinitely. The result would be a continuous process of runaway inflation until soon a mere $100 would command practically nothing in goods or services. The eventual collapse no doubt would be the "biggest and best" in our history, though certainly not without precedent in countries such as Germany, France, and China.

The pensioners probably would become exceedingly unhappy as their pensions dwindled in buying power. They would likely demand periodic increases in pensions to keep pace with the inflation of prices of the goods and services required by pensioners. This would help speed the pace of inflation and hasten the end of private enterprise. To all intents and purposes, governmentally sponsored runaway inflation of the currency amounts to exactly the same thing as governmental ownership and control of all wealth. With such a monopoly of wealth, the government would hold absolute control over all industry, all production, all workers, all wages. And the government could issue purchase coupons to any person — child, worker, pensioner — in whatever amounts it had promised, for whatever share of the "general welfare" the slide rule might indicate.

And so, in the final analysis, any governmental guarantee of pensions to all means absolute governmental control of all

things and all persons. Such is the "welfare state," stripped of its verbal enchantment and bared for its new role of distribution "to each according to need" and from each according to his aptitude as a serf under governmental edict.

The Touch of Midas

King Midas was an imaginary king. Human governors of men cannot "put the touch" on any thing or any person, and produce gold. No man acquires productive capabilities by becoming a public official. He only acquires the power to seize the fruits of the efforts of other individuals. Government may preserve the right of an individual to consume what he has produced or it may deny him that right – it may protect the institution of private property or destroy it. A government which professes to follow a middle road, between these opposites, can distribute the advantages of capitalism only to the extent that it also imposes upon the people the burden of collectivism. Such effort, at simultaneous preservation and destruction of a thing, is bound for frustration.

In a liberal society the sole function of government is to defend the right of all persons to enjoy liberty – to restrain those individuals or groups who refuse to respect the right of other persons to own property.

Under a collectivist society, the government destroys all property rights of persons – makes each individual a servant of the government, dependent upon the government for his entire livelihood. With the exception of the director-general, all citizens would be of equal subservience and of equal dependence. Each citizen would be guaranteed the full security of slavery in a society where all, except the one who rules and a few of his cronies, are slaves.

Governmental "social security" programs have no place in

a liberal society. Such programs are collectivism. The government collects from all who produce. Then, after bureaucracy has taken its heavy toll, the remainder may be distributed to consumers, in proportion to lack-of-productivity, or graduated to the advantage of the least productive.

The Master Fraud

No government, anywhere in the world, at any time, ever perpetrated upon its citizenry a greater fraud than is practiced in the United States of America today. Whether the practice is by intent or in ignorance does not alter its evil consequences. The "welfare state" in all of its ramifications is collectivism, exactly the same kind of collectivism advocated by those found guilty of communism in American courts – exactly the same kind of collectivism practiced in England, a country which the American government nurses as an ally in a cold war against Moscow where exactly the same kind of collectivism is practiced. Differences of degree are not differences in kind.

This inconceivable fraud is allowed to continue only because it is so inconceivable – especially to a people who have thought of their government as existing for protection of individual liberties, including the right of a person to the product of his own labor.

A government can afford "security" to part of its citizens only by granting to the favored ones a license to plunder the product and property of others. Each dollar of price-support money paid as social security to farmers is such a license. Each dollar of public housing construction is such a license. Each dollar of tariff protection afforded American industrialists is such a license. Each dollar of federal aid to education is such a license. Each dollar of Marshall Plan aid is such a

license. Each dollar of soldier bonus is such a license. Each dollar of federal pension, including all the federal "benefits" of social security, is such a license. Each dollar devoted to military preparedness against any "foreign" system – the principles of which are being simultaneously embraced in this nation – is such a license. All these, and many more, are licenses to consume, licenses issued against goods and services which are limited in supply in accordance with the incentive for individual production and thrift.

While Rome Burns

These are the dollars of deficit financing which are destroying the private ownership of property in the United States. These inflationary dollars destroy the value of other dollars which individuals have saved in the form of bank deposits, government bonds, life insurance policies and annuities – private effort to conserve a part of the earnings of productive years as security against inability to produce in old age. Every additional dollar of such "security" peddled by the federal government means less security behind every dollar's worth of production accomplished and of saving attempted by individuals.

The social security system is nothing more than an ingenious scheme of direct taxation upon production – a way of pulling a part of the product of each worker into the immediate service of the federal bureaucracy with a minimum of resistance from the hoodwinked victim. Perhaps the sustaining hope of the victim is that when he attains the age 65 he, too, may be allowed to join the counterfeit gang – take unto himself the right to rob the next generation of "his share" of their productivity. When the aged become robbers, who is to guide the morality of a people?

There is no security to be had from any government so long as its program, intentionally or otherwise, destroys private property, promotes collectivism, and progressively discourages production. Under such a government all liberty is soon lost. Serious cause for alarm exists in the United States today.

The Insecurity of Inflation

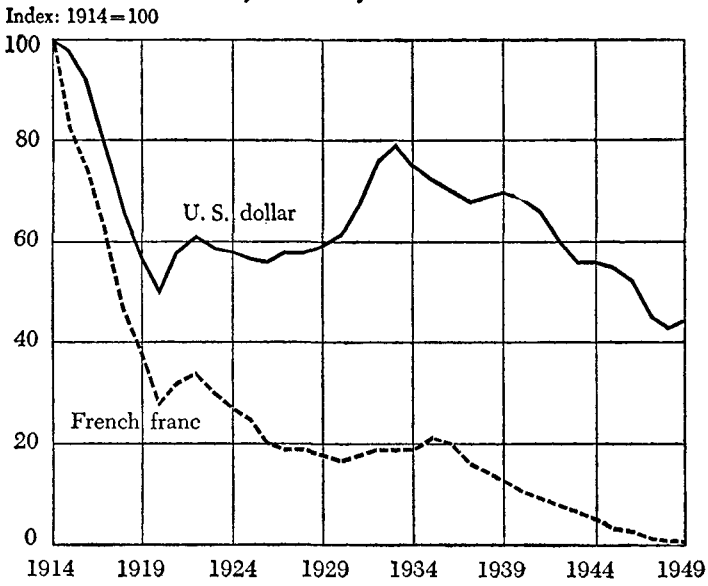
In many respects, developments in the United States parallel those of France since 1914.

Suppose that a citizen of France had arranged for his retirement in 1914 with a monthly pension or annuity income of a fixed number of francs, equal to the average French worker's monthly income of that time. The same number of francs per month in 1920 would have retained less than one-third of their 1914 value in terms of the goods and services they would buy.

In all probability, the man would have starved by 1920 had he remained solely dependent upon that fixed income. But stretch the point to suppose he survived. Between 1920 and 1936 his fixed monthly income would have been of varying worth, exchangeable for only one-sixth to one-third of the quantities of goods and services that he could have had for the same number of francs in 1914. In other words, if the old man really needed as much as he had planned in 1914, he would have found himself obliged, during those years of his supposed retirement, to earn all over again somewhere between 66 per cent and 83 per cent of his daily needs.

By the end of World War II, the franc was worth just one-twenty-fifth as much as in 1914. And in early 1950, a fixed monthly income which might have been adequate for ample living in 1914, would purchase only one modest meal a month at current prices in France. In 36 years, the French franc has

THE VALUE OF TWO MONEYS
What they would buy from 1914 to 1949



lost more than 99 per cent of its purchasing power. What happened to the old, old man is not a matter of record.

The French people reacted no better than Americans are reacting to such governmental plunder of their savings. They demanded governmental protection. Today, their "social security" pension formula calls for a pension based on a percentage of "average wages" for the ten years preceding retirement. The French people are attempting thus to ride the surging waves of inflation, but it doesn't work. The French government still collects workers' and employers' compulsory contributions toward "security" in francs of one value, then pays back the pensions in francs of constantly dwindling purchasing power. Promise-making, power-crazed governments

can provide no better "security." It is the same kind of "security" promised citizens of France by the costly Maginot Line.

German Version

Germany first embarked upon a program of compulsory old age pensions in 1889. Although some governmental subsidy was involved from the inception of the German program, Bismarck's theory called for employee and employer contributions so that pension payments might be withdrawn from a reserve fund that had been accumulated during the working life of the pensioner.

The inflation which ended in bankruptcy of the German government in 1923, of course, destroyed whatever pension reserves had been accumulated to that time. And thereafter, no real effort was made to handle the old age pension program except on a heavily subsidized pay-as-it-went basis — current workers contributing as retired workers withdrew pensions — the new generation supporting the past.[6]

The Hitler government made a pretense of accumulating a pension fund, but contributions paid into the fund immediately were diverted to whatever other use best suited the ruler's fancy. Thus, no reserve could be accumulated to meet future pension payments. Whenever other needs of government become more pressing, public "kindness" to the aged is likely to seem less important than otherwise claimed by all-mighty governments.

Hitler used the governmental pension fund theory exactly as it is being used today in the United States — as a method of taxation of working men. Compulsory federal old-age insur-

[6] For a more comprehensive record, see Walter Sulzbach's "German Experience With Social Insurance," published in 1947 by the National Industrial Conference Board, New York, New York.

ance became law in the United States in 1935. But inflation has the same effect on savings, voluntary or compulsory, in the United States as in France, in Germany, or in any other nation. When "over-spending by government" comes into general acceptance as the equivalent of "security," then an old word has taken a new meaning.

And It Happened Here

The traditional American concept of money as a medium of exchange and as a store of value has not been supported in fact for a long time, particularly since 1932. The dollar still functions as a medium of exchange, but its keeping qualities have been allowed to deteriorate sadly. The net effect of governmental policy in most of the Twentieth Century has been to destroy the function of money as a store of value, thereby destroying the value of savings.

In terms of the commodities it would buy, the United States dollar at the end of 1949 retained only 55 per cent of its 1932 value. The government printed dollars faster than things were produced for exchange. Individuals, either unaware of, or indifferent to the consequences of this governmental policy, have continued to suffer the illusion of money as a store of value. A man will say: "I have laid aside $5,000 in government bonds as a nest egg for my old age." Another way to describe his action is to say that he paid $5,000 for part interest in the facilities of the United States Bureau of Engraving and Printing, against which there is now a mortgage in excess of a quarter of a trillion dollars.

The urge for pensions as security against old age is, at least in part, an attempted defense against the monetary manipulation by which the government has created insecurity. A government which promotes inflation feeds itself upon the sav-

ings of its individual citizens. As the value of past savings declines, individuals become more and more concerned about the future, and ask for pension protection. The grant of that wish is an empty promise, designed to prolong the illusion that government has the means for providing security.

Designed in Paris

The six years of sharply-deficit financing in which the French government indulged, from 1914 through 1919, robbed the French franc of 72 per cent of its purchasing power. The government's rate of spending during that period averaged 4.4 times its revenue.

During three of those same years, from 1917 through 1919, the United States government spent an average of 2.9 times its revenue, relieving all dollar savings of approximately 40 per cent of their value in terms of things dollars would buy.

In another deficit spending spree, from 1932 through 1946, the United States government spent at the rate of double its revenue. As a result, any investment of savings, which was repayable in specified dollar amounts, lost 45 per cent of its value during this period.

France resumed operating with a seriously unbalanced national budget in 1936 and "hopes" to achieve near balance in 1950. Meanwhile, the franc has lost 96 per cent of the limited purchasing power it had still possessed in 1936.

The net effect of deficit financing by government – a method of taxation – is the transfer of property from private ownership and control to governmental ownership and control. Some men hold a theory that once the transfer is completed – collectivism put into practice – there will be no more depressions such as that of the early thirties when lack of productivity deprived many people of things they wanted.

The records of countries where it has been tried, suggest that collectivism may ease the downward slide into depression by confiscating and dividing the privately held wealth which had been accumulated under capitalism. But there is no record of a nation's ever having recovered from a level of depressed productivity except as it rejected the basic precepts of collectivism, thus allowing individuals some incentive to production other than that of the iron hand of the state.

Private Security

The person who does not subscribe to the compulsory collective approach to security cannot assume any guarantee of exemption from the consequences of collectivism in America. Some rugged individuals will denounce the handouts of government, asserting that they'll "do all right without public aid." They have a box full of government bonds, or life insurance, or money in the bank, or real estate, or stocks or corporate bonds! What do they care about company pensions or social security or any of the other schemes?

But perhaps collectivism is not to be so easily shrugged aside. What about these old established methods of attaining personal security? What chance remains in this country for an individual to circumvent the tentacles of collectivism and provide for his own old age or for dependent survivors in the event of his death? Where lies this private security?

Government Bonds

Would such an individual seek security through direct investment of his savings in government bonds? As of October 31, 1949, individuals held, directly, $69.3 billion in federal government bonds, a communal mortgage on their own future.

Suppose that a person had "invested" $75 in a share of the federal debt – "a government bond" – in 1939. Upon maturity in 1949, he could have cashed the bond and received $100 – his principal plus $25 in interest. If he happened to be in the 20 per cent income tax bracket, then in reality he collected only $20 of interest, or $95 for the bond. With this $95 in 1949, his buying power in the market place would yield him a quantity of goods and services one-fourth smaller than he could have bought 10 years earlier for $75!

But that is not the whole story. Before one individual could cash his government bond in 1949, it was necessary for another person to buy 1⅓ new bonds. In other words, a second mortgage was given to pay off the holders of the first mortgage, and on each new shuffle of the shells, the security behind these bonds – a simple faith in governmental legerdemain – wears thinner and thinner.

And so long as deficit spending remains the avowed policy of government, there is little hope that the bonds of government ever will be redeemed. The spirit and design of communal "welfare" which underlies the "universal pension" scheme does not contemplate redemption of promises to the kind of people who hold government bonds. At some stage in "sharing the wealth," it is logical to expect complete governmental repudiation, or, at best, token redemption of its bonds.

Life Insurance

Would this individual invest in life insurance for security? At the end of 1948 more than 78 million persons in the United States held equity in the legal policy reserves of privately managed life insurance companies. These companies had total assets valued at $55.6 billion. What kind of an invest-

ment was this? What constitutes the assets of life insurance companies?

In 1948, 30.2 per cent of the total assets of life insurance companies was "invested" directly in United States government securities and an additional 4.2 per cent in foreign, state and local government bonds – those little "gilt-edged" mementos of our past public profligacy. Stocks and bonds – predominantly bonds – of railroad and public utility companies accounted for 22 per cent of total assets of life insurance companies. Federal Housing Administration and Veterans Administration guaranteed mortgages made up 6.3 per cent of total assets. The remaining 37.3 per cent of the total assets of life insurance companies was comprised of holdings of corporate bonds, mortgages, real estate, loans to policyholders, stocks, and miscellaneous investments which are not directly "guaranteed" or supervised by government. If 5/8 of the total assets (73 per cent of the total legal policy reserves set aside in behalf of policyholders) is invested directly in governmental debt, or falls under governmental direction to the extent that government sets railroad and public utility rates and guarantees mortgages on homes – then what is life insurance today if not largely a slice of the government's promise to pay? Does anyone believe that the government does not already have effective control of the life insurance companies and their funds? It would be an interesting experiment for anyone possessed of that illusion to attempt the management of a life insurance company.

At the close of 1939, life insurance policy reserves in the United States amounted to $25.8 billion. Policyholders had that much equity in life insurance. In the ten intervening years some policyholders have died, the policies of others

have matured, new insurance has been written, interest has been earned and credited to the accounts of those who had invested. But something else has happened. A governmental tax – the hidden tax of inflation – has been imposed upon the $25.8 billion invested in 1939. Within a period of 10 years, those dollars have lost nearly 40 per cent of their purchasing power. What kind of security is this for the man who had planned to retire on the income from an annuity? How well had the late policyholder provided for the security of his widow and children?

"I have entrusted your future to our government." What else can a "well-insured" father say to his trusting child?

Bank Deposits

Will the individual look to his bank for security? At the end of 1949, total bank deposits in the United States amounted to $148 billion. At that time the assets of the banking system – the "security" behind those deposits – included $97.5 billion worth of United States government obligations. Such investment of depositors' funds by bankers apparently satisfies the examiners of the Federal Deposit Insurance Corporation.

In the "greatest banking crisis of this nation's history," during the four years from 1930 through 1933, depositors lost $1.3 billion. At today's level of bank deposits, whenever governmental spending for the so-called "general welfare" causes a rise of only one per cent in the cost of living, it represents a loss in the purchasing power of bank deposits amounting to $1.5 billion. The cost of living has risen 13 per cent in the four years since the end of World War II.

Under these conditions, does money in the bank mean security for the depositor? His government has not only in-

sured the first $5,000 of each deposit against loss, but the government also has provided a wealth of "investment" opportunity in the form of its certificates of over-spending. Today, two-thirds of all bank deposits are "secured" in the governmental deficit. Not only that, but these same governmental promises to pay have been so channeled through the banking system of the United States that they constitute the "legal bank reserves" by which credit is extended – by which the "national wealth," in promises to pay, is multiplied again and again and again. Each dollar deposited in a bank today is that much expression of faith by the depositor in the kind of security which a government can offer – truly a faith that surpasseth understanding.

Farm Property

Will the individual invest in farm land and buildings? If so, he is in fact placing his security in the hands of the Secretary of Agriculture, who administers farm price supports – and production controls – in accordance with his own or congressional discretion. The man who buys farm land *under these circumstances* merely buys a quota, a right to share in the communal loot, the value of which is subject to the whims of political expediency. There is no "agricultural ladder" to security in an industry which has surrendered its right to determine "when to sow, when to reap."

Corporate Bonds

Will the individual find security in the bonds of business enterprises? An investment in the bond of a business enterprise means that savings have been made available for productive use – quite different from investment in the governmental deficit. But, a bond is payable in dollars. The bond-

holder is afforded no protection against the tax of inflation on the purchasing power of each dollar.

Stocks

Does not investment in the stock of business corporations afford some security against the hazards of inflation? Ordinarily, one might think so. But today, it is pure speculation. It is speculation in the face of multiple taxation of corporate earnings. It is speculation as to how far the corporate management, willingly or under compulsion of government, may sacrifice the equity of stockholders in acquiescence to the demands of the leaders of organized labor. It is speculation as to how the courts will rule concerning priority of claims against company surplus. If the courts rule that employee pensions, for which contracts already are signed, shall have prior claim over the stockholders' equity, then the stock of many corporations today is worth much less than its current market price; in some cases, it is worth nothing. Ownership of stock is an illusion in a company whose management has pledged to employees that future buyers of that company's product will pay enough more for the product to provide pensions for those who have ceased producing. An all-powerful government, with the power to tax, is the only management which can claim that kind of control over the "buying" notions of its customers. When a private corporation undertakes to guarantee the future behavior of its customers, who also are stockholders in the government, then that corporation is a sitting duck for governmental control.

Responsibilities of Free Men

Then, what choice? What chance has an individual to find security in the United States today? The compulsory pension

approach gives the illusion of security, but it destroys the savings of thrifty men. In these United States, "the last stronghold of freedom," the handwriting is clear for those who will read it. The "security" of compulsion becomes mockery as collectivism invades the strong boxes of individual rights to property, eating away the value of privately held life insurance, bank deposits, land titles, stocks and bonds, and other evidence of ownership in the productive tools of American enterprise. This thing we see is not progress; it is the certain death of individual incentive to produce and to save. The surrender of individual responsibility for individual needs is the surrender of the right of an individual to be free. This is "un-American activity" of the only kind that ever could have destroyed an America of free men. The destruction is well advanced.

America has known progress. But the benefits of progress to all men are being frittered away in the false hope that further progress can be built around compulsory leisure. No nation, not even the United States, can support in elderly idleness a high proportion of its population at a level of security which hitherto has been the reward of the very few who have been most productive and most thrifty among us. A growing proportion of old people in our population places a growing burden upon the old people to look after themselves, to remain productive longer instead of giving up sooner. And it is not a proper function of government to "find" or to "make" jobs for its citizens. Those who have saved in their more productive years ought not now be robbed of their savings, to become wards of society. And by the same logic, those who have lived up all they produced as fast as it was produced should not now be relieved of responsibility for living with the choice each has made. A promise of lei-

surely security to those over 65 is being mistaken by younger men, and it is destroying productivity and thrift among all men to the end to which Russian and British and all other subjects of collectivism can now stand in bitter testimony.

Security of Self

The only security any person can have lies within himself. Unless he is free to act as an individual, free to be productive in his own behalf, free to determine what part of that production he will consume now and what part he will save, and free to protect his savings, there is no chance that he can find security anywhere.

He must be free to save – but that is not enough. All individuals must be allowed full incentive to produce and full freedom to use what each has produced before any one person can save effectively for his own future use. In a society of cave dwellers, a person might store a cave full of his own dried corn or dried eggs for his own future consumption. In an industrialized society of specialists, who exchange products, the process of saving involves the investment of money in productive tools which will return income to their owner to whatever extent those savings may be useful to a new generation of productive and thrifty men. And a money of reasonably constant purchasing power is the best bond of security between the men of one generation and those of the next.

Such security can be realized only if markets are free of monopoly controls, private or governmental. The property of individuals must be protected from confiscation by other individuals, including those in government office. The false charity of governmental subsidy cannot withstand exposure to truth. Governmental gifts to the aged cultivate a robber

instinct among men who are in search of security. In a society of free men the aged will find protection, have always found it, by their own efforts or from those younger men and women who look to their elders for instruction and guidance in the ways of truth. But what would be the function of the aged in a collectivist society? What purpose could they serve except to help bring the State into absolute power over all men? And once that power is attained, who then would look with kindliness upon the unproductive?

No person can ever really depend for his security upon a gift from another. But his only hope for a gift, in case of real need, lies in his having helped preserve the right of every individual to the product of his own labor. Only in that right, and full exercise of it, is to be found any security by any person.

American citizens once cherished that right. Now, it is being forfeited. It will not be regained by changing the administration in power. The problem is to disperse again the assembled power that is now available to any administration – restore it to all individuals – not leave it in the hands of just one. If enough individuals understand, the change can be accomplished under our present form of government. But unless we gain understanding of these fundamental principles of security, then our government will destroy itself, as Lenin hopefully predicted, through bankruptcy. That is not a pleasant prospect in a world in which far more men are slave than free.

What security is to be found in this world? The answer lies in the minds and in the hands of individuals, each of whom can enjoy as much security as he is willing to earn and is free to save.

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