# CONTROLLED VS. UNCONTROLLED ECONOMY

*Remarks of*

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# CONTROLLED VS. UNCONTROLLED ECONOMY

By

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Among students of economic affairs for whose wisdom and insight I have respect I find a considerable amount of agreement on certain things. They agree, for example, on the presence of a backlog of demand for durable goods—a backlog resulting from war-time curtailment of peace-time production and from the presence of an over-abundance of money, due, in turn, to long continued inflationary monetary policies. They agree on the presence of increased productive capacity. They agree, also, that strikes and continuation into peace-time of war-time controls, particularly price control, have definitely interfered with production of the most wanted goods. But they observe, also, that prices and wages have been playing leap-frog up the ladder of inflation and that we have thus been in some phase of an inflationary boom. Finally, they agree that inflationary boom must sooner or later be followed by some sort of depression, depending upon the promptness with which corrective action is taken. This is established by sound economic reasoning and verified by historical record. Inflationary boom can be likened to the pleasant excitement of sailing through the air when you jump off the roof. Depression is the thud when you hit the ground. But it is the jump, not the ground, that causes the concussion. The ground is harmless if you will only keep your feet on it.

## *The Problem*

So much for the current situation. Beyond that point prospects are dimmer, but the problems are bigger. What puzzles the thoughtful and worries the conscientious is what is going to happen when the bloom is off the boom and fear of depression becomes rampant. At the root of the problem is the question of whether the American system of voluntary markets and individual freedom is going to be replaced by one or another form of state-ism such as has been sweeping across the world. If we should arrive at the onset of serious depression, it will be after having been habituated for more than a decade to a step-by-step, but ever increasing, assumption by government of paternalistic authority. Government has assumed authority to dictate such things as wages, hours, prices, products, crops and credits; authority to tax-take from the more productive for the supposed benefit of the less productive or the idle; authority tc distribute billions of dollars as subsidy inducement; and authority to undermine the incentives to undertake private, job-creating production as I shall show in a moment.

In the light of our habituation to this long evolution of coercive intervention into how much of what is to be produced and how much who is to get—or not get— for producing it, is it not probable, should depression come, for the evolution to be speeded rather than retarded—that is, for pressure to be exerted upon the government then in power to start large-scale public works, try to support prices and wages, step up spending, increase incentive-destroying taxation, multiply bureaucracy anew and compound its regulatory restrictions?

Perhaps the kind of country which would result from such measures is the kind that some people think they would prefer to one in which production is free of direct or delegated government coercion. That is a judgment which each man must make for himself as a matter of philosophical conviction or moral faith. But it is an economist's job to point out, as best he can, the economic consequences of adhering to each attitude so that judgment between them may be as broadly based and intelligent as possible.

### *Voluntary vs. Coercive Society*

The fundamentally conflicting attitudes at the very root of the matter are as follows: You either believe in a framework of law in which your neighbor is entitled to the possession of his property and the fruits of his productive exertions, to consume or to dispose of as he sees fit in voluntary exchange for the fruits of other's efforts; or else you believe that you have a right through the government to take from your neighbor what he produces without his consent because you or somebody else needs it or wants it, or because he produces more than you do. In one case the warrant for having something is working to produce it or its equivalent. In the other, the warrant for having something is wanting it, plus the power to take it.

The first concept is expressed in the Commandment, "Thou shalt not steal." It is the one upon which the American system of voluntary markets and free individuals was founded. The other concept lies at the roots of the collectivistic societies and their recent war-making. Let us take the first concept and explore the body of its meaning, its corollaries and economic consequences.

If exchanges of goods and services are voluntary, then he who would sell is free to choose among all buyers, and he who would buy is free to choose among all sellers. No seller can command the buyers; no buyer can command the sellers. Voluntary markets are necessarily competitive markets. They are also the only known way of achieving *fair* prices. It is unfair to compel a seller to take less than competing buyers are voluntarily willing to pay. Similarly, it is unfair to compel a buyer to pay more than competing sellers are voluntarily willing to accept. *Voluntary markets eliminate the unfair by opening up all buyers to each seller, and all sellers to each buyer. Fairness is achieved by eliminating the unfair.* The test of fairness is never in comparing the dollar result with this or that other dollar amount; the test is always in the extent to which coercion has been eliminated in achieving the dollar result, whatever it is.

For those who believe in the greatest good for the greatest number—without, of course, knowing how to measure it—there can be great satisfaction in contemplating voluntary markets. Thus in those markets the terms of exchange will balance at the point where those who are least willing to buy, but nevertheless do so, and those least willing to sell, but nevertheless do so, are satisfied to make the exchange as evidenced by their performance of it. This means that buyers who would have paid more are more than satisfied with their purchase; while those who would have sold for less are also more than satisfied with their sale. Hence all who make the exchange get more in terms of their own satisfaction than they give up. Those who retain what they have, preferring it to that which they can get in exchange, return the thing which gives them the greater satisfaction of their wants. Satisfaction of human wants in terms of the very wants themselves is raised to the maximum. *The voluntary society thus results in the maximum satisfaction of human* *wants in terms of the exertion required to gratify them.*

But this is only the beginning of the economic consequences of adherence to the concept of a voluntary society. For if the only way that one man may obtain the results of another's productive effort (aside from gift, of course) is to proffer something that satisfies the other, then there is automatically brought to bear on each individual those two greatest incentives, hope of having and fear of not having. Thus, each man knows that he can have everything he produces, or its equivalent in the combined judgment of all those voluntarily and competitively buying and selling it. On the other hand, since none can secure what others produce without their consent, then fear of not having compels each to produce for himself. *The voluntary society provides the maximum possible stimulus to each individual's productive capacity without undermining a similar stimulus to other individuals.* Break that principle—as collectivistic societies do—so that that some can take without paying for it what others produce, and individuals tend to be diverted from the pursuit of individual productivity to the competitive practice of getting something for nothing with the aid of the State—that is, from exploitation of natural resources and processes to despoliation of each other.

Note next that *in the voluntary society human exertion is constantly guided into the most efficient production of the most wanted goods.* That means maximum human happiness in a material sense in terms of the very wanting to have and not wanting to work with which we are born. As the nation's wants shift from horse and buggy to Detroit-made automobiles, for example, the production of automobiles is automatically encouraged while buggy sales disappear. It becomes more profitable to produce automobiles than buggies;

horsepower than horses. Shifts in production are thus automatically induced. Production is pushed up in automobiles, pulled down in buggies. In the meantime, as you all know very well, producers are under continuous competitive pressure to be productively efficient and progressive—or else be liquidated. Under voluntary markets production is thus continuously guided into the hands of the most efficient, and people are continuously guided into pursuits in which they find the greatest rewards, while total effort is continuously apportioned to producing the most wanted goods in terms of their cost. It is a beautiful and awe-inspiring piece of three-way, automatic, miracle-producing machinery, the contemplation of which would, I suspect, make, let us say, designers of automatic gear-shifts feel a bit humble.

Price and production regulations prevent that machinery from performing its vital functions. Of this there has recently been spectacular illustration. When buyers are prevented from paying what they are willing to pay then the incentive to produce what is most wanted is denied expression. Production is kept out of balance with true demand At the present time, moreover, the price fixers have nothing substantial to go on except the war-time or the pre-war prices. But the war-time pattern of production, and the prices to evoke it, represent an unwanted, rather than the now-wanted pattern. The pre-war pattern is irrelevant by reason of the war-time wrenching of the economy which has intervened. The exercise in peace-time of war-time powers must thus inevitably hamper and prevent rather than aid and encourage the great economic readjustments called for by return to peace. Their exercise must inevitably degenerate into a bureaucratic taking from some for the supposed benefit of others, instead of taking from all to win the war for everybody. Such war-time powers, untied from the "win the war" purpose, become the politician's paradise—of whatever party—for power means patronage. But, to pursue the metaphor to the end, they simultaneously constitute the nation's economic perdition. Eliminating coercive emergency powers once the emergency is over should assume the character of a religious habit if a people desires to be prosperous and free. All can regard with gratification the widening perception and official recognition of this truth.

I take time for only one more aspect of the voluntary society—the most important. *Strict adherence to the conviction that each is individually entitled to the fruits of his exertion and to their voluntary exchange is the very essence of individual freedom.* You just cannot have one without the other in any meaningful sense. Abolish one and you have abolished the other. How, for example, can you compel anyone to do or not do anything, in the last analysis, unless, aside from physically injuring or confining him, you have power to deprive him of something against his will? Is there not a saying to the effect that control a man's bread and he is your slave?

In this connection a frequent, but fallacious, contention is that you can refuse to buy a man's goods or services, and so exert so-called economic coercion upon him. But such refusal to buy is practicing, not rejecting, the voluntary society. In fact to suppose otherwise is to deny its voluntary nature. Remember, instead, that each who would sell is free to choose among all buyers. Attempted coercion through non-buying thus becomes the buyer's own voluntary self-denial, while the attempted coercion merely diverts rather than prevents the sale. No competing producer—or seller for that matter—can exert coercion in voluntary markets.

Each man's economic freedom rests in mutual practice by all of the simple doctrine that each is entitled to do business, or not to do business with others as voluntarily agreed—with emphasis on the "voluntarily."

It is simple economics rooted in human nature, as I have attempted to show, that voluntary markets mean the maximum of production, justice, progress and freedom. There is only one entity which can destroy those markets. It is government. In other times and places it always has. The coercive or collectivistic, rather than the voluntary, society is the typical one in history. It is the one toward which all others tend to revert. And that brings me to the heart of the matter.

There are many roads by which we have been travelling toward controlled economy and the omnipotent state. In some respects the broadest are the least perceived. I tag them with the names, "Taxation," "Money," "Monopoly," and "Regulation." I have already dealt with regulation as exemplified in price control. With your permission, I should like to say a few words about the others.

### *Taxation*

Take taxation. He who would adhere to the voluntary exchange of goods and services must answer this question: How can each man have what he produces, or its equivalent, if something must be taken from him to support the government? The answer to that question was discovered and written into the Constitution by our forefathers; it was forgotten and written out of the Constitution by their descendants. Our forefathers understood it so well they even had a slogan. It was, "No taxation without representation." But how many people today grasp the full body of meaning for which that phrase stood? It meant, of course, that taxes were to be determined by the *voluntary* consent of taxpayers expressed through their elected representatives—and that is what taxation must always mean in a *voluntary* society if such a society is to endure.

But that raised another technical question with which statisticians, but not too many others, are thoroughly familiar. It is the question of the representativeness of the sample selected. In this case the question was how to assure that elected representatives do, in fact, constitute a truly representative sample of taxpayers. Our forefathers found the answer to that also, and wrote it into the Constitution. It was an ingenious answer too. Instead of trying to give representation in the tax initiating body in proportion to the taxes to be collected they provided that direct taxes voted had to be distributed according to the representation in the body. If I may lapse into the technical for an instant instead of selecting a sample to represent the universe from which drawn, they changed the universe to accord with the sample drawn from it. The reasoning could have been something like this: Since everybody equally has one vote in choosing the legislature, then everyone must equally pay any direct tax voted. That way taxation must always represent a burden voluntarily voted by the majority upon itself rather than a burden imposed upon a dissenting minority which the majority itself escapes.

The principle can be simply stated: In a society of free men taxation must always equally burden the members of the electorate. In voting taxes, the representative must know that he distresses those of the majority which elected him as much as those in the minority opposing him.

Break that principle, as we did in the XVIth Amendment which gave majorities in Congress unlimited power to despoil minorities, and see what the economic results must inevitably be! At times great pressure will be brought to bear upon the legislature relatively to concentrate taxes upon the more productive minority to the supposed relief of the majority. This was feared by Madison when the Constitution was written, and it was prophesied by Lord Macaulay in 1857. It has now happened.

The levying of taxes on minorities by those elected by majorities has certain ominous moral aspects which are very important. But I am on this occasion seeking, instead, to point out the cold economic consequences to American productivity. Those economic consequences are almost shockingly simple and direct. Let me cast them, for example, in terms of the creation of productive jobs.

Think as you will, but there is no other way in which a self-sustaining productive job can come into existence except for someone, in the hope of profit, to save and invest his money in providing the tools of production. When some John Jones builds a corner store then there is a clerking job for some John Smith thenceforth to fill. By productive investment alone the environment is created in which men may go to work and produce the marketable values to cover their continuing wage and the employer's profit. But if the majority decides to tax away large amounts of that hoped-for profit either directly, or by progressive taxation of individual income, then the incentive and ability to save and invest in the job-creating tools of production is diminished. The creation of new jobs fails to keep pace with the release of workers from existing jobs as efficiency increases and with the normal additions to the working force. So chronic unemployment as in the '30's is obviously invited.

The second economic consequence is to injure the mechanism for adjusting production to the changing patterns of demand. Consider, for example, how shifting production from buggies to automobiles would have been hampered if the profit in producing automobiles had been taken in taxes for subsidizing, in effect, the lesser profits or losses of buggy-makers. The inducements and the pressures to make production conform to demand would have been diminished. Mal-adjustment would have remained and that, again, means less production.

Breaching the principle of equal tax burden in a voluntary society means that the so-called "common man" in pursuit of seeming tax advantage is in deadly reality writing off his own economic opportunities. That is the economics of it; that is the pathos in it. More than that, the chronic unemployment thus engendered soon becomes, as in the 1930's, the excuse for Government to "step in," for "deficit spending" and monetary inflation. In short, by travelling one hidden road to collectivism, we seemingly must next set our feet upon another broad but even more hidden road, and so double the speed of our progress, without knowing where we are going. That brings me to the matter of money.

## *Money*

The economics of money is obscure to most people. That is one reason for believing that political manipulation of the money supply is the most deceptive and devastating of all the means for transforming the highly productive voluntary society into the sterile authoritarian state—while at the same time it is the most popular and seemingly plausible means for preserving private enterprise by supposedly stabilizing over-all production. That only makes it the more dangerous.

There are certain things we must understand. The stuff we use to pay bills—that is, money—consists first, of the coins and printed currency we carry in our pockets and, secondly, of bank deposits subject to check, the deposits being about four-fifths of the total. Most of us can only get this money by ourselves concurrently selling something—whether it be our property or our labor. If that were always true for everybody, there would be no problem. No one could go into markets and purchase something out of them except by having equivalently contributed something to them. The money one had, as a command over other peoples' products, would match one's own products made available to others. The money claims against goods would match the goods to be claimed. Money would truly be, then, a stable medium of exchange.

But our money isn't that way. It can be printed instead of earned. The first step is for the government to print bonds—promises to pay. The next step is to take those bonds to the commercial banks. There these government promises to pay in the future are swapped for the bank's promise to pay on demand—that is, for a bank deposit. That is what a bank deposit is: it is the bank's liability to pay in gold if called upon to do so. Since everyone expects that the bank would pay if called upon and allowed by law to do so, these liabilities or deposits are themselves used as money. We transfer them to each other by writing checks in exchange for the goods and services we get from each other. The significant thing is that simply by making entries in its books banks can create deposits for use as money. The process is the monetary equivalent of the paper money printing press, and in fact it actually starts with a printing press—the one which prints the government's promises to pay sometime in the future. This is something that people must understand because the process has been employed to multiply the supply of money sixfold since 1933, and three times since 1939, while the right of people themselves to police the inflation by converting their money into gold has been denied them.

There are certain moral aspects of this process and there are opportunistic rationalizations or excuses to justify the process. I do not have time to discuss them. But there are certain economic consequences to voluntary markets and free individuals which should be observed.

Please note that the new money to spend in markets is obtained without concurrently contributing goods or services to the markets. The balance between money going to market and goods going to market is thus destroyed. The extra money competing for goods bids prices up. That is inflation, and that is the only possible way it can occur. Then the inflation becomes the excuse for jumping over onto another road to state-ism—the road of price control, rationing, allocation, production directives, priorities, etc., all of which directly destroy the voluntary market, and undermine the maximum production of the most wanted goods it otherwise promotes. Just to close the spiral for an instant at this point, it may be noted that the resulting unemployment in turn becomes the excuse for printing and spending more money, while the increased spending and rising debt become the excuse for increasing incentive-destroying taxes. The spiral becomes self-stimulating.

The fact that printing money adds money to markets but not goods to match it means that the money is more of a tax receipt for goods taken away than it is a command over goods to be had. Subsequent spenders of the money find this out in two ways: By price control and rationing they find themselves with money left over which they can't spend to buy what they want. Money you can't spend is relatively worthless. Or in the absence of those controls, the prices go up and each dollar buys less. There is no reliable way that printed money, once issued, can ever be redeemed in goods equivalent to those taken when it was issued. Printing of money is not the creation of purchasing power. It is, instead, the cruelest and most deceptive form of taxation with the longest lasting evil aftermaths. The burden falls most heavily upon those with pensions, bequests or otherwise fixed income, and often least able to bear the burden.

There is one final, truly vicious aspect of printing press money that should be noted. When the money enters the market, the market responds. It shifts capital, manpower and materials towards greater production of the particular goods taken. The market does not know the demand is false. The demand is not the expression of competitive expenditure by those whose income derives from producing for each other what they want most in exchange. The demand is, instead, the result of someone getting something for nothing without having to measure his getting with giving of goods competitively acceptable in markets. Production is diverted to synthetic demand instead of being governed by exchange for equivalent values. In short, the boom financed by inflating the money is the relative wastage of scarce manpower, capital and resources. In war-time, this is readily apparent: printed money is exchanged for goods which are then destroyed under compulsion. In peace-time, the process is similar though less readily apparent. The appearance of prosperity that attends this wastage is only the reflection of the takings of those whose demand is unlimited so long as they can gratify it for nothing.

But buying with printed money must eventually end. It ends either when check deposit expansion reaches the limit under the gold standard, if we have a gold standard, or when the Federal Reserve Board otherwise decides to call a halt, or eventually when so much money is printed that it becomes substantially unacceptable as a medium of exchange. When it ends the mal-adjustment between production and demand is exposed. Unwanted production accumulates in inventories, liquidation sets in and spirals of recession are inaugurated. That is why bust follows boom. The boom is the wastage of manpower and resources; the bust the idleness of manpower and resources. The starting of a boom by printing press techniques is the guarantee of the bust to follow. We had a taste of that in the "we planned it that way" boom of '36 and the bust in '37. We shall, I fear, have bigger and better examples in the days to come unless more people learn that government monkeying with money is playing with dynamite which on explosion can extinguish the voluntary society.

### *Monopoly*

I come now to the monopoly road to state-ism. There is one type of monopoly that is currently a serious threat—it is labor monopoly. I need only say a word or two about it because its nature is daily becoming clearer to more and more people. The laborer is not a commodity, but the service he renders cannot escape economic law. That means quite simply that if the service is made artificially costly, then just like anything else, customers will buy less of it than otherwise. Labor, like anything else, can price itself out of its market, if given monopoly status. It has achieved monopoly status. In actual practice this means that in determining the price paid for labor—the wage rate—many employers are permitted to deal with but one entity, subjected to neither individual nor group competition. This is monopoly obscured but monopoly price control nonetheless. It is tantamount to saying to each one of you that the price you must pay for bread from whomever purchased is nevertheless to be set by one baker, no other being permitted to offer a lesser price in the hope of getting your business. It is the exercise of great power, and, like all power it tends to feed upon itself and to be abused to the injury of the innocent.

I think tolerance of the growth of this power springs from two great misconceptions. The first one is a false identification of the individual's right to escape enforced servitude by quitting a job in search of a better one with the legal privilege of a number of workers collusively to stop working without quitting the job in order to exert monopolistic pressure. The one is the practice of individual freedom in a system of voluntary markets; the other is the denial of individual freedom by the substitution of monopolistic for competitive markets. The right to quit and the privilege of striking are not equivalents but opposites in the functioning of voluntary markets.

The second great misconception is that workers are in competition with employers, instead of with each other; in short, that in employer-employee relations competition suddenly runs vertically instead of horizontally, and that "bargaining power" must somehow therefore be equalized. The fact is, of course, that when I buy a General Motors car it is not my relative bargaining power which protects me. If it were, I would be quite unprotected! It is the presence of Chrysler, Ford and other manufacturers which keeps me from being exploited. Similarly it is the presence of a lot of other little fellows with whom I must compete to get a car which keeps me from exploiting the motor companies regardless of *their* bargaining power. It always is the competition of sellers that protects buyers; the competition of buyers that protects sellers; sellers are never in competition with buyers.

The same is true in labor. The only and everlasting protection of the worker's independence and economic freedom is the presence of competing buyers for his service, that is, competing employers, just as competing sellers are his protection when he spends his wage as a buyer. As workers form monopoly groups against particular employers, they may be shutting off each employer from other sources of supply to the monopoly group's own seeming benefit; but by that very act they are also shutting off other workers from access to these employers. Thus step-by-step the workers are shutting each other out and so losing the very roots of their independence. They become the prisoners of the monopolies they create. As such side-by-side labor monopolies employ their coercive power to obtain above market-price wages, then some of the workers are priced out of jobs and find themselves with nowhere to go—except to charity. They are shut out from other employment by reason either of the same over-pricing elsewhere that is responsible for their own disemployment, or by the presence of seniority and other rules designed to protect these monopolies against worker competition. Such monopolies operate most brutally against competition of the non-working with those working. They tend to create unemployment and render it chronic. That is the simple economics of it. That, once again, is the pathos in it.

With this understood, the nature of monopoly as one of the great roads to state-ism becomes readily apparent. Thus when recession comes these monopolies will certainly strive with all their power to maintain existing wages. Wage cost is at least three-quarters of all costs. This cost rigidity will hamper and hinder the realignment of employment and production to meet the changing pattern of demand as the war-born shortages are made good. It will act as a destroyer of the profit incentive to create new jobs. It means, in short, that we may have to take our licking in pronounced and prolonged unemployment instead of in swift-moving, flexible price, profit and wage adjustments that will keep most people working most of the time. That, in turn, permits those who wish to do so, however untruthfully, to scream out that private enterprise has failed, and that government must step in—with multiplied bureaucracy and a bigger printing press, together with their unlimited capacity to perpetuate, rather than cure, mal-adjustments in production, employment, prices and costs.

### *The Why of It*

Often have I asked myself why some people who profess to believe in individual freedom and voluntary markets, nevertheless often subscribe to measures which mean state-ism. I think a good deal of the reason is just plain, good-hearted thoughtlessness, which takes the form of "Let's give the other fellow a break," not realizing that this is the giving of power to undermine free institutions. I think some more of the reason is just untrammelled strife for personal or group power without regard to the cost to the community.

Still more of it is ignorance of the inconsistency and danger involved. And there may be some who, knowing better, have not the courage to act and speak on their convictions.

Perhaps underlying all of these is something inherent itself in the marvelous mechanism of production and distribution which has arisen from the practice of individual freedom in America. I refer to the extreme division of labor, the high degree of productive specialization, the singleness of each person's source of income and the ever-widening area covered by his expenditures. I think that this has resulted in tremendous bias in economic perception and political judgment. For example, ask anyone which he would prefer, a 10% raise in salary, or a 10% decrease in living cost. He will usually choose the first, figuring if he can get his single-source income up, he can somehow manipulate his multi-purpose expenditures to come out with a net advantage. He is deeply concerned about changes in his income; but changes of much greater proportions in items of his expenditure often fail even to get over the threshhold of his perception. Yet accumulations of such unnoticed changes can mount up to far greater consequence than changes in the single item on the other side of the book to which he is so perceptively allergic. And so it is for the economy as a whole: our economy operates under a double-entry system. For any advantage here, there is a cost there. But the trouble is that the costs can be widely dispersed in time and space and so go unperceived and untotalled in balancing the books for net gain or loss; whereas the advantages can be appealingly single and apparent.

Take, for example, the matters I have already mentioned: In taxation, the *apparent* advantage of "soaking the rich" is that they have enough to get along on anyhow, and the doing of it *seems* to leave more in the pockets of the ill-fed, ill-clothed and ill-housed. Yet count the whole cost through time and space, and that cost in ultimate suffering far outweighs, as I have shown, the gain in its seeming alleviation. So also for printing press money, labor monopoly and price control.

Let's look next at another consequence of high-level, specialized production. Let's look right into the heart of the family where children grow up. More and more of these children fail to see their fathers at work. The father goes away in the morning to come back at night. Children are kept out of contact with the competitive struggle where the rule is that the warrant for having something is working. Instead, they are confined to the equality phases of family life. When the candy is passed everyone takes one apiece. If the children need something, the parents provide it within their ability to pay for it—not because the children have earned it. We are a rich nation because of our specialization in productive occupation. So we keep our children at home and in school, longer and longer. The academically proficient often go to on college and to graduate work and then become teachers in jobs financed by the state or by charity. For many of them their whole experience in formative years drives home the theory that the warrant for having something is needing it or wanting it to the extent of somebody else's ability to pay for it. They have had no real contact, as in farm life, with working as the warrant for having. Is it any wonder that many of them should, in all sincerity, think and teach the children that we ought all to be one great big family under a benign, paternal government, clothed with authority to redistribute production according to need and with responsibility for keeping everyone happy?

To the cynical these considerations mean that we should fold our hands and accept with resignation the departure of individual freedom from earth. I am not ready to do that. Instead, I remember being spanked as a child for having swiped a piece of chalk from the school room. I realize now that no one cared particularly about the chalk and no one was greatly inconvenienced by its removal—except myself! It was the principle of the thing that was at stake. The stealing of the chalk represented a small leak in the dike of moral conviction behind which we live. And leaks must be quickly plugged lest they become torrents. So it is also with the principles of a free society. I think that there is some chance that apathy towards small leaks in the dike can be overcome before they become torrents by identifying them as violations of those principles that should be regarded as something sacred—principles derived from having counted *all* the costs however dispersed—principles derived from having read and learned the lessons of history—principles that in their derivation cover not only economic well-being, but also individual rights and moral convictions. Then I hope the small leak, instead of going neglected, will automatically bring to bear upon itself the corrective force of accepted principle—just as such a corrective force came rather disconcertingly to bear on the chalk stealer's anatomy.

Such principles, and adherence in word and deed to them, have to come, I guess, out of each man's own conscience. So it is with some diffidence that I close my remarks with a few suggested principles:

(1) Government is the superior instrument to coerce. The economic purpose of government in a free America

must, therefore, always be exclusively and solely to employ its superior compulsion to prevent fraud, predation, coercion and monopoly abuse among those governed.

(2) To that end, determination of the kind and amount of whatever non-harmful goods are to be produced, where, when, by whom and at what price or wage, must ever be left to the voluntary and competitive decisions of those concerned. For government to dictate in these matters is for government itself to engage in the very coercion or monopoly abuse which it is government's function to prevent. For the same reason, government itself should never engage in or subsidize production for competitive sale.

(3) It is the function of government to keep honest the nation's money. This means it should not in peace-time tolerate, or itself ever practice, the alternate expansion and contraction of the money supply.

(4) Taxation by representation means that taxation must equally burden the members of the electorate. It means that government should grant no tax-offsetting gifts or subsidies. It means government should not seek to lay tax burdens on minority groups which majorities escape.

(5) My final principle is not really a principle—it is merely a personal definition of what freedom means in America. To me it means not only that no man must physically injure another or take property from him, without his consent; but also and most especially it means that not even government must do these things except to punish those who do them to others.

Freedom is definable only as the absence of coercion between men. It is obtainable when government's superior power to coerce is employed to cancel out coercion between men. The ever-present and awful temptation of government is to employ or delegate its coercive power beyond that point for seemingly benevolent purposes. But government can give nothing to some without taking something from others. But taking without paying replaces freedom with despoliation and invites the predatory to entrench themselves in the enjoyment of the spoils. That is where serfdom to the state begins. That is where it has begun in America. That is where it must be stopped if America is to remain productive and free.