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DECENTRALIZE FOR LIBERTY

DECENTRALIZE FOR LIBERTY

By

THOMAS HEWES



ERNEST BENN LIMITED
LONDON

First published in Great Britain 1950

Published by Ernest Benn Limited, Bouverie House, Fleet Street,
London, E.C.4. Made and printed in Great Britain by the
Stanhope Press Limited, Rochester, Kent

PUBLISHER'S NOTE

ALTHOUGH this book was written primarily for Americans, and deals with the contemporary American scene, its argument is no less urgent and important for English readers. The details are of local concern, but the conclusions to be drawn are of universal application.

The author's predisposition towards personal freedom and the American tradition developed from the childhood teachings of his mother and father in his own home. Mr. Hewes is a Connecticut Yankee through long residence, though he was born and raised in Maryland. His family—Quakers—came to America about 1675 and settled in Pennsylvania. One of the descendants, Joseph Hewes of North Carolina, signed the Declaration of Independence.

Having graduated, *cum laude*, from the Yale Law School in 1912, the author has actively practised law for 35 years and is the senior partner in the firm of Hewes and Awalt of Hartford and Washington, D.C. His practice has been wide and varied, litigious and corporate, including anti-trust actions, labour disputes, receiverships and reorganisations—the gamut of services to large and small business.

In the field of government, he has been almost continuously at work since 1914. In his own State, he was a member of the General Assembly, 1914-1916; Civil Service Commission, 1917-1921; Commission to Revise General Statutes, 1927-1930; Chairman of the Commission to Reorganize State Departments, 1935-1937; Park and Forest Commission since 1937.

In the federal government, he was Assistant Secretary of the Treasury for Fiscal Affairs in 1933; Special Assistant to the Secretary of State (Cordell Hull), 1934-1935. Prior

to Pearl Harbour, as a 'dollar-a-year' man, he was with the Advisory Commission, Council of National Defence, 1940, and later aided in the development of economic warfare under the direction of the Administrator of Export Control.

From these varied experiences came Mr. Hewes' intimate knowledge of government, and—to quote his own words—his 'deep persuasion of the egregious folly of the people in looking to government for their personal economic security, the deadly and insidious parasitism of bureaucracy, the appalling confusion of centralized administration, and practical inutility of government control in the economic field as an instrument of individual welfare.'

Decentralize for Liberty has already won high praise from the author's fellow-countrymen. Mr. James Truslow Adams commends it as a 'fire-bell in the night' to all who care for freedom. Mr. Louis Bromfield has described it as 'one of the important books of the generation.'

PREFACE

THE efforts of the people of a modern state to adjust their thinking and their living to the environmental changes which have followed upon the introduction of power machinery are obviously not confined to the United States. The peculiar thing is that people, to a marked degree, have slavishly followed the common pattern of collectivism, notwithstanding fundamental differences in the social and economic backgrounds of the countries involved, including my own. The purpose of this book is to point out that neither Americans nor any other freedom-loving people, wherever located, can make a good life and find economic security for themselves from that pattern; that on the other hand, the revitalizing of the tested principles of individual liberty and equality of economic opportunity by aggressive decentralization on many fronts is the real key to successful individual and national adaptation for the long term. The time is certainly at hand to consign the dismal collectivist concept and all that it stands for to the limbo of the forgotten gods.

To me, the last war was a grave interlude in a long drawn-out tragedy in our country reaching back 75 years and looming ahead into the future, equally serious as the war, however, in its portentous threat to individual liberty.

The tragedy is that within the framework of apparent political freedom, our personal economic security, as well as our personal spiritual unfoldment, is being slowly and invisibly destroyed by the effect of the constantly swelling concentrations in our midst. These concentrations are in large part the fruit of the machine—new, unbridled and centripetal.

There was the rapid increase in population; the rapid increase in the size of cities; the rapid increase in the percentage of persons wholly dependent on wages; the steadily expanding size and power of business units; the parallel expansion of industrial unions; the reciprocal growth of government. The free market, the very capstone of Western man's struggle for economic independence, was by way of vanishing.

It was the era of the Easy Deal—1865-1940.

Personal liberty was dying without general comprehension. Personal economic security was on the way out. Creeping inflation was upon us. Individual bewilderment was growing. Regimentation was appearing. Reliance on principle was slipping. Faith was wavering. The mass-man was emerging. The Easy Deal, observing these signs of the times with little or no apprehensiveness—rather with ingenuous pride, brought out another poultice whenever the pains set in.

Therefore, as one individual American, I have felt it appropriate with all the current talk of planning for the future, to endeavour to introduce a ray of warning into the national murk. For murk it is, the official and general thinking having developed no further than the projection of a demonstrably unsatisfactory system into the indefinite future, relying solely on more taxing, spending and regulation to give it a semblance of life.

The staggering validation of the basic thesis of the book by the disruption of this country during the first year of peace was not a surprise. Every thoughtful person witnessing the period of 1929 to 1939 must have known that superficial treatments could not disguise the fact that the national body was really sick. Rather, the dramatic collapse of the economic structure and the pitiful spectacle of utter dependence of an inherently vigorous people on the

daily running of a synthetic machine over which they had no real control, has impelled me to try to state the case for liberty in as persuasive a manner as I am capable of.

Is it not clear beyond any question that our present way of national life will not do? Is it not equally clear that, after decades of tinkering, the time is at hand for fundamental action: The preservation of the language of the great national Constitution of our forebears is not enough. Within its framework and with occasional outbursts of remedial legislation, we have confidently assumed that by letting things alone and following what we have ignorantly termed natural or inevitable trends, everything would always be all right, and yet we have watched our beautiful dream literally blow up in our faces.

The Constitution is not sufficient. In my own lifetime we have seen government bribed and debauched at every level by greed. We have seen the perfectly legal despoiling of our natural resources occur. We have seen the individual American literally swept up and economically powdered in the onrush of great size. We have watched the constitutionally guaranteed rights of individual workers and private enterprisers nullified under the unremitting pounding of aggressive labour groups. When the country fell apart economically after 1929 we saw within that same charter all manner of statutes enacted to restore theoretically our health, and when their legality was questioned the extraordinary proposal was actually made that the Supreme Court should be enlarged in number so as to guarantee that no provision of our ancient law could set them aside. With World War II, and within the same Constitution and with perfect legality, our entire living was completely regimented and the claim put forward at its end that such regimentation must continue as a matter of 'the general welfare.' One organized group in this country now plans, by the legal use

of the ballot, to elect a Congress representing wholly the particular interests of that group and no others. If it should ever succeed, it would not be too difficult to again try to tamper with the judiciary and thus by observing all proper formalities, effectively set aside the language and intent of our most sacred and revered rights.

There is a sound maxim of the English common law that 'who adheres to the letter, adheres to the bark.' Liberty, therefore, is clearly a thing of the spirit and it lives, if at all, in the hearts of people. They alone breathe vitality into a constitution or permit it to become as desiccated as the Roman Tables.

We come then to the question, what to do?—What fundamental action must be taken?

To me the answer is extremely simple. If one can logically attribute our troubles to a cause, the remedy is to remove or minimize that cause.

My assumption as to the basic cause, and upon which the whole argument of the book rests, may be briefly stated. We have unwittingly allowed to develop in this country a rigidified and materialistic economy as the result of the concentrations to which I have alluded. Intertwined with them and intensifying their evils has been and still is the over-concentrated exploitation and destruction of our basic national wealth—the soil, the water, the trees and our minerals and oils.

This rigidified and wasteful economy is slowly but surely paralysing the nation, collectively and individually, physically and spiritually. We are actually strangling for lack of the fresh air of freedom.

It is logical that if over-concentration is the root of the trouble, deconcentration is the remedy.

Decentralization is the word presently employed to express this concept. I propose therefore that the people of

the nation, each for himself and collectively as well, adopt decentralization as their over-all immediate and long-range principle for action.

Decentralization is a dispersion. It is the antibody of concentration. It is a dispersion—not only physical of population and facilities but equally so as to controls and responsibilities. Decentralization is a spreading out from centres; a spreading out of people into wider spaces; a spreading out of industry into wider spaces; the spreading out among more and more people of ownership of property; the spreading out of government. Decentralization is a means, not an end. The end products are free people, free men and women in their own right, self-reliant and independent men and women in quantity; strong communities and regions, rich in the essentials of life, even as they used to be; a flexible and more powerful nation. We must decentralize—and do it within an atmosphere of personal moral responsibility, religious observance, co-operation, decency and reverence for justice. That is the road to economic democracy and personal security and the only open road today. It will provide the maximum production, distribution and consumption of goods and services and increase the standards of living of all, both here and in other countries. It will present a cushion to future depressions, offer the best protection to our people in the event of war and go a long way towards permanent peace.

Even as the free individual in action is its symbol, so decentralization is likewise everybody's fight because in no other way will it come to pass. If a man wants economic independence for himself, he will have to go after it and he will have to go after it in co-operation with all the other people because he will not have it all alone and he will not have it handed to him on a platter.

Economic democracy is real equality of opportunity for

each man and woman to attain individual economic freedom for themselves. As a principle, it derives from the basic assumption that the individual human being is the essential concern of a free society. It is the principle and assumption embodied in the federal Constitution as a whole. It is the foundation of political democracy as the latter is of religious democracy. These three principles are the high-water mark, so far, in the West; they characterize America—to the Americans and to the world.

Three additional events have now added their weight to the necessity for fundamental consideration of the domestic chaos—the climax of the initial phase of the Age of the Machine. These are: what is loosely termed inflation—we have now and have had for years a slow inflation; the threat of the atomic bomb and aerial warfare; and the necessity for and passionate demand for world peace. Decentralization is the one practical procedure for dealing with all three because success in each case depends upon individual responsibility and behaviour.

And so the purpose of this book is to fully develop for consideration the basic ideas of decentralization as a national policy and a specific, co-ordinated, integrated, simple plan to bring it about.

What the great Curran said in 1790 can be repeated to-day:

‘It is the common fate of the indolent to see their rights become a prey to the active. The condition upon which God hath given liberty to man is eternal vigilance; which condition, if he break, servitude is at once the consequence of his crime and the punishment of his guilt.’

My heartfelt thanks to the many people who have encouraged and aided me in this task, including George C. Waldo, George T. Bye, John M. Hurley, Richard R. Smith, Robert W. Howard, my ‘Have-More’ friends of

Darien, Connecticut, Nicholas Wreden, Thomas E. Murphy, Jessie A. Ford, Helen T. Arey, John Benn, and especially my wife, Harriet Hewes, and my law partner, Dr. Henry L. Shepherd.

Lyme, Connecticut.

October 1, 1949.

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Perhaps the sentiments contained in the following pages are not yet sufficiently fashionable to procure them general favour; a long habit of not thinking a thing *wrong* gives it a superficial appearance of being *right* and raises a formidable outcry in defence of custom. But the tumult soon subsides. Time makes more converts than reason.

—Thomas Paine, *Common Sense*, 1776.

The problem was nothing less than how to adjust our institutions, under the new circumstances created by the vast financial and economic changes of the past generation, so as to multiply effectively and distribute with some decent approach to fairness the products of the earth, the fruits of labour, and the unprecedented gifts of science—and to do this without destroying human liberty.

—Frederick Lewis Allen,
The Lords of Creation, 1935.
Courtesy of Harper & Brothers.

Do not variegate the structure of your walls with Eubaeian and Spartan stone: but adorn them, by Grecian education. For cities are made good habitation by the sentiments of those who live in them; not by wood or stone.

—Epictetus.

PART I

ORIGIN AND NATURE OF PROBLEM AND PRINCIPLE FOR SOLUTION

THE PROBLEM AND PRINCIPLE IN BRIEF

The problem is the threatened eclipse in America of individual economic freedom and, as a consequence, political freedom.

How goes it with Citizen X? If he is a city-dweller working for wages, with or without a white collar, or a farmer producing a staple product, or just about anyone else struggling to make both ends meet, the answer is—'Not so good.' Economic freedom in the American sense implies opportunity for, and the practical realization of, independence. But the last 75 years have worked a grave change. Insistence upon parity prices supported by subsidies or the clamour for old-age pensions and unemployment compensation are straws in the wind. So likewise is the increasing cost of living, the scarcity of the necessities of life, the deterioration in quality of goods including food. So is the widespread sense of insecurity and bewilderment. So is mass unemployment. So likewise are the million mental cases in the hospitals.

The fact is that a chance for the good life is, at the moment, increasingly slim. The American is largely at the mercy of economic conditions over which he now has little individual control.

As he looks around the world he sees his fellow man for the most part in a similar plight. The free market, which is the instrument of opportunity, is on the wane everywhere. And while the free market is being destroyed in the

United States, a million new employable people each year add to the pressure on the economy.

It is about time for him to hitch up his suspenders and take the situation in hand. The problem is apparent to all thoughtful people.

Overconcentrations as hereafter defined are, in my judgment, largely responsible for the evil. Economic democracy through decentralization is the answer proposed.

The thesis of this book is that the Machine Age which has given birth to the problem is too complex to permit of its solution by the employment of detailed government regulation, supervision and financial aid which alone are being relied upon and resorted to. Therefore, instead of multiplying the efforts at a paternal and self-defeating control, which in any event is beyond human scope, the most practical thing for the individual members of our society to do *is to attack personally, as well as by co-operative action, at the source*, the causes—economic, political, physical and moral—and at the same time to endeavour to isolate themselves as far as may be from their impact.

The emphasis of our Plan is upon *co-operative attack* on the causes at the source. The reason therefor is a conviction that unless the economic, political, physical and moral atmosphere and environment of the nation as a whole, of the states, of the towns, is propitious, individuals by their own action and in any appreciable number cannot successfully isolate themselves. On the other hand, if circumstances are favourable, any individual can proceed with real hope of achievement of his objective.

Such approach makes it necessary, in developing the tactics of attack in adequate detail, to envisage and present to the reader, in broad outline and to the extent relevant, a fairly complete picture of the national economy, both within the federal purview and throughout the furthest

reaches of the country. It is imperative that this be done; first, because of the inseparable inter-relationship of each of the parts to the whole; second, because the failure or unwillingness to adequately appraise this inter-relationship has for decades resulted in action or failure to act in one area nullifying or minimizing action in another. This has been especially noticeable during the past 35 years. And only thus can the principle of the solution be observed in its comprehensive efficacy and attract the public support which is so essential to its successful use.

The principle is simplicity itself—real opportunity for the individual for real living; not as someone else views it for him; rather, as he looks upon it or seeks to learn about it for himself. This is the principle of Judaeo-Christianity upon which our institutions are based. It is the principle of the American Constitution.

By steadfast adherence to this principle we appraise, accept or discard existing law, written and customary, or social concepts, and proposed laws and concepts. We may differ in our final conclusions but we shall at least be developing our individual lives and the life of the nation in accordance with reason and the Divine law rather than expediency. To only such principles, simple and all embracing, will men yield enduring allegiance.

* * * *

In common with many others, I am firmly convinced that the years ahead in this country threaten an economic and possibly a military disaster of unprecedented proportions. Liberty, as we have known it, personal, economic, political and religious, hangs in the balance. I will venture even further and risk a prediction that if, during the period of equipoise we have entered following the end of the war, we do not as a people take the constructive steps to acceptably

and enduringly adjust the national life to the exigencies of the Machine Age, the next swing to the left will end our liberties—even as has happened throughout the world.

It is my belief that if we carry over into these years the present system of concentrated economic powers and practices of both capital and labour, of concentrated populations, of concentrated industries, of concentrated government domination and direction, of heavy taxation with its destructive effects on community and individual initiative and independence, of the steady impairment of our soil and water and the destruction of our forests and of irreplaceable minerals and oils, of the prevailing greed of various privilege-seeking groups, we cannot possibly avoid economic disaster. In general, this is the same scheme, accentuated by the late war, that floundered into the depression and stayed there. This is the economy that failed, and now we have piled on its sagging back a crippling debt. As we look beyond our borders and over the seas and envisage the plight of victors and vanquished, we know that that system must bear the impact of their troubles also. It has begun to do this already. The essence of the damage wrought by this system, and which gives rise to the problem, has been the slow wearing away of the power and opportunity of the individual citizen to direct his own life. We are a society of separate human beings and nothing else, and as our individuality and power diminish in expression the body of society as a whole sickens. There can be no other result. If this assumption is correct, the conclusion above is unassailable.

The potential use for good or evil of atomic energy and the steady enlargement of air power do not present a new problem to us. They inexorably compel us to more closely and immediately examine a system which is already outmoded, judged by past needs alone. This new threat is a

makeweight. It demands a decision here and now on the continuance or rejection of the habits and customs of the past 75 years.

Yet it is a fact that the dominant thinking at the moment simply proposes a continuation, with ever-increasing government interference, of this same hopeless system. No one arises to defend it. It has not a single champion. All plans, in essence, simply provide a crutch for it in one form or another. Taxing, spending and more regulation are urged as the only means of escaping disaster.

To me this is an astounding situation. I believe that literally millions of our people do not like the system and deeply fear it for the future. Is there a valid alternative for them? I believe there is.

To bring into focus the precise issue, let us see what is the essence of the conventional proposals. They have the same central thesis, the same central assumption. The reasoning implicit in them is as follows:

We must, it is said, have full employment throughout the nation if possible, and for wages adequate enough to carry off the production which furnishes the employment. There is something here suggestive of the endless chain. Yet so unreliable does the envisaged system appear to be that the planners admit that full employment can be attained only by the intervention of the federal government in one form or another—principally by monetary control. This control, getting funds by taxation or borrowing, would subsidize business, agriculture and employment by injecting these public funds into the economy.

From almost the day the war ended, and with progressive futility, repeating the period of 1933-1940, we have observed the continued application of this doctrine and the steady propaganda to induce its acceptance by the people. Our creeping inflation, accentuated by it, comes on apace.

This intravenous discipline is and will be entrusted to public servants supposedly endowed with unique talents and is apparently to be prolonged into the indefinite future. In short, the only hope for Americans from now on is the treadmill philosophy. We are presumed to find satisfaction in being geared to a production machine and being fed enough to keep us at the job of producing the stuff to feed us to keep us at the job of producing. Neither can we as individuals, nor as members of sovereign states, nor as members of a union of states, survive, let alone prosper, save in accordance with this concept.

The argument, which has attracted numberless followers, rests on one basic assumption—that the trends of our national life that have resulted in big business, big unions, big farming and big government are natural, inevitable, and in response to economic law; that they could not have been sidestepped in the past; that they are irresistible now, and that they are beyond human control in the future. These trends are supposed to possess life and direction entirely within themselves. And finally, it is assumed that we Americans, as we face our own future, can do nothing but follow the automatic projection of these trends like slaves chained to our own chariot.

Such, in brief, is the purport of the accepted economic thinking of the period.

On the other hand, I submit that full employment is not the end product of our American way of life. Big business is not a natural evolution; it grew out of an era of astounding and abnormal greed and money madness and continues so to grow. Big government and big unions are not inevitable or irresistible; they are the reactions to big business. Subsidies, restrictions on production, public works, and all the current medicines, are in reality exactly what they appear to be—palliatives, pure and simple.

The advocates of this demonstrably futile process completely ignore the basic facts of American life, the spirit of the American people, their individual human desires and aspirations, their pursuit of happiness and the kingdom of God on earth. They calmly jettison 300 years of American tradition. They propose to eliminate the one and only generator of power that exists here—the free man and woman.

Tradition is not a dead thing. It is the radio beam which keeps a people on the right track. It is necessary for us to confine our remedy to those measures that fit into the pattern of our tradition—our habit pattern.

What I now propose therefore as a substitute is the extremely simple idea that we set about bringing the individual man and woman up to the surface again. The rope to throw out is real opportunity for real living. Opportunity is the only instrument for individual security that a free country can fashion. It is all a free man can actually have, for out of opportunity can come economic independence and with it collective tranquillity and well-being, but in no other way on this earth. By opportunity I mean real opportunity; opportunity for employment arising from expanding production; to have a skill or trade; for widespread and individual ownership of business; of homes; for savings; for security in war; for world peace; for happiness. Opportunity is economic democracy at work. It was the reason for creating the Union—that and the protection of it from outside aggression. It was with particular emphasis stated in the Fifth Amendment—the guarantee of life, liberty and property. The Fifth Amendment is not only a bulwark of personal freedom—it is supreme economic doctrine.

We can have economic democracy again, as we had in 1789, simply by taking it—not wishing for it. We take it by eliminating the barriers now in the way. The barriers, as I propose to demonstrate, and the only barriers, are undue

concentrations of power and people.

If overconcentration is the trouble, deconcentration is the remedy. We remove them affirmatively by adopting decentralization as a national and personal policy.

Now, that is the choice. We are faced with it and we cannot escape it.

Decentralization is really a very simple thing. The word is not a good one but it is in common use. Decentralization and economic democracy are, in the twentieth century, the two sides of the coin. Economic democracy is a social principle. A social principle may be a powerful force. The Reformation was the simple principle of religious democracy at work. The American Revolution was the simple principle of political democracy at work. Decentralization, as of today in the Machine Age, is the simple principle of economic democracy at work. We had economic democracy in 1789, and then the machine completely distorted our society. This principle must be restored as an operative force in the United States if we are, literally, to survive as a free people.

One dictionary gives this meaning to decentralization: 'To disperse and distribute what has been concentrated.'

It does not mean that everybody should live on a farm.

It does not mean that great cities should be torn down, en masse, like the tents on a circus lot.

It does mean that the majority of America's families should eventually own a home with at least an acre of land around it (or a detached house or a co-operative apartment house with accessible land, dependent on individual taste and habit).

Our large cities should be spread out as much as possible to provide fresh air, garden space, government by real co-operative action and other advantages of semi-rural living.

Industry should be distributed, geographically, so that people will find joint opportunity for work and for a full

life in all our states and communities. We believe that workers should be given opportunity to own all or part of the business in which they are engaged. That, too, is a spreading out and at the same time a laying of a stronger foundation for freedom.

We believe that our own government, as far as possible, must be returned to the neighbourhoods, the towns and states of the nation so that each citizen and each family may share in, and understand, the responsibilities and advantages of active democracy.

That is what we mean when we say 'decentralization'.

We feel that absence of breadth is the one thing that has placed our freedom, and the world's, in jeopardy. During the past 100 years, democracy's economy has developed great mechanical height—great mechanical and physical concentration.

But it has not developed breadth. And breadth is what democracy needs for fulfilment of its purpose in human progress.

But decentralization is not an end in itself, it is not a mere physical thing. The end products, as I pointed out in the Preface, are free people, free men and women, self-reliant and independent men and women in quantity, strong communities and regions, a more flexible and more powerful nation, a defence in depth in peace and in war.

Decentralization, as an operative principle, should be a complete concept in the minds of the citizens.

As illustrations—We cannot have new small businesses unless the market is free and the tax system sound. People cannot move into less crowded spaces unless land is readily available. If we want to greatly reduce taxes, we must greatly reduce government expenditures. If people want to own homes they must be priced right. To be priced right, artificial barriers to lower costs must be removed.

Decentralization, then, is designed to bring us human beings up to the surface again and keep us there. To be practical and of enduring toughness, the economic and political pattern of the nation of *necessity* must be a counterpart of the local life of the people. Decentralization accomplishes precisely that. Everybody has to and does live in some place. At that place he should have a free field for good living. At that place he should to the largest degree govern himself.

INFLATION, ATOMIC BOMBS AND WORLD PEACE

To the impelling necessity for decentralizing, arising from the cumulative effects of 75 years of growing concentrations, are now added three new reasons: promptly meeting the menace of destructive inflation; creating a partial defence against air attack; and the need for enduring peace. It is natural that these situations be envisaged in any well-considered planning for our future. In my judgment, decentralization is the correct answer to the first two problems. It is the most hopeful answer to the third.

Inflation. Whatever the causes and by whatever name it might be called, inflation means that our dollar buys less and less and may eventually buy nothing. This process has been going on for years and it is now accelerating. The causes are many and in effect react on each other in the nature of a spiral. To point to a few: the increasing cost of furnishing goods and services due to increasing wages and prices of raw materials; artificial barriers to lower prices through practices of business and labour; partial elimination of free competition; steadily increasing taxes; production not in line with increasing population; rapid increase in purchasing power due to government expenditures for war; growing fear of permanent value of the

American dollar which increases its turnover in exchange for goods. As I shall elaborate hereafter in detail, economic and political decentralization, the free market and co-operative effort will effectively halt this trend by increasing the quantity of goods at lower unit cost, augment thus the real income of people in terms of real wealth, i.e. food, clothes, shelter and homes; thus restore confidence in the dollar.

The Atomic Bomb. Whatever may be the efficacy of military counter-measures, there can be no gainsaying the fact that physical dispersion of people and plants is the natural defence. Decentralization is a true defence in depth. It is not costly in terms of taxes. Atomic energy in time may greatly facilitate it. It is simple and indigenous. If we private citizens do not start it, the War and Navy Departments through Congressional action will compel it.

Peace. We want peace. So do most countries. So do most people in every country. Why not have it then?

There has been war throughout human history, but nothing comparable to the evil of the past two. We have had wars, although it is doubtless true that at no time did the ordinary people who fought them and suffered from them seek them. With the exception of the Roman Peace, which was imposed by force, no artificial device for peace has worked for a long period. The U.N. has been formed to maintain peace by the employment of an international military force and other appropriate procedures, but at the moment the intransigent attitude of Russia causes general disquietude and apprehension as to the efficacy of this new organization. Must we therefore, as the only alternative, continue to live in America as in an armed camp, thus diverting our energy and resources from the task of enriching our separate individual lives? Does not the physical plight of England and many countries of Europe and Asia

tend to force their huge populations to use every economic means to secure the bare necessities of life and thus reintroduce into the muddle of international relations the well known trade barriers and restrictions of all kinds? And will not these again cause tensions? To me, it seems arrant and suicidal folly to continue to rely exclusively on government covenants, subsidies, alliances and what not instead of having the wit to try something new.

I suggest that the real key to world peace is the will of individual free people in the saddle, here and everywhere having an essentially identical devotion to justice and good will. Let the people themselves take over the international scene, through their governments where practical, but basically and dominantly through their own individual efforts. To do this they must be in fact free and self-reliant and in large numbers economically independent. The last two wars originated in slave nations. Free people, as of today at least do not want war. We might still have to fight wars to remain free but we shift some of the processes for enduring peace from our governments to ourselves. The churches are striving to do this very thing.

Decentralization, as I propose to demonstrate, is the working principle in the Machine Age for achieving and preserving individual economic independence, nurturing self-reliance and hence peace. And this principle, adapted to the conditions of our country, may likewise be applied in most of the nations of the world.

From such an environment, peace-loving and free people will derive. It is a pattern that knows no boundary line in an age when China and Europe are no further, in time from rural Kansas or New England than was the county seat seventy-five years ago.

Our task, therefore, as peace-loving people is to set about putting the American house in order. As we do so, in pur-

suance of a definite and undeviating policy adhered to by a majority, we seek to enlarge constantly the areas of free people everywhere and stimulate their desire to direct their own destinies. We do not argue with words alone but by the example of the better life. We put the same energy into it as we put into battleships and armies. We utilize every legitimate avenue of international communication. If our government is hesitant, we proceed outside of it precisely as is done today by many economic groups. We, individually and personally, as members of a decentralized society ourselves, take on the American mission for peace.

EVERYBODY'S JOB

The problem thus stated, and its solution, is the ineluctable responsibility of every living American man, woman and child. This responsibility is as inseparable from their daily life as the green is from the leaf. Each of us wants material security if we can get it, and we want physical security, that is personal liberty. We cannot enjoy the former without the latter and we cannot be sure of either unless each of us makes it the first order of business. Cooperation is the keystone and this I shall now endeavour to show.

Liberty, in the American sense, is the very foundation of material security, that is, of food, shelter, clothing and savings. If there is any doubt as to this truth, we have only to look around the world today and compare the standard of living of all in the really free countries with that of other countries. This is not just an accident. It rests, in the final analysis, upon individual liberty, guaranteed by law, and nowhere else.

But liberty, as we understand the word in America, is not an individual or group possession. Rather it is the result of

co-operative effort and will on the part of all. Liberty results from the subordination of the individual will to the collective interest. No one can picture this world with each individual having a bit of liberty all his own, handed to him by God as his personal possession. Liberty arises from the joint effort of society—and in no other way.

If there is a natural law of liberty, as I believe, if man seeks liberty because of the inherent pattern of man, then liberty is surely of two dimensions—vertical from God, and horizontal from each member of the state to every other member.* The same natural law that compels individual aspiration, of necessity compels reciprocal activity. Otherwise liberty cannot exist, and this is true even if we disregard the spiritual source of liberty.

Liberty cannot be split. It exists by united will, or it does not exist. Thus co-operation is the fountainhead of both individual and collective strength.

This being so, co-operation is not a matter of choice. It is as vital and compelling to each person as breathing or any other law of his nature. Hence the non-co-operative individual can find little or no inner satisfaction in anti-social behaviour—even as he finds none in cheating or stealing.

The success of the Plan proposed in this book rests on the co-operation of the individual American for his own particular welfare, if for no worthier motive. This responsibility is a counterpart of economic and political decentralization. I call it moral decentralization. Each citizen must assume personal moral responsibility for his country. He must start with himself. Every one wants to see certain other people different. And they doubtless want him to be different. We must make the first moves ourselves. A rela-

* See the brilliant and profound argument of Pierre Lecomte du Noüy in *Human Destiny* (Longmans, Green, 1947). See also *Cosmic Consciousness* by R. M. Bucke (Dutton, 1946).

tively small group, thus intentioned, could effect great progress toward the goal.

Initially, each of us must feel and know that moral standards are vital to America. By moral I mean a recognition of character or conduct as good or evil or as right or wrong and of situations compelling affirmative action. A conviction of this characterized our birth and growth as a great people and a rebirth of morals is imperative in the crisis which faces us.

At the very heart of a common belief in individual responsibility and moral rectitude is a common faith. We have embellished our coins with it from the beginning, 'In God We Trust.' William Pen expressed a sound political viewpoint when he said, 'Men will either be governed by God or they will be ruled by tyrants.'

From time to time in history we see thrusts of a common purpose in a community or region. We have, as examples, the building of the cathedrals in Western Europe and England, the crusades to the Holy Land, the Renaissance, the Reformation, and the accompanying surge of adventure and colonization; in this country, the strong individual and collective occupation with religion and religious freedom, the struggle for political liberty that swept around the world in the first half of the last century, the subsidence of all spiritual and intellectual interest in the sordid rush for wealth and the ensuing worship of gold and its large possessors; the rapid growth in many countries in economic and political power of the wage earners; and the late war in every land for freedom.

I think of the future as holding, from bitter necessity, one of these thrusts—a period of good will and co-operation, with full realization by each and all of the presence of the living God; a great purpose of general improvement in our way of life, and a consecration to rebuild and beautify our

land; each based upon full recognition of the Divine nature of liberty and the pattern implicit in it.

THE TRUE ORIGIN OF THE PROBLEM

The machine is the underlying cause of Western man's present trouble. It seems very clear to me that our immediate difficulties are directly traceable to it. It lies at the heart of the troublesome concentrations.

The machine, however, was not and could not be at fault since it has no life of its own. It could have been from the beginning a true servant of man. But unwitting ignorance for the most part reversed such intelligent relationship and man has to a great degree become its slave.

In attempting a diagnosis such as this, it is proper and necessary to make assumptions. We do this every day of our lives in the process of reasoning. The persuasiveness of the assumption depends in part on the underlying facts. Here are the facts as I see them. I believe there can be little doubt of their accuracy.

The machine stimulated a great increase in, and concentration of, population. It is thought that the population of the world up to the Industrial Age had been fairly stable, but coincidental with the latter there has been a rapid increase in numbers. This, in part at least, is accounted for by a release of human energy generated by the endless succession of mechanical appliances and the multiplication of the available means of support.

The machine fostered concentrations in business in the sense that it opened up through simple duplication of production facilities limitless opportunity for increasing output and sales and profits. To this was added the urge for the combining of competing business with the idea of insuring these profits. And later, with the easy money to be made

through selling securities to the public, even more combinations and holding companies. This is still going on and is steadily undermining local living.

The machine and big business contributed in varying degree to the concentration of people in cities because of the convenience of centralizing the production of power. Workers were drawn to where the power was located.

Each of these hastened the concentration of total dependence on money wages because city dwellers, unless self-employed, have no other normal means of subsistence.

Both swelled the concentration of people employed by a single enterprise, thus adding to the problem of mass unemployment in times of depression. This is a simple corollary of growth.

Big business definitely jeopardizes small decentralized business, not because of lesser costs but by virtue of its very size and resources and its ensuing unrelenting efforts to control the market. This reduces competition, production and employment and concentrates economic power.

The machine and big business produced big government and finally big unions. The former was the result of a steady demand from the people to regulate the growing intransigence of business. The latter is obvious.

The machine has promoted large-scale and concentrated agriculture and this in turn has endangered our six million family-sized farms. These farms are stabilizing factors in the whole field of food and raw material production and the prices of food. To continue to exert their influence, they must afford a good living. To the extent that large-scale agriculture prejudices this, which it does, it is inimical to the natural protection of the individual consumer.

The machine lent its aid to accelerate the damage to our natural resources—water, forests, soil and minerals.

The machine and big business have promoted interna-

tional turmoil on a universal scale. Its effects are seen in large urban populations, a consequent incessant search for raw materials, disrupting of monetary exchanges, impoverishing of exploited peoples.

Out of the evolution of the machine came, in 1914 and 1939, the biggest wars and greatest concentrated destruction in human history. And on top of all that, there has arrived the atomic bomb—a source of concentrated death.

Thus the machine is directly responsible for the concentrations which in turn, I believe, are at the bottom of our problem.

Yet bigness in any form exists, for the most part, only because it is tolerated. When the breath and brain of the individual is withdrawn it evaporates. It has worn in some cases the mask of benevolence but in very truth it is crushing the life and soul of man. The remedy is a simple one—if man does not want it, it does not exist and, to the extent that he wants it, he must learn to live with it. The struggle is not unlike the daily one between a man's soul and his carnal mind. A nice balance with the soul on top, however, is a happy solution.

This simple fact remains. The machine, of itself, *is able to serve* all of mankind. What we have to do is to end machine feudalism and reshuffle our economic, industrial, social and governmental structures so the machine actually *does serve all of mankind*.

A drastic change is obviously needed if democracy is to survive and realize its objective of full human freedom.

What is lacking is a plan, and education. A plan is proposed in Part II.

DEVELOPMENT IN THE UNITED STATES

Having endeavoured to present the problem which we face and to establish a point of departure in time and cause,

I now wish with more particularity to describe briefly the development of these events within our own borders.

In the past 60 or more years there has gradually developed a nationwide system of absentee ownership and control of much of our business, together with a concentration of the facilities. The locally owned, locally managed concerns around which our communities grew up have to a considerable degree disappeared. Yet they were springs that fed and stimulated men to be imaginative, creative and risk-taking. These local industries dominated the early period of American economic growth. They furnished jobs and opportunity in a man's home town.

In their stead, in large measure, we now have the non-local great industrial and financial corporations of every kind and description, the thousands of chain stores of various types, centralized domination of the marketing of agricultural produce and livestock—these and countless others, the creatures of finance-capitalism and absentee ownership and control.

Fresh competition of small businesses with big ones is discouraging, to be undertaken with fear, so unlikely is it to succeed. More and more men who are adventurous by nature stifle this and join the ranks of salaried and wage-earning employees of the great corporations.

The observable tendency of big business is to fix prices, and this stabilization limits production by limiting the market, and limits employment by limiting production. Groups within many industries also stabilize prices, parcel out markets and engage in other restrictive practices that decrease or destroy employment. These things are done to maintain profits on a certain capitalization or on a particular article. And all this seriously impairs the vitality of our system of private enterprise, the heart of which is free competition.

As these huge national (non-local) concerns have drawn into their orbits millions of workers, the rural and small-town population has declined proportionately, the number of city dwellers has increased and the relative number of Americans in any degree really independent of wages has steadily dropped.

Across the land and from north to south invisible ties bind the fates of the people in the places where they actually live to the ups and downs of these non-resident corporations and combinations. The bad business judgment of a manager or the failure of a national market or a big strike affects one locality after another throughout the country like a series of earthquake shocks.

A picture of this unfortunate situation was drawn some years ago by an official of one of the large enterprises:

'Now, to see what happened, you must understand that our company buys in tremendous quantities. Right now we are buying 50 million dollars' worth of materials a month. There are hundreds of concerns from which we take the major part of their output. Back of them are other firms who sell the greater part of their output to the suppliers from whom we buy. So, when we pull switches in our plant and stop our machinery, the same thing happens in thousands of smaller plants the country over. It's just like when you stand dominoes close together in a row—if you knock over the first one, the whole line falls.'

These grim facts have had the attention of our people and our government for decades, but the Easy Deal had the reins. The efforts to correct the situation were negligible, palliative and intermittent; and, through ignorance, public support of any general or specialized revolt has never been better than lukewarm. With the growth of big business, the central government has swollen, piling bureau on bureau to regulate or to cope in some futile way with these evils that we sensed but did not wholly understand.

To me it is not wisdom to growl about taxes and bureaucrats, to live in dread of unemployment—and consistently to ignore their causes. The inescapable fact is that our economy has become inelastic and rigidified. A crack in one place runs the length of the entire structure. Hence the frightening impact of nationwide strikes against nationwide companies; or, equally as serious, strikes in key businesses such as utilities, or tugboats or coal. Hence the increase in the number and severity of economic crises.

The present system did not work before the war; it is not working now; it will not work in the years ahead; and it has impoverished and sapped the spirit of America.

There is a never-ceasing flow of propaganda as well as uninformed talk stressing the alleged benefits of mass production, mass buying and mass distribution. These phrases invariably connote great size and at the same time are presumed to justify it in spite of evidence on every hand to the contrary. But there is little understanding by the average citizen of the truth. The principles of mass production can be applied in a small plant as well as one a mile long, and at much less cost. Is it a fact that the theoretical cheapness of large-scale mass production is actually reflected in the lowest practical price to the consumer? Does not the steady rise in living costs cast some doubt on it? Is it a fact that in many established instances we pay wholly artificial, administered prices, that is, non-competitive.* It is a further fact that we actually tax ourselves to pay tribute to this practice. The social security tax is one of them. Likewise are all taxes going into subsidies. So also are the indirect taxes on the cost of tariff-protected articles.

* See *Industrial Prices and their Relative Inflexibility*. Gardiner C. Means. 74th Congress—1st Session—Senate Document No. 13—1935. *Monograph No. 1—Price Behaviour and Business Policy*. Temporary National Economic Committee—1940.

The minimum practical size of a business for producing a given article in volume is more efficient cost-wise than a giant. We would be much better off as to price in a really competitive society of many enterprises using good methods.* And this is likewise so in buying and distribution, and especially if we take advantage of the benefits derivable from co-operation; and if we conscientiously develop regional and local activity instead of the present indefensible practice of long and expensive hauling.†

These observations relate wholly to the materialistic half-truths of so-called mass operations. I will not here elaborate on the effect of great enterprises on our real vitality and spirit as a people; on the great groups of men and women engaged day in and day out in repetitious jobs; on the crushing out of individual initiative and risk-taking; on the loss of local self-sufficiency and consequent economic flexibility; on mass unemployment; on mass standardization of taste. We buy what we are told and do what we are told. That about summarizes the situation.

Another plea for the system is that it produced a stupendous output for the war. But that, to me, proves only one thing—that, in spite of the system, American genius and American materials and American plants by the thousands, and American men and women, were mighty and effective *in war*. The fact is that the smaller decentralized businesses of the country to a very considerable extent did the sub-contracting.

The last remaining domestic economic area is now feeling

* See *Industrial Profits in the United States*. Ralph C. Epstein. National Bureau of Economic Research, Inc.—1934. *Monograph No. 13—Relative Efficiency of Large, Medium-sized, and Small Business*. Temporary National Economic Committee—1940. *Monograph No. 11—Bureaucracy and Trusteeship in Large Corporations*. Temporary National Economic Committee—1940.

† See Appendix I for a menu at East Haddam, Connecticut, in 1857. Price 15c.

the insidious pervasiveness of uncontrolled surplus capital—agriculture. There is a rapidly growing number of factory farms to add their burden to our industrial headache. These operations are especially extensive in the so-called surplus-crop fields—wheat, cotton, tobacco. And here again we have the travesty of taxing ourselves for tribute money, either to remove excess production, furnish a profit to the producers or to maintain lower prices and thus cajole ourselves into thinking we are holding the line against inflation.

To the corroding effects on individual human enterprise, employment and the free market, of big business, big government and big agriculture we must add the legalized restraints on freedom and personal initiative imposed by some of our labour unions. I mean not only the combinations and conspiracies in actual restraint of trade but the rules and procedures that directly interfere with the free offering of goods and services. By legislative, judicial and executive action, unions have been given, up to 1947 at least, a status that materially removes them from the obedience of the law which is compulsory on the remainder of the citizens.

These evils in big business, big government, big agriculture and big unions were inflamed by the war and all the signs now point to a spread of the disease, unless the current revulsion in public opinion comes to grips with the underlying fundamental causes. So we have allowed to creep and then to flow into our whole American life, on a nationwide basis, the activities of combinations of business, of federal government, of state governments and of sections of organized labour which, under the banner of a spurious liberty, are slowly throttling the one liberty of each of us that is essential to life in a democracy—the liberty to produce and sell goods or sell one's services. To complete the picture of our dilemma, we suggest the effect on our entire domestic

economy of the foreign adventures of unrestrained capital of many nations, including our own, and the upheavals produced thereby in international trade and relationship.

We are indeed the unhappy victims of absentee control from dawn to dark, from birth to death.

THE RESULT IN AMERICA OF CONCENTRATIONS

Many conclusions may be drawn from this brief, exploratory analysis of the problem and its causes, depending on what one is looking for, but to me the following seem permissible and controlling.

(1) The machine was the chief vehicle of the system which has substantially destroyed economic democracy. Following the Civil War, our economy grew with no serious consideration by anyone of the effect of its activities upon the human beings who made up our country and with an almost total disregard of the basic facts of American life, the outstanding one being the local life of our people. Free-wheeling capital, within the framework of apparent political freedom, was in the driver's seat. Under the more obvious phases of the new regime there continued the steady destruction of our soil, water, forests, and resources with the inevitable increase in prices, the growth of cities, the erosion of individual economic independence, the fruition of a total money economy. Business engendered retaliations which resulted in bigger government and bigger unions. The whole people were literally jammed into an anarchistic system with little or no understanding of it and in the process were robbed of their personal freedom and individual integrity and dignity. Too great a percentage were, and are being, shoved under the surface.

(2) This system finally failed in 1929-1939, in spite of

the injection of tax money and borrowed money, and completely disrupted in the months following August 1945.

(3) The system failed, in our judgment, because it corrupted the unique American pattern of understanding, responsibility, initiative, competition and pride which grew up and flourished in thousands of communities and millions of individual lives and which is indispensable for our democracy and free enterprise.

It failed because it destroyed the opportunity for economic independence of too many people.

As a result of that, it failed because it could not produce sufficient real wealth for a growing population on any customary basis of exchange.

It failed because it had no real vitality locally in the actual lives of actual people.

It failed because it existed largely on paper without substance.

It failed because it concentrated a degree of economic and political power which eventually baffled the understanding of its own possessors.

It invited its own collapse and it has no friends.

It failed, and taxing and spending will not bring it back to life.

COMPETITION AND FREEDOM

Competitive opportunity for the maximum number of people in a free market is a cardinal ingredient of a dynamic democracy.

Competition was a dead letter in highly industrialized Germany long before Hitler took over. When the Nazis had seized control of a few hundred cartels they held the entire country by the throat, and easily achieved totalitarianism. If we continue our esteem for bigness, the same fate could befall us.

Very recently I saw it authoritatively stated that as of today some 250 concerns controlled two-thirds of the industrial facilities of the country; that before the war some 15,000 companies controlled them. What about that for concentration? How many independent businesses had been swallowed up by the 15,000? I do not know. The liberty of the Fifth Amendment is a relic. No effort whatever is made to stop this stampede for power other than prosecutions under the anti-trust laws which do not pretend to forbid mere growth in size or far-flung spheres of influence. We are pretty close to economic serfdom whether we know it or not.

The defeat of tyrants has usually been at the hands of men who retained their spirit of independence, as, for example, the Swiss mountaineers, the English yeomen, and the embattled farmers of New England. The vassals of a landed or industrial feudalism sooner or later lose the will to fight for liberty.

I wish to emphasize this because the cult of bigness received such strong impetus during World War II. It is easy to picture that the American industrial giants won 'the battle of production.' During the war, anti-trust enforcement was relaxed and big business was encouraged to expand and even to combine for the mass output of war materials. Under its procurement procedure, the federal government let its biggest war contracts to the giants, and the latter subcontracted substantially to small and medium-sized concerns. Thus the stage was set to play up big business, and unprecedented expenditures for 'institutional advertising' have been laid out for this purpose. This was a perfectly natural thing. General Eisenhower could not deal with company commanders. There were too many. So he worked of necessity with the chiefs of armies, or corps or divisions. So likewise in procurement, the contracts, in

the interest of speed, had to spread out from a few centres.

I submit, however, that the strength of our wartime economy, in large measure, lay in the adaptability, flexibility and ingenuity of the thousands of small and medium-sized firms and plants scattered all over the country and the people in them, even as the actual fighting was done by the individual soldier and sailor. Ask Air Force and Ordnance procurement officers in what manner many of their technical production problems were solved and I believe they will tell you that, while the giants were converting to war production, the light-footed, independent, local companies promptly met the most exacting demands of precision designing and tooling and high-speed output. I do not minimize the production of the large combines. I suggest simply that we examine all the facts of war output.

If the war experience did not fully demonstrate the soundness of economic decentralization, the post-war stalemate must have driven it home to nearly all of us. Quarrels between a handful of industrial and labour giants almost paralysed the greatest nation on earth.

John L. Lewis, with a magisterial wave of his hand, browned out our cities and halted trains and steel mills and factories because big business had produced its antagonist in big unions, abetted by big government.

Local businesses and local labour unions have their quarrels, strikes and uneasy reconciliations; but the country can take them in its stride; it is only when concerted action leads to general tie-ups that the economy is throttled. If Farmer Brown fails to get his back acre ploughed, a million other farmers carry on and take up the slack; but if all the farmers locked their barns we should soon starve to death. If 50,000,000 Americans huddle in a dozen or more cities, a few atomic bombs may wipe us out; but if we spread out in sixteen thousand towns we would have a chance to fight back long before our many-linked armour was broken.

It is commonly said that we must have big plants in heavy industry, and that a neighbourhood factory cannot roll ingots or turn out automobiles and tractors at prices low enough to command a wide market. I agree with this, to a point. But big business is not just big plants; it is a combination of many plants and many sources of supply and means of outlet under one financial control. Domination by big business has been aptly termed 'finance capitalism.' The bigger these combinations become the more is ownership divorced from management and the more bureaucratic and cumbersome do their organizations become. The plain fact of big business is that it is inefficient.* And the way it attempts to hide its wastefulness is by monopolistic tactics, strangling competition, restricting the market to maintain prices that yield a going rate of profits, and shifting part of the burden of its inefficiency on to the unorganized producers of raw materials and services. And all the time that big business wields its power to crush competition and to stifle individual initiative, it gives lip service to 'the American way' and 'private enterprise' and 'free competition.'

I believe that the so-called capitalistic system is the best yet devised, because under it democracy may flourish and every individual may have the opportunity to improve himself and his position in accordance with his efforts and ability. But unless we are to have economic feudalism or state control finally imposed upon us, we must play the game according to the rules. The first and fundamental rule of capitalism is that competition must be preserved. It is the life blood of trade and the energy behind the free market. Big business, monopolies, and concentrations of economic or political power are the nemesis of capitalism

*See notes on page 40.

and in reality the enemies of the democracy which they acclaim.

A LOGICAL REMEDY

In the circumstances which I have described, and in the light of their lesson, it is not too difficult to formulate the essentials of a system more rationally adapted to our own peculiar genius. Obviously these essentials must go to the root of our trouble—overconcentrations. Together they would constitute a principle for national living to which specific action would be continually referred for the test of soundness. These essentials may be stated thus:

(1) The over-all objective towards which particular acts are directed is the maximum opportunity for individual economic independence for the maximum number of human beings. The concept of independence includes ownership of a home; all or a part of a productive business in which one is engaged; savings which are reasonably stable in value; a trade or skill.

Practices designed to reasonably promote this objective we classify as good.

Practices which may be reasonably determined to hinder the achievement of the objective we classify as evil.

(2) The practical attainment of this objective requires maximum productiveness of real wealth which will result from the unhampered individual efforts of the largest number of individual people.

(3) These efforts of necessity can only be exerted in the places where the individual people actually live.

(4) Because over-concentrations have hindered achieving the objective, our immediate and long-term task is to minimize them and prevent their recurrence. They are evil.

(5) To do this, the emphasis of our economic and political thinking and action, both individual and co-operative, must

be towards localized production and consumption; local home ownership and control of producing facilities; uncrowded populations; strong home government; and of course restoration of the local plant, viz., water, soil and woods. These practices we classify as good.

(6) A convenient name by which to lump these essentials is decentralization. (For my part I prefer the word "vitalism," which is discussed in the last chapter.)

Decentralization as I use this word is indigenous and peculiarly suitable to the American character but at the same time it is adaptable throughout the world as a basis of enduring peace.

DECENTRALIZATION IS NATURAL IN AMERICA

Not only, however, does decentralization as a principle of living deserve most careful evaluation; it would seem to successfully prove its worth by its very naturalness. If a person is starving, he must have food. Nothing else could even be considered. Similarly, decentralization fits our American life like a glove.

Let us look at this nation of ours.

The conventional planners do not pay enough attention to *facts*. The few facts that they give any attention to are facts of the moment and particularly of employment. But there are certain long-standing, permanent, basic facts of American life that any plan of enduring worth must mesh with. These fundamentals of Americanism should not be overlooked; in fact they *cannot* be overlooked. Of secondary importance are the circumstances of the specific problem of employment which so currently engages our attention.

The first set of facts is general in nature and essentially self-evident; the others are particular, selected and impermanent. The first set is almost entirely disregarded by

other plans; the second set is largely misinterpreted by them, and badly prescribed for.

SOME GENERAL FACTS OF AMERICAN LIFE

(a) First we want answers to the question: What manner of people are we Americans who are being planned for? The best description I know was given as early as 1782, by J. Hector St. John (de Crèvecoeur) in his *Letters from an American Farmer*.

‘Whence came all these people? They are a mixture of English, Scotch, Irish, French, Dutch, Germans and Swedes. From this promiscuous breed, that race now called Americans has arisen. . . . Everything has tended to regenerate them: new laws, a new mode of living, a new social system; here they are become men . . . here they rank as citizens. By what invisible power has this surprising metamorphosis been performed? By that of the laws and that of their own industry. . . .

‘What then is the American, this new man? . . . Here individuals of all nations are melted into a new race of men, whose labours and posterity will one day cause great changes in the world. . . . The American is a new man, who acts upon new principles; he must therefore entertain new ideas and form new opinions.

‘Exclusive of these general characteristics, each province has its own, founded on the government, climate, mode of industry, customs and peculiarity of circumstances. Europeans submit insensibly to these great powers and become, in the course of a few generations, not only Americans in general, but either Pennsylvanians, Virginians, or provincials under some other name. Whoever traverses the continent must easily observe those strong differences, which will grow more evident in time. The inhabitants of Canada,

Massachusetts, the middle provinces, the southern ones, will be as different as their climates.'

The persistence of this fact of local differences up to the present minute must be reckoned with, no less than the national unity that the American Farmer described.

Americans now are essentially what de Crèvecoeur portrayed 160 years ago, and they are going to remain pretty much what they now are. The great majority will be ambitious, industrious and frugal. The only kind of discipline they will accept and like is self-discipline. They set a high value on frankness, honesty and dependability. They are emotional and in an informal and undisciplined way, a religious people.

(b) We Americans live largely in a temperate climate that is invigorating and provocative of energy, invention, daring and endurance. We are restless.

(c) With this general characteristic of initiative and independence we are human, and we vary in capacity, in health, in desires and ambition, in types of pleasure we seek, in spiritual qualities and moral strength. Because of this recognized truth, the original purpose of our American society was to provide equality of opportunity for each of us to seek personal fulfilment. The development of the souls and capacities of individual human beings was the dream of the founders. The loss of this opportunity would be unspeakably tragic, not only for ourselves but for the world and the future of mankind.

Because ours has been a constitutional society having as an objective the creation of an environment to provide just this opportunity, that purpose must not be forgotten or lightly abandoned. Any plan that has as its purpose nothing more than full employment at good wages by government action, though it might operate the treadmill for a time, certainly would not afford this all-important opportunity

for individual life. In consequence, any plan like that has two inherent faults: it has only a limited appeal, and it cannot last. Robust Americans will not find happiness or self-realization merely by having a regular and certain wage envelope of declining buying power.

(d) The great size of America, its vast empty spaces East and West, North and South, and its rich resources, even though sadly impaired, assure the material opportunity for a good living, pleasure and personal growth.

(e) The geographical location of America makes it uniquely suitable for foreign trade and intercourse.

(f) The essentially local nature of our lives—East, Middle West, South, Rockies and West Coast—is a far more real and intimate thing to us than our relation to the national government. Each man's state is his horizon. I know of no one now, just as the American Farmer remarked in 1782, who does not think of himself as a Connecticut man, a Virginian, a Californian, or whatever his state may be. Within each state the life of each community is of even more interest than the state. Every human being in this country has to live in some spot; to him that spot is ordinarily home; and he must find opportunity and be able to support himself and pursue happiness there. The facts of the neighbourhood are of the most interest to him. This circumstance is easily understood because most of us have limitations of mind and body which of necessity limit the area of our lives. Our home is where our heart is.

Madison remarked in *The Federalist* (No. XLVI):

'Many considerations seem to place it beyond doubt that the first and most valued attachment of the people will be to the governments of their respective states . . . with the affairs of these, the people will be more familiarly and minutely conversant. And with the members of these, will a greater proportion of the people have ties of personal

acquaintance and friendship, and of family and party attachments; on the side of these, therefore, the popular bias may well be expected most strongly to incline.'

In this local economic, social and political life of ours, lies the great strength of our country. It is as flexible as a chain of mail; it withstands shocks like the bending reed.

The two reasons why successful economic planning for the future must have localized emphasis are: people live locally; and localized emphasis will make for the strongest country. We people who inhabit the 3,000 counties of America have the right to, and must, require of our representatives that at all times the first consideration shall be the welfare of each and every one of us *where we live*.

(g) We Americans have a common, ancient and virile inheritance of freedom and a belief in the importance of every individual in the social group. Since our ancestors first came to America, some of them three centuries ago, this has been our American tradition, bred in our fathers, ourselves and our children, and nourished in our homes, churches, schools, colleges, institutions and organizations of all kinds. We cannot lay all this aside now or next year as we might change a suit of clothes.

My conclusion is that any plan for the future which does not take into account these seven fundamental facts is condemned to failure. It is not built on a realistic foundation. On the contrary, the plan which is based on them will succeed.

To me, the 1946 national election is evidence of the accuracy of this statement.

PARTICULAR FACTS BEARING ON FULL EMPLOYMENT

(a) *America is not yet thickly settled.* There were in 1940, 131 million people living in continental United States

not including Alaska, or 44 to the square mile. Only ten states in 1940 had more than 100 inhabitants to the square mile—Rhode Island, the densest, had 674, which is less than the density of Belgium or the Netherlands. So there still is plenty of room for rural expansion, and no physical reason for concentration of population to the extent already reached in some communities.

(b) *There has been a notable shift from the semi-independence of rural life.* In 1870, more than two-thirds of our 40 million population lived on the land as farmers, woodsmen or cattle-raisers. In 1940, less than one-quarter, or 30 millions out of a population of 131 millions, made a living this way.

The proportion of city dwellers, largely depending on wages, has increased rapidly.

In 1870, there was no great concentration in cities—only 14 cities had more than 100 thousand each, and even New York (then only Manhattan) was under a million. In 1940, 92 cities had more than 100 thousand each, and the total population of these cities was around 38 million—almost three-tenths of the nation's total. This meant that practically the same number of people as had the entire country to live in seventy years ago are now huddled into cities with a total area considerably smaller than Connecticut. In 1870, 25 per cent of the population lived in places of over 2,500; in 1940, 56½ per cent—more than double—lived in urban areas.

From the independence of farming to dependence on production and distribution—and on money wages—there has been an equally surprising shift.

In 1870, 53 per cent of the 12 million gainfully occupied persons (16 years and over) were in agricultural pursuits; only 31 per cent in manufacturing, trade and transportation; and the other 16 per cent in personal, professional, clerical

and government services. In 1940, only 19 per cent of the 52 million or more gainfully occupied persons were in agriculture; 47 per cent in manufacturing, trade and transportation; and 9 per cent in services, public and private. The percentage on the government payroll, national, state and local, was 3.9 per cent in 1940; it had been only 0.1 per cent in 1870.

As would be expected from this shift of occupation, we find a great increase in those depending on salaries or wages as distinguished from being their own bosses—from less than one-half of the total employed in 1870 to more than three-quarters in 1940.

This explains the predominant interest today in full employment and security insurance by government guarantee.

(c) *But the population is still growing and so is the need for jobs.* We may assume a further increase by 1965 or so of 20 million people, and in consequence millions more of employables.

The percentage of employable persons is increasing as well as the actual number. For the age of our population is going up, and as the years go on, the number of persons under 20 years of age will be smaller, despite a growing population. So, when the population theoretically stabilizes at 150 million in 1965, there will be 15 or 20 million more people in the employable ages of 20 to 65 than there are now; and the number of those 65 or over, that is in the pensionable class, will be practically twice as large as it is now though the increase in total population will be only 14 per cent.

(d) *The number of unemployed tends to increase with the population,* though there seems to be no evidence that it increases any faster.

If the number of unemployed prior to 1940 was a grave problem for our country, what can we say of the potential

on? If the present private enterprise system plus government spending by borrowing and pump priming was no satisfactory answer in 1930-1940, what can we say about 1947-1955, assuming no change in the factors?

(c) *The economic structure has changed enormously in the years 1870-1940.* This was the period of the growth of big business; of moving or abandoning many plants; of consolidating enterprises throughout the country; of slowly dampening the ardour of small locally owned and locally managed enterprises; of impairing the free market through monopolistic practices and government policies; of rising national advertising and high-pressure selling to support standardized articles; and of unbalanced competition between great moneyed businesses and little ones for the market.

* * * *

However, it is not so much the interrelation of this set of facts that is important as the meaning of them.

My argument is that the mere statement of them is enough to show the utter impracticability of any plan for full employment under this present system, supplemented by government spending and borrowing. Too many people are involved.

If the government is to step into the breach from time to time in the future what kind of jobs will it supply, how many of them, and how long will there be money for them? There is an obvious limit to the tax-paying ability of the people, both real and psychological. And jobs of no economic value are worse than no jobs at all. *Made work* to assure full employment is a fallacy of chain reactions.

Benjamin Franklin put this very forcibly when he said:

'I have land and raise corn; if with this I feed a family that does nothing, my corn will be consumed, and at the

end of the year, I shall be no richer than I was at the beginning. But, if while I feed them, I employ them, some in spinning, others in hewing timber and sawing boards, others in making brick, etc., for building, the value of my corn will remain with me, and at the end of the year, we may all be better clothed, and better lodged. And if, instead of employing a man I feed in making bricks, I employ him in fiddling for me, the corn he eats is gone, and no part of his manufacture remain to augment the wealth and conveniences of the family. I shall, therefore, be the poorer for this fiddling man, unless the rest of my family work more, or eat less, to make up the deficiency he occasions. Look around the world, and see the millions employed in doing nothing, or in something that amounts to nothing, when the necessities and conveniences of life are in question.'

Without arguing the *details* of government spending to create employment, let us consider the fundamental principles involved.

This government-spending type of planning, inasmuch as it contemplates no real change in the economic and political conditions of the country, would serve only to erect a questionable structure on a shaky foundation. Its proponents completely ignore the two sets of facts of American life outlined previously and these facts just won't be ignored.

Such plans promise no opportunity to get anything but a pay envelope. This bare promise will not satisfy the veterans nor a large number of the rest of us. We want a bigger opportunity.

The experience of history has demonstrated that government, and especially a free government, cannot for long support *many* of the people, even if it were desirable.

Planning of this character has no real objective, for full employment is not an objective but merely a means to an

end. The question I believe the majority of us want to have answered is not: How can we be sure of a pay envelope? The question is: What kind of country do we want to look forward to living in?

My final conclusion is that the only feasible and desirable means of achieving full employment and opportunity now and in the years ahead is through expanding production of goods and services by private initiative. This must flow from the unhampered individual efforts of the largest possible number of people. On their record, big business and big government cannot and will not furnish it. Decentralizing is the answer.

Decentralizing Is Simple

Finally, I wish to point out that not only is the principle of decentralization a wise policy for us to adopt but, most important, it is extremely simple to put to work. Simplicity is the very heart of the Plan for Action which I hereafter propose. If decentralization were a complicated thing, it would not work. Its freedom from complexity is, therefore, as great a virtue as its naturalness.

Someone has very well said that people only become involved in their thinking when they are not clear as to what they are trying to do. If one is thinking clearly the elements of a problem can be very lucidly and simply laid out. One of the very greatest demonstrations of this truth is the recorded teachings of our Lord. And St. Paul said: 'If the trumpet give an uncertain sound, who shall prepare himself for battle? So likewise ye, unless ye utter by the tongue speech easy to understand, how shall it be known what is spoken? For ye shall speak into the air.'

May I briefly illustrate this fundamentally important point.

First of all, it is with human beings, individual persons

like you and I, that we deal. No great schemes or plans where we are just numbers of producers and consumers or 'economic men.' The plan for decentralizing is *predicated* upon the acceptance of the basic idea upon which it rests—that the one and only source of all mental and physical energy and power in the United States is the individual men and women residing therein. That is beyond argument the only source and it is a mighty one. We have no outside or inside protectors or anointed sovereigns. In consequence, all our social structures, economic, political, educational and religious, should be designed and maintained to most fully utilize that source.

Again, we approach the problem as *separate* human beings, not as anonymous members of a collectivist state. No greater disservice has ever been done us than the constant outpouring of figures and statistics simply lumping us all together.

Next, the areas of trouble which must be eliminated or brought into line are, for the most part, simply externally embodied ideas. They have no reality save in our own minds. We do not lose control of them. When the idea is dropped, so is the trouble.

For example, the machine which we conclude is the origin of our problem is wholly and completely an idea projected into some metal. The metal just stands there when it is not in use. It can be a master or a servant depending wholly on what ideas we have about it or it can cease to be altogether.

Take a business monopoly in a metal. The monopoly is an idea of some man. If the idea is abandoned, the corporation may still be on paper. What has happened? Someone has changed his mind or died or what not. But when the idea goes, the trouble goes.

So as to great industrial unions, large-scale agriculture,

inflation, atomic bombs and world peace, and so on. If we had no raw materials in America, no arable land, no water, we would be up against an external tangible fact. But fortunately our chief problems at this time are ideas which have been uncaged. Change our minds, abandon the idea, substitute another and there simply is no problem. To me, it is just as easy as that. Our troubles do not arise out of acts of God, nor foreign enemies, nor dictators, nor physical scarcity, nor inevitable trends. They arise out of ideas which we ourselves generate. These ideas have no reality. We drop them, shake them off, and there you are. What we really lack is faith in God and in ourselves. We are actually and literally scared of shadows—worse than that—our own shadows. Decentralization will restore confidence *in ourselves*.

Now let us take another illustration. Our experience of the last 15 years is nothing new. The problems of food, clothing and shelter have continuously engaged people's attention and action through all recorded history. The coincidence now of greater population, concentration of economic power and labour-saving devices with unemployment or fear of it or of hard times does not make the situation unique in human experience. Now is no time to abandon old and tried wisdom in favour of still more ancient and still counterfeit short-cuts which have never worked. Six centuries ago, when the Black Plague struck England, one-third of the population perished; social and economic life was disorganized; wages and prices soared—and then laws were passed to fix everything up. All men were required to accept work when offered and to move to wherever there was a shortage. Yet despite severe penalties the laws could not be enforced. Passing laws did not solve the problem.

Economists in general are not in agreement today as to

either causes or remedies, and this confusion in their pre-empted territory has been true for four centuries as changing times have created apparently novel situations. Why should we then allow ourselves to be confused and to refuse to stand by our own convictions based upon experience, which is as close to the facts of life as one can get? For example, there is nothing more perplexing than listening, in court, to a dozen witnesses each describe what he thinks occurred and then trying to decide what was the actual fact. Yet under this judicial system of ours, we freely entrust our lives, liberties and fortunes to the wisdom of a dozen ordinary men sitting on a jury. Is it foolish to think that these same people can as well discharge their duties in the role of citizens? Must we, on the other hand, when concerned in matters of legislation, hire some extraordinary people who have two heads instead of one or four eyes rather than two?

And finally, may I say, decentralization requires no great bureaucracy or involved statutes or large expenditures or armies to make it work. It needs just the desire to co-operate.

Our America is a free society conceived of as resting on co-operation. Co-operation is an arrangement of reciprocal duties as well as rights. The Christian thesis admonishes that one should do to others as he would be done by. Feudalism was a social form of complicated rights and corresponding duties. Chivalry emphasized duty rather than rights. The Congressional Medal of Honour is awarded for acts *beyond* the call of duty. But in the mass thinking which developed out of the machine, when the individual began to submerge and become rather a unit of production or consumption, he seemed to forget this old truth, he lost touch with his national motto, *E Pluribus Unum*. And so did the boss. In the scramble for money, each was for him-

self. But that has led us nowhere. In the chance of redemption which lies ahead, we will want to bring out and shine up this very useful tool, not as a gesture of reform, but strictly as a matter of enlightened self-interest.

There is nothing very radical about such an idea. Take, for example, the field of law. The growth of population and the crowding in of people on each other, the evolving of intricate common interests during the last 75 years, and the very decided interdependence of our economic arrangement, have steadily whittled away at ancient legal rights in favour of what is considered the paramount public interest. It is definitely accepted today that the people as a whole have rights which cannot be unduly impaired by individuals or corporations who possess a complete title to their own property. Property, or the right to own something, was emphasized and enforced for centuries because it was deemed requisite for social stability and order and to satisfy a very elementary desire. It is just as important today, but inasmuch as property was given substance by society so society can protect itself from generation to generation against its harmful use. There is always a nice balance involved.

The law of nuisance forbids a use of one's property in a way which impairs the all-round rights of a neighbour. Zoning regulations recognize a public interest. Pollution of water sources is a growing and recognized evil that soon will be drastically forbidden. We can no longer look calmly upon the ruthless destruction of timber and the loss of soil by its fee-simple owners. In commercial life, monopolies and restraint of trade are forbidden in the common interest. Unrestrained rights give way to duties. And it is beyond question that the claims of organized labour to almost unlimited licence cannot be longer countenanced.

And so I conclude that even as the sources of our troubles

today are uncomplicated in their nature, so likewise is their solution simple in its character. If it were not simple, it would not be practical. To be practical it must be easy to comprehend. We now outline the proposal which, in Part II, will be examined in detail.

Plan for Action

The application of the principle, that is to say, what we set about doing and believing, may be stated in five points—no more, no less.

Point I. The unhampered individual efforts of the largest possible number of people are essential to insure our economic salvation as a whole, as well as to provide the opportunity for personal material security and development. Therefore, maintenance of individual liberty under the law must be the first and unvarying object of our will.

Point II. As a free people we must consciously and collectively strive to create and maintain a system that will permit the greatest opportunity for each citizen's maximum productive activity as a co-operative and contributing member of society as well as for his own material security and development. This requires decentralization—economic, political, physical and moral.

Point III. The objective of such a system will be that the largest possible number shall have economic independence, viz., shall own their own homes; own all or part of a productive business in which they are engaged; have savings; have a trade or skill. The larger the number of our people with such economic independence the less will general economic disturbances be left, and the greater will be the certainty of preserving freedom.

Point IV. To some individuals and groups who need help to maintain themselves the people as a whole should furnish

aid, provided the aid is sound in itself, and does not impair the vitality of the free order that makes the aid possible.

Point V. Those objectives will be attained only by unremitting effort through organization and education.

As we have repeatedly said, we believe that the fruition of this scheme will best enable the nation to adjust its domestic problems of individual security and tranquillity, dissolve the causes of inflation, perfect a military defence-in-depth, and by example as well as constructive effort implement other concerted efforts to establish and preserve world peace.

While belief in it on the part of many people will tend to bring it to pass, it is not self-operative. The belief must be followed by individual, personal effort and this personal effort must be integrated through organization. Those of us, and I believe there are many millions, who ardently love this country and its ancient tradition should sink their differences on detail and unite on some constructive plan. If not this, then on another but equally complete one. But let's get about it. One person in each of the states, one person in each of the counties, one person in each of the towns, and the fight would be won.

Consider for just a moment how very simple this is. The persistent preachings of Samuel Adams and other anti-taxers through the trying times of the 1760's jelled the sentiment that led to the Declaration of Independence. The Committees of Public Safety in the various colonies were the embodiment of singleness of purpose and constancy of spirit. The arduous crusade led by William Lloyd Garrison and other founders of the American Anti-Slavery Society sparked the conflagration that freed the American Negro. The determination of Carrie Chapman Catt, Lucretia Mott and Susan B. Anthony resulted in the 19th Amendment. The unflagging zeal of Samuel Gompers, Adolph Strasser

and their small groups of followers flowered into the American Federation of Labour.

Let us not be ashamed of ideals and dreams. They largely distinguish us from the beasts. It is reported that George Washington at the opening of the Constitutional Convention in 1787 thus advised a group of delegates:

‘If, to please the people, we offer what we ourselves disapprove, how can we afterward defend our work? Let us raise a standard to which the wise and the just can repair. The event is in the hand of God.’

PART II

PLAN FOR ACTION

Point I

The unharmed individual efforts of the largest possible number of persons are essential to assure our economic salvation as a whole as well as to provide the opportunity for personal material security and development. Therefore, maintenance of individual liberty under the law must be the first and unvarying object of our will.

We have argued in Part I that opportunity for individual economic freedom depends initially upon unrestrained and co-operative activity on the part of all. The reason is that, unless one lives in the woods on roots, berries and wild animals, everything he requires in the way of food, clothing and shelter is the product of many hands. It follows that the more and freer the hands, the more of the necessities and pleasures of life there could be. To demonstrate how to free the hands of all the people and secure the fruits of opportunity is the purpose of Part II.

Naturally the very *first* condition of a successful effort to recreate opportunity for individual economic independence is the *right* to it. If the right did not exist today without limitation, it would be necessary to establish it *as a matter of basic law*. I would not hesitate to advocate this as that is precisely what our ancestors did in 1776.

Fortunately this right does exist. The evil is that it has been whittled away and largely abandoned due to customary thinking and indifference.

In our solution of the national problem of individual op-

portunity, the beginning of the effort must be a rebirth of uncompromising resolution on the part of all to re-establish this right *in reality* in everyday living. If what each of us wants, needs, talks about, is personal opportunity, why in the world don't we go about having it. It is as simple as that.

We are still quick to react against any tampering with political freedom—the right to govern ourselves; with religious freedom—the right to worship as we please; with freedom of speech—the right to say what we wish. In exactly this way must we individually and collectively again lay hold of the most basic right of all—individual economic freedom, for upon this hang all the other rights. Maintenance of liberty under the law, therefore, should be the first and unvarying object of our will.

I shall try to bring out the meaning of liberty as I see it and why in any approach to the current American scene the zealous defence of this right is in the forefront—not because it is just a naked right but because from it springs all that we hold dear in our country.

We adopted as the cornerstone of the American scheme the liberty of the individual, limited only by the equal liberty of each and every one of his compatriots. The entire body of law and procedures, constitutional, statutory and common, was devised to give effect to this principle. We considered, and rightly so, that man was endowed by his Creator with certain inalienable rights; among them, life, liberty and the pursuit of happiness.

What is the meaning of 'individual liberty under the law'? Neither the federal Constitution nor the constitutions of the several states created it. The federal Constitution was adopted, ordained and established by the people of the United States in order to 'secure the Blessing of Liberty to ourselves and our Posterity.' The 5th and 14th

Amendments did not create any liberty. They declared that neither the national nor any state government should *deprive* a person of his liberty except by due process of law. We were in the enjoyment of liberty as we understood it when we became a free people. We set up governments to perpetuate it.

'These terms, "liberty," and "property," are representative terms and cover rights to which a member of the body politic is entitled under the law. Within their comprehensive scope are embraced the right of self-defence, freedom of speech, religious and political freedom, exemption from arbitrary arrests, the right to buy and sell as others may—all our liberties—personal, civil and political; in short, all that makes life worth living; and of none of these liberties can any one be deprived except by due process of law.' (State vs. Julow, 129 Mo. 163.)

John Stuart Mill in commenting on the general subject of such liberties said:

'No society in which these liberties are not, on the whole, respected, is free, whatever may be its form of government; and none is completely free in which they do not exist absolute and unqualified. The only freedom which deserves the name, is that of pursuing our own good in our own way, so long as we do not attempt to deprive others of theirs, or impede their efforts to obtain it.'

In a general way I think these two quotations express what most of us Americans feel when we talk about our country; when we say that we are a free people; that we enjoy freedom.

Now to pin that *general* concept of liberty down to the *particular* purpose of this Plan, let us consider just one of our liberties, the right to sell one's goods or services without undue hindrance. It is a thesis of the Plan that only in the unrestricted exercise of this right can we meet and defeat

the problem of individual economic freedom. This is a right, legally and morally recognized to be the prerogative of a free man. It was a right fully enjoyed, after centuries of struggle, in 1776 and 1787. It was of the essence of 'the pursuit of happiness.' It was a right of which the federal Constitution said a man could not be deprived by *act of government* except by due process of law. It is still a right.

Our Supreme Court has said:

'The liberty mentioned in that Amendment [14th] means, not only the right of the citizen to be free from the mere physical restraint of his person, as by incarceration, but the term is deemed to embrace the right of the citizen to be free in the enjoyment of all his faculties, to be free to use them in all lawful ways; to live and work where he will; to earn his livelihood by any lawful calling; to pursue any livelihood or avocation . . .' (Allgeyer vs. Louisiana, 165 U.S. 578.)

The 'pursuit of happiness,' announced in 1776 as an inalienable right of man, is 'the right to pursue any lawful business or vocation, in any manner not inconsistent with the equal rights of others, which may increase their prosperity or develop their faculties, so as to give them their highest enjoyment. The common business and callings of life, the ordinary trades and pursuits, which are innocuous in themselves and have been followed in all communities from time immemorial, must, therefore, be free in this country to all alike upon the same conditions. The right to pursue them, without let or hindrance, except that which is applied to all persons of the same age, sex and conditions, is a distinguishing privilege of citizens of the United States and an essential element of that freedom which they claim as their birthright.' (Butchers', etc. vs. Crescent, etc., 111 U.S. 746.)

This and our other liberties, sought for, fought for and

won through the centuries, were deemed to be so vital to life itself, let alone the enjoyment of it, that they were deliberately removed from the legislative will. In the famous case of *Ex parte Milligan*, decided by the Supreme Court in December 1866, Mr. Justice Davis pointed out:

‘Those great and good men [the framers of the Constitution] foresaw that troublous times would arise, when rulers and people would become restive under restraint, and seek by sharp and decisive measures to accomplish ends deemed just and proper; and that the principles of constitutional liberty would be in peril, unless established by irrepealable law. The history of the world taught them that what was done in the past might be attempted in the future. The Constitution of the United States is a law for rulers and people, equally in war and in peace, and covers with the shield of protection all classes of men, at all times, and under all circumstances. No doctrine, involving more pernicious consequences, was ever invented by the wit of man than that any of its provisions can be suspended during any of the exigencies of government. Such a doctrine leads directly to anarchy or despotism, but the theory of necessity upon which it is based is false; for the government within the Constitution has all the powers granted to it which are necessary to preserve its existence . . . If society is disturbed by civil commotion—if the passions of men are aroused and the restraints of law weakened, if not disregarded—these safeguards need, and should receive, the watchful care of those entrusted with the guardianship of the Constitution and laws. In no other way can we transmit to posterity unimpaired the blessings of liberty, consecrated by the sacrifices of the Revolution.’

These decisions establish this fact: The liberty to sell one’s goods and services was and is a right of continuing vitality simply because it is the right to eat and live. It was

protected against impairment by act of government only, because the colonists were fearful of authority in any form and because it was only from acts of government that they thought there was anything to fear.

Today government is not the only potential offender. The real cause for fear, the more pervasive and insidious danger, arises from the behaviour of fellow citizens, both individuals and groups of individuals and corporations, who claim that their acts, which on all sides are recognized as injurious to others in fact, are merely the exercise of perfectly legal rights and therefore defensible. This piece of sophistry has been widely but supinely swallowed. These acts include effective combinations of business and labour in restraint of trade, combinations of business of overpowering size or the same results from discreet associations of business in the same trade; the tyrannical practices of some of the labour unions, and the many current devices on all sides to restrict production or employment or individual enterprise, or all three.

It is wholly untrue that there is nothing harmful to the people in great size or concentrations of economic power, whether of capital or labour, or that what is lawful for one to do is lawful for many to do. Size *is* power and it can injure simply by existence. Our Supreme Court and other courts have held on many occasions that mere numbers can make wrong an otherwise innocent act. (Gompers vs. Buck Stove & Range Co., 221 U.S. 418; Granada Lumber Co. vs. Mississippi, 217 U.S. 433; Bedford, etc. vs. Journeymen, etc., 274 U.S. 37; Hey vs. Wilson, 232 Ill. 389; Morris, etc. vs. Barclay, etc., 68 Pa. St. 173.)

For such actions or concentrations may *in fact* unduly interfere with the enjoyment by an ordinary individual citizen of *his own liberty* which is equal in quality to the liberty asserted by the offenders. Yet so persistent has been

the propaganda in favour of big business, of price fixing by trade associations, of the exemption of trade unions from the general law applicable to other persons; so strongly have these special prerogatives and interests been supported by the press and our political leaders, that the *rights of the individual citizens* as a class have been wholly ignored. Alexander Hamilton truly prophesied: 'It is not thus [by arms] that the liberty of this country is to be destroyed. It is to be subverted only by a pretence of adhering to all the forms of law and yet by breaking down all the substance of our liberties.'

In the American Tobacco Company case (decided 1946—328 U.S. 780) the Supreme Court said: 'The foregoing demonstrates the basis of the claim of American, Liggett and Reynolds to the title of the "Big Three." The marked success enjoyed by each of these three, in roughly equal proportions, is emphasized by the fact that the smallest of them at all times showed over twice the production of the largest outsider. Without adverse criticism of it, comparative size on this great scale inevitably increased the power of these three to dominate all phases of their industry. "Size carries with it an opportunity for abuse that is not to be ignored when the opportunity is proved to have been utilized in the past." . . .

'We find the following statements from the opinion of the court in that case [U.S. vs. Aluminum Co. of America, 148 F 2d 416] to be especially appropriate here and we welcome this opportunity to endorse them: "Many people believe that possession of unchallenged economic power deadens initiative, discourages thrift and depresses energy; that immunity from competition is a narcotic, and rivalry is a stimulant to industrial progress; that the spur of constant stress is necessary to counteract an inevitable disposition to let well enough alone . . . These considerations,

which we have suggested only as possible purposes of the Act, we think the decisions prove to have been in fact its purposes.” ’

If full employment and economic security, both personal and collective, can flow only from our individual activities in freely selling our goods and services, then these individual activities must not be interfered with. They are simply the exercise of one liberty inherent in our citizenship. In effectively protecting this right, the federal and state governments are discharging the obligation imposed on them when they were created. They were set up for this precise job—not to *create* the rights but *secure* them. Even if this assertion were not correct on constitutional, historical and moral grounds, the opportunity to effectively utilize this right should now be spelled out in the law of the land as an act of self-preservation. Of course when I speak of individual rights, I mean the rights of partnerships, organizations, co-operatives and corporations as well. The constitutions attach their protection to all ordinary forms of enterprise.

This American brand of freedom was one stake in World War II. We fought for it because it is in our very nature to want freedom. What else could one expect, considering the tradition of many centuries that is in our very blood and bones? We are the inheritors, direct or collateral, by unbroken descent through 700 years of a passionate love of freedom from oppression in any form.* As heir, each and every American citizen is entitled now and hereafter to the ancient liberty to sell his goods and services freely. Let us demand that whenever this right is challenged or asserted, our federal and state government must protect or enforce it.

* See Appendix II for a few illustrative selections from the literature of liberty.

The right, however, has equally strong duties attached to it. The failure to fully recognize these duties lies as near the heart of our problem as the impairment of the right. The current incessant clashings of economic groups, the steady rise in prices, the inevitable falling away in the standard of living, in truth the very low standard of many millions, stem in part from this failure.

Personal economic security, while it of course requires personal effort, at the same time is unattainable for the most part and for most people unless the large majority of others have a similar opportunity. The obligation to concede the same right to others is inseparable, in fact, from one's own privilege. This is not simply law or morals, but the cold-blooded truth.

A citizen of the United States, if he wants to get ahead for himself or lay something by for a rainy day, must have at least two ideas quite well in mind when he concerns himself with this adventure. First, it is necessary to recognize that his neighbours have the same right equally sacred with his own. If he consistently fails to do so, sooner or later they will take his right away from him, somehow. Thomas Jefferson once said in a letter to Dr. Benjamin Rush, in 1803, 'It behoves every man who values liberty of conscience for himself to resist invasions of it in the case of others, or their case may, by change of circumstances, become his own.' Second, it is necessary to realize that in this Machine Age, with its extreme division of labour and interdependence, his opportunity will amount to nothing anyway in the long run unless his neighbours not only enjoy the same for themselves, but *exercise or use it*. Our needed food, clothing and shelter are collective products of thousands of different hands and mere money will not necessarily buy them. We have found that out all over again in the last five years. *They have to be produced*. It is

very much to my own selfish interest, therefore, to not only respect my neighbours' rights but to do everything practical to promote them.

This was not true in primitive periods or even in the early days in America. The hunter or nomad or settler lived by his own hands and tore his living from what was around him, including taking it from others if need be. That won't work today because there is nothing to tear. You can't eat money, or wear it or sleep in it.

Individual liberty is, in consequence, a collective derivative. So far as our governments can foster it, we must each of us unremittingly press this duty and grave responsibility upon our paid and hired representatives in the legislative, executive and judicial branches. So far as society can nourish it, co-operation to the utmost, far from weakening the individual, yields to him a rich return on the investment.

POINT II

As a free people we must consciously and collectively strive to create and maintain a system that will permit the greatest opportunity for each citizen's maximum productive activity as a co-operative and contributing member of society as well as for his own material security and development. This system requires decentralization—economic, political, physical and moral.

Having established the moral and constitutional right of the American individual to the free and unhampered opportunity to seek his own economic freedom, we next approach the consideration of some of the obstacles in his way.

Our claim is that the chief man-made obstacles are over-concentrations. These have slowly overlaid the American scene like layers of rust in a pipe. They have dangerously slowed up the flow of human energy throughout the land.

We must, therefore, flush them out—not tear up the pipes, as so many would do. We must go about creating and maintaining an economic system that will permit the greatest opportunity for each citizen's maximum productive activity. We must clear out the rust. Only thus is individual security possible on a satisfying standard.

Our argument will be that we should first create and enforce a really free market; that having done this we start a full flow of energy by making it worth while for each of us to take hold. We do this by cutting the taxes to a minimum and by establishing a sound dollar; we open up so far as may be in our power, the free flow of foreign commerce; we implement the economic plan by a drastic cut-back in the federal government both because it will reduce taxes and remove another type of over-concentration; to loosen up concentrations of people and release energy we take practical steps to induce a spreading out into less thickly settled sections; and finally, we argue that in assuming personal responsibility for such a plan we become part and parcel of a movement which will put an end to personal doubt, bewilderment and drifting and engage ourselves in the greatest struggle facing mankind today.

In presenting a plan to achieve the objective under this Point, as well as those of the succeeding three Points, in a relatively few pages, it is some comfort to recall that the framers of the federal Constitution produced a short, workable and practical scheme simply as an act of reason based on experience—no statistics, no citation of authorities, no trial period. It succeeded.

My proposals are based on reason and personal experience. The conclusion reached by reasoning and experience is an abiding conviction that government—the national government particularly, and the state governments to a less degree—cannot be trusted to be the guardian of our indi-

vidual economic life which in turn conditions the balance of our liberties. The history of the past decade or so in America (and elsewhere) makes any extensive argument unnecessary.

These proposals may seem to be radical, but a crisis of extreme gravity calls for bold thinking and action. We cannot flush out the pipe with an eye-dropper. It is my intention to present an all-out plan, as logic forces one to do, and let the chips fall where they will. Only thus can the operation of the principle set forth in the five Points be accurately illustrated. In practice, withdrawals can be made from the periphery, but without a periphery, the scope of the principle lacks form.

What then, specifically, can be done *now* to start decentralization on its way both because of its immediate need as well as a foundation for an unshakable and enduring national life?

ECONOMIC DECENTRALIZATION

The first thing for us to establish at once is the atmosphere of opportunity in each of the states and in each community in each state. If opportunity is provided, there is no need to plan in detail how to use it. Leave that to the millions of Americans in their respective localities, and the millions of men and women returned from the wars, who have all the necessary energy, ambition and ability. *Opportunity is generated by the enforcement of the free market.* The phrase 'free market' is simply a short way of expressing the real right and chance of every person so desiring to produce goods and offer services without interference by government or persons or groups of persons. Subject to the exceptions stated later, every man and woman should thus be free in his locality, in his state, in the nation,

and abroad (at least to the extent that there is no *American*-originated private or public interference). There is one very basic limitation to be suggested at the outset. In the interest of military defence and of succeeding generations, it is necessary to carefully weigh the need of circumscribing in a constructive way the present unrestrained use of irreplaceable resources such as minerals and oil and the ignorant or greedy destruction of soil and timber and waters. These are real wealth as distinguished from money and we cannot do without the last three and live. I mention this simply that it be had in mind and not for detailed discussion in this book. A simple, practical aid would be to encourage the free importation of minerals, oil and lumber, including pulp.

In the creation of the free market there is a field for federal action, for state action and—by no means the last—for the immense force arising from the individual and co-operative will of the people.

CREATION OF THE FREE MARKET TO THE EXTENT OF FEDERAL POWER

The action producing the widest immediate result in creating the free market would be national and federal, because most of the goods and services marketed in this country and abroad enter the stream of interstate commerce, which is under the control of the federal government.

The *first step* necessary is the enactment of a simple statute.

To forestall the inevitable remark—What! Another law!—I ask the reader to withhold his judgment until he has finished the book. The subject we deal with—the free market—is one of the few legitimate fields of federal activity, in fact it was the motive behind the Constitution

itself. If the body of national statutes should be re-examined, revised and discarded, as specifically suggested herein, it is entirely possible that we could have a practical digest of the law in pamphlet size instead of the five-foot shelf of the Federal Code Annotated. Every citizen could have one on hand. That is something like democracy. After all we need not delay for centuries, as did the Romans and the French, for example, before taking action. We are in a crisis *now*.

This statute could provide, in essence, as follows:

Section 1. It is the national policy to establish and enforce the free market in interstate and international trade.

Section 2. Individuals, corporations, and groups of whatever kind or purpose are forbidden to impair the free market. This prohibition would include practices and activities in interstate commerce which tend to artificially raise prices and to diminish opportunities for employment. (Exception are provided for in Section 4.)

Section 3. All concerns engaged in interstate commerce are limited to one basic type of business. Evasion of this provision by direct or indirect stock ownership, or by interlocking directorates or management, or by any other device is prohibited.

Section 4. Exceptions are made for (a) classified co-operatives under federal supervision, (b) businesses subject to supervision by a proposed Department of Economics because they are affected with a public interest. (This Department is described hereinafter.)

Section 5. A commission is appointed to report within one year as to the amendment or repeal of existing statutes and enactment of new statutes to bring the entire body of federal law into harmony with this statute. (No

statute in the meantime is deemed to be repealed merely by implication.)*

Section 6. Punishments for violations and provision for procedural steps.

I will now endeavour by a series of examples, without labouring the specific points, to illustrate the present very critical need for a statute of this character, whatever may be the disagreements on details. The statute is the rope to bring us individual human beings up to the surface again. Later on I will point out some of the additional steps required to keep us afloat. Please have in mind, in considering the statute, the over-all and complete national absorption in the problem of jobs, personal economic security, economic peace within the United States, more goods to divide up, and inflation, that is the slow increase in the cost of most things we want and have to buy. These things together constitute just one problem. They arise from the destruction of the free market. The statute is aimed right at the heart of that problem. If we want to solve it the means are in our hands. It cannot be solved in any other way, in my judgment, nor can it be solved by anyone but ourselves, acting together.

In the elections of 1946, it seems to me, a majority of the people revolted against the existing state of things—here for one reason, there for another. They revolted as individual persons, as Americans, not as a mass of economic units. They revolted for individual reasons: too much government and interference, too much taxation, excessive labour abuses, too little food, too little opportunity, too meagre a life; generally fed up. Possibly it was a long growing accumulation of things we did not like.

What an opportunity for the new Congress, the war

* See page 136 for a discussion of new codes.

being over and a vista opening up ahead, to try to really come to grips with the underlying causes of this unrest. But to my eyes no attempt of a comprehensive and integrated nature is visible at the moment.

Now for the examples.

Section 1. The purpose of this declaration is to create a standard or principle against which we measure the fitness of existing federal and state laws and practices and proposed laws and practices. We do not now as a people adhere to the free market as a national policy; on the contrary, we are doing or tolerating innumerable acts to destroy it. For example, the federal government itself acts to impair freedom of the market in the following ways, among others:

(a) By levying burdensome corporate and personal taxes. Taxes taken from a business reduce by so much the ability to share profits with employees, to make payments to owners, and to sell goods or services at lower prices. What is paid out to employees and owners increases the demand for goods in general, which in turn tends to cause the production of goods and an increase in employment. Thus the pool of desired things to divide is augmented. What is paid to government in taxes adds little or nothing to the pool. Persons on government payrolls in general produce nothing in exchange for their pay. They, like many subsidies and grants, are a drag on the pool. Large-scale government buying competes with individual buying and thus diminishes the available supply and boosts prices.

Overburdening personal taxes have a tendency to discourage work; this reduces production, which only causes increased prices and a lower standard of living.

The over-all effect of heavy personal taxes is to diminish the opportunity of individual persons to achieve personal security for themselves through savings.

(b) By imposing restrictions in the guise of regulation. However sound some regulatory practices may have appeared at the time they were devised, an intelligent postwar policy requires that they be now re-examined to determine how much they interfere with employment, investment and expansion. Without doubt business people have learned enough since the early '30's to make it unnecessary for government to continue regulations that are punitive or are based on past dereliction, or that cost more than their social worth.

Consider the railroads. They should be actively encouraged to show profits. If they make money they have more to share with employees and owners and they could buy new rolling stock, extend safety devices, double-track all sections, remove grade-crossings, beautify the right-of-way as the Canadian Pacific does, improve entrances into villages and cities, etc. So vast is this particular type of enterprise that it could keep America busy for years doing these needed things. We are all quite used to pay-as-you-go, self-liquidating projects like toll bridges, parkways, etc. Everyone is glad to pay the small cost for the extra service. That is all a railroad really is. It takes in and pays out. Personally, I am convinced that all rate regulation should be abolished for ten years. Complaints could be referred to the Economic Court described hereinafter. Let the roads fix their own rates.

The Federal Power Commission is a wholly unjustified and expensive interference with the free market, operating in fields adequately protected by the states. Public utilities are like railroads, and they should be encouraged to make money.

Instead of the costly and repressive Securities and Exchange Commission, the general purpose could be accomplished by a statutory statement of policy, severe penalties

for infractions, and reference of complaints to the Economic Court.

So-called economic planning for the accomplishment of theoretically desirable objectives without reference to our basic principle may contribute to interference with the free market. Our experience with limiting farm production is an example. Others are import quotas, prohibitive tariffs, subsidies, etc.

(c) By unwise labour legislation and policies. The Wagner Act, for example, has hurt the workman, in my opinion, much more than it has aided him. To the extent that it is grossly one-sided, it has driven a wedge between employer and employee and instead of promoting useful and sincere collective bargaining has interfered with it. It has put an anti-social weapon in the hands of a few labour leaders who campaign on big, broad lines and injure the competent, skilful worker by standardizing wages and rates and output. Tacit or actual approval is now given by government to schemes to spread out the work, to limit useful production, to encourage 'feather-bedding.' These practices work a great injustice; they proceed from economic fallacies and they result in increased living costs, cutting down production, promoting inflation, destroying initiative, enterprise and pride, and weakening the country.

Collective bargaining as an intelligent, co-operative approach to better distribution of income is an essential aid to the free market. I believe it can be provided for in simple declaration of policy with complaints referred to the Economic Court. But a law is offensive to the nostrils of a free people if it sets up a one-sided tribunal to prosecute the case, judge the issues and determine the facts.

Because of these and other violations of the principle of the free market, all of us are increasingly handicapped in the pursuit of our individual destinies; more and more we are caught in a cross-fire of ill-conceived laws.

Section 2. This is an all-embracing prohibition of acts which in fact either (a) impair the inherent and constitutional right of each and every citizen (individual or corporate) to freely offer his goods and services or (b) which on their face tend to artificially raise prices or limit production. The language could parallel in form the Sherman Act which is an almost perfect example of draftsmanship in this field. The statute of course would include acts now illegal under the anti-trust laws.

To simplify and aid administration, and as evidence of the Congressional intent, broad classes of acts in the several categories could be defined as either permissible or prohibited. This classification, however, would be illustrative rather than definitive.

In making decisions on these classes, we have an excellent opportunity of observing a basic principle in action.

The principle of course is the free market as a means of promoting individual economic security and national security. It cannot, as a standard, be successfully assailed except by directly asserting and proving a right of equal dignity to be excepted therefrom and in derogation of the rights of others. Such a right has heretofore been claimed by specific groups in this country and has been recognized by current public opinion. These groups include manufacturers, farmers and organized labour. But like all departures from principle, we have come as a whole to regret them as we are now paying the penalties. By adopting once more and in fact the principle of the free market, no difficulty whatever arises in separating the good practice from the evil nor can it be persuasively maintained by any group that such classification springs from prejudice, malice or ill will.

If we fail in the present crisis in our history to elevate the affairs of this nation to the level of equality of rights for each and every citizen and raise the standard of the welfare

of the whole as the supreme law, then I say with all sincerity that we must recognize that our union of sovereign states has outgrown effective democracy.

May I now offer some thoughts relating to acute present conditions? The statute, however, because of its general terms would be adaptable to all culpable situations existing or hereafter arising.

(1) *Acts of business in all fields.* The purpose of this statute being far more comprehensive than that of existing laws, the whole area of business is to be looked into and wide lines of demarcation initially set up. All existing federal statutes will be re-examined in the light of a true free market and a fresh start made. The segregation of permitted and forbidden activities is naturally subject to judicial review and likewise, of course, specific cases which thereafter arise.

It will be noted that infringement of the free market merely by size is covered in a separate section, number 3.

(2) *Organized labour.* An interference with the free market does not cease to be so because done by a group of persons organized for their own self-interest. That type of justification affords no comfort to the injured party.

An ordinary strike impinges on the free market but when related to wages and working conditions it is tolerated by public opinion on the practical ground of equalizing bargaining power. It is not justifiable for the reason usually asserted by labour—that because one man can quit at will any number of men can simultaneously do likewise. This is an act of economic warfare and can actually destroy a person's business—*his* own particular right to a free market. But, as I say, it has been looked upon as practically necessary.

But certain other types of interference, in my own judgment, have no constitutional or moral basis whatever. These

include mass picketing, physical intimidation, sit-down strikes; the closed union shop (and the closed non-union shop); secondary boycotts; all combinations in restraint of trade; jurisdictional strikes and sympathetic strikes.

The present rash of labour upheavals has forced to the attention of the country the need of closely scrutinizing the rights asserted by these organizations. To me the solution presents no great difficulty when approached objectively and in accordance with principle. For after all every single American occupies a status of perfect equality under a constitution which recognizes no group classifications whatever.

The real evil in the situation arises almost entirely from mere size, save those acts of intimidation and violence which cannot be permitted even by an individual, let alone by huge masses of men. Decentralization will remedy much of the trouble simply by a spreading out as we have defined it and a reducing of concentrations. Self-education of the membership will also provide long-range amelioration. But neither will cure the evil entirely nor obviate the need of enforcing a basic principle without fear or favour.

The full and continuous consideration of the issue will afford a chance for education, not only for the union man but for the body of citizens.

I submit, in this connection, that union tactics defeat their own ends and that this inescapable truth is coming home to the members. The two main objectives of unions stem from economic fallacies which are coeval with the labour movement. In the matter of wages, labour has taught that its object is to secure an always increasing share of the employer's dollar on the assumption (a) that there will always be dollars to divide and (b) that there will always be plenty of things to convert the dollar into. In the matter of hours of work, labour has taught that it should

get the same (or more) wages for fewer and fewer hours without regard to production and that thus there would be more jobs to go around, likewise for the same pay for fewer hours. In essence, that the capitalistic system in some mysterious way has limitless good things to divide for which labour has no concurrent responsibility and that the one and only worry of the employee group is to grab off all it can get of this elastic pie. I believe, after the experience of the last six years, that the worker is finally deciding that these theories are not so and that they get him no nearer his goal of personal security, a place in the sun and a home of his own with an acre of land. I believe he is recognizing that the free market is his meat as it is of every one and that he must conform his conduct to that principle if he is going to eat at all.

Well, then, what is to be done?

As I will suggest in many similar instances in this book, I suggest that the slate should be wiped clean of all present federal laws in the labour field and a new start made. I am firmly convinced that if Congress, within its jurisdiction, imposed on trade unions the same standards of behaviour, in general, that are required of others, and if the states did the same, there would be an immediate improvement in the state of mind and attitude of union members and leaders and the public as a whole. Today we are pretty close to mob rule, a real proletarian dictatorship. The unions would acquire, I think, a greater sense of responsibility because of effective penalties, and, in consequence of restraint, pride and dignity. Conversely there must be an improvement in the co-operative attitude of employers in the approach by them to collective bargaining and all areas of mutual interest. I believe that incentive and other plans for increased pay, for participation in ownership, would increase in popularity, production would increase and real wages

increase. The only thing necessary is to destroy at one blow the privileged status which leads to antagonism on all sides. It would be like lancing a boil. The whole body would rapidly improve. The same situation has existed in the past in the period of ruthless individualism and commercial and financial aggression and the effect of strong measures of control have had this same result.

(3) *The States.* The several states of the Union, under the guise of health regulations or the public safety or otherwise, from time to time restrict the free movement of goods across their borders and all actions of this character interfering with interstate commerce should be prohibited with specified legitimate exceptions.

(4) *Cartels.* Cartels are types of enterprise carried on by businesses of two or more countries usually with government sponsorship which have as their object the interference with the free market in one way or another, viz. fixing prices, limiting production, etc. American interests should be prohibited from participating in them, except that exception could be made under Section 4. It is estimated that before World War II upwards of 175 cartels, including 100 or more American ones, controlled one-third of international trade.

(5) I will comment on co-operatives under Section 4.

The foregoing examples are not for the purpose of dealing with particular acts or types of harmful practices as such, but merely to show the kind of interferences with the free market which are common and which lie in part at the root of the American problem. Every prohibition suggested under this section is related by reference to the controlling principle of the statute. Thus there is avoided the current haphazard legislation. The weighing of its desirability would then be orderly and methodical and relevant.

Section 3. This section comes to grips fairly and squarely

with the matter of size. It proceeds from the assumption that size, in and of itself, may and in fact does impair the free market which in turn is the keystone to personal economic security. By the same token, size develops rigidity in the entire economy and thus subjects the national life as a whole to the vicissitudes in the affairs of a relatively few gigantic combinations. These may take the form of shut-downs, strikes, mass unemployment in bad times, etc. You may recall the earlier example of the collapse of the dominoes when the first one is knocked over.

We have as precedents existing federal statutes which reflect the uneasiness of the American mind in observing concentrated economic power. The Sherman Act is one; the Clayton Act another, including the limitations on bank directorships; the separation of banks and securities affiliates still another. I daresay there are dozens.

I have already commented on the point of size at some length. It is a matter of observation wherever one turns. But because the ramifications of large enterprise are too devious and obscure, it seems to the average person to be beyond reach. 'We have it with us; we don't like it; we don't understand it; what can we do about it?' There is little question that the prohibition of restraints of trade and monopolies has overwhelming popular support. Americans resent being pushed around, even if they do not comprehend the long-range effect. If this were not so, the Sherman Act would not have survived for fifty years. The very language—'restraint of trade'—implies distasteful coercion. We may not particularly understand what it means or how it takes place or in fact how it actually impinges on us, but we nevertheless feel it should not be allowed.

The limitation upon great size is but one step further along the freedom road. As the Machine Age has unfolded, decade by decade, the individual person, as well as the

people as a whole, have had to be constantly alert to protect themselves against insidious conditions which have concurrently developed and threatened their freedom. This is the same old struggle for survival but in an up-to-date dress.

Let us look back briefly.

Here are some passages from the opinion of Mr. Justice White in the Standard Oil case (221 U.S. 1):

'The frequent granting of monopolies and the struggle which led to a denial of the power to create them, that is to say, to the establishment that they are incompatible with the English Constitution, is known to all and need not be reviewed. The evils which led to the public outcry against monopolies and to the final denial of the power to make them may be thus summarily stated: (1) The power which the monopoly gave to the one who enjoyed it, to fix the price and thereby injure the public; (2) The power which it engendered of enabling a limitation on production; and (3) The danger of deterioration in quality of the monopolized article which it was deemed was the inevitable resultant of the monopolistic control over its production and sale. . . .

'Without going into detail, and by very briefly surveying the whole field, it may be with accuracy said that the dread of enhancement of prices and of other wrongs which it was thought would flow from the undue limitation on competitive conditions caused by contracts or other acts of individuals or corporations led, as a matter of public policy, to the prohibition or treating as illegal all contracts or acts which were unreasonably restrictive of competitive conditions, either from the nature or character of the contract or act, or where the surrounding circumstances were such as to justify the conclusion that they had not been entered into or performed with

the legitimate purpose of reasonably forwarding personal interest and developing trade, but, on the contrary, were of such a character as to give rise to the inference or presumption that they had been entered into or done with the intent to do wrong to the general public and to limit the right of individuals, thus restraining the free flow of commerce and tending to bring about evils, such as enhancement of prices, which were considered to be against public policy.'

It is clear that by that time the effect upon the people as a whole of the actual or potential encroachment of certain combinations was recognizable and declared to be unacceptable.

Later on, in the Steel Company case (251 U.S. 417), the specific question of size was presented. Could a corporation be deemed to offend the Sherman Act solely because it was huge? Mr. Justice McKenna wrote the opinion and said, *inter alia*:

'The corporation is undoubtedly of impressive size and it takes an effort of resolution not to be affected by it or to exaggerate its influence. But we must adhere to the law and the law does not make mere size an offence or the existence of power an offence.'

Now recall, some twenty-five years later, the language in the Tobacco cases which I have already quoted. These expressions are hopeful, but nevertheless peaceful strangulation is still without the scope of the anti-trust laws.

There being no legal limitation upon size as such, the mad scramble for bigness has grown apace. The present practice of self-perpetuating managers of corporations with large sums of cash and securities in steadily absorbing locally owned related or unrelated business has become a

deadly menace to the free market, to local and regional self-sufficiency and to the ownership by communities of their own tools of production, and to liberty itself. For unless a man can carve out a living he is not free. Recall that 250 concerns control two-thirds of the industrial facilities of this country, the same being owned before World War II by 15,000 concerns. Where will it stop? Is there no way to preserve our national local life? Of course there is. We simply have to want to.

This section proposes an initial approach. It is a start and it is practical. A corporation in interstate commerce shall be limited to one basic type of business as defined in the law. The question of what constitutes a basic type of business in a particular case is first of all an administrative matter and secondly a judicial one. The first question, in interpreting and enforcing the law, would be decided by the Department of Economics and thereafter, if necessary, by the Economic Court. If the decision required a distribution of assets to stockholders, there is nothing new about the idea in our accepted procedure. If the decision were against enlarging an existing business, there is no problem at all. In the former situation there would of course be a waiting period in order to fully preserve all equities. As provided in Section 4, the Department of Economics could make exceptions in accordance with a standard to be set out therein.

For example, if the corporation were a manufacturing company, it could make hats, or motors, or hardware, or appliances, or steel, or shoes. On the other hand, it could not engage in mining or transportation, or any ancillary business whatever. If, however, the ancillary product or service desired were not available in the open market it would be necessary to provide an exception, but only under such circumstance and in a manner to least affect the national free market. There may be businesses which by

their nature constitute an exception. Take the oil business for one. The heart of the business is the production of the crude oil and its refining. It naturally is produced to sell. That part which is sold, for example, to the automobile driver, is delivered through local stations. Some oil companies own their own. Some sell to local owners. Which is the sounder practice from the public welfare point of view because clearly that will be the acceptable test?

It would be impracticable to discuss in detail the thousands of ramifications of business. It is not necessary. The Sherman Act embraces all restraints and monopolies in eight short paragraphs. It is applied as situations arise. And in like manner would this statute. The object being clearly in mind and supported by public opinion, it would to a very considerable degree be self-enforcing after the first few years. The 'death-sentence' in the utility field is an example of this.

The initial impact of this law would be upon irrational aggregations of business, that is super-combinations under a single control where the divisions have no inherent relation to each other. We have many of these today. Also upon so-called trusts or multi-purpose companies.

These overpowering concentrations of wealth and economic might are repugnant to the national well-being in that they impair the free market and in consequence the opportunity to produce goods and to secure jobs. More employment would result if big enterprises were compelled to go into the open market for their material and if demand were filled or stimulated by a greater number of decentralized companies in competition for business. They accentuate mass unemployment in periods of depression.

It will be said that such limitation is arbitrary. All regulation in a sense is arbitrary. When government, pursuant to an existing public opinion, determines that a situation is

affected with a public interest, it of necessity interferes with unrestricted enterprise. Rate fixing is arbitrary. Blue-sky laws are arbitrary. Requirements imposed on banks and insurance companies are arbitrary. The Sherman Anti-trust Act is arbitrary. However, the broad significance of the legal maxim, *Sic utere tuo ut alienum non laedas* (So use your own as not to injure another), invites constant scrutiny of behaviour by the people to meet changing conditions. And one of them is presented right here.

The right to assume the corporate form is not a natural right. It is created by the state. And it is as consistent to restrict the right as to enlarge it—and no more arbitrary!

Once we have restricted the business of the corporation to one basic type, no legitimate attempt can be made under ordinary circumstances to limit the *size* of a *single-purpose* company for the simple reason that there is no rational standard to apply. How big could such a company become? I do not know. Even as there is no supportable measure, in a just sense, by which to test the correctness of progressive surtax rates, likewise power should not be assumed in the United States to say that an enterprise shall only have a certain number of employees or so much capital or net worth.

If I should decide today to manufacture television sets, how big can I become, assuming I want to be big? I can build as big a plant as I have a mind to or as many plants. To be sure I have to avoid the monopoly statute and a restraint of trade, but that is all. Under the proposed statute, I could do the same but I could not go into the lumber business or grow my own timber or mine my own iron. Nor could I acquire a stock interest in those businesses, or have an interlocking director or officer or avail myself of a holding company. Thus perfectly understandable and impersonal barriers could be put in my way with

the legitimate purpose in the public interest of keeping me from rocking the boat.

Furthermore, I suggest that a uniform state statute be adopted amending the general corporation laws to prevent a corporation from acquiring the stock or assets of a local company without there first being an offering of such stock or assets to the employees or management or local interests. Such an act would tend to limit the present interstate forays. If this were too slow in preventing the steady absorption of local business now going on, the proposed federal statute could be amended to accomplish the same end.

As an aid to the success of this section, and intimately related in practice, careful and full consideration should also be given to the effect of heavy estate and inheritance taxes on the owners of closely held businesses (50 per cent of our national productive activity). These taxes exert a steady pressure on such businesses, inexorably driving them into the big companies which have the cash on hand. It is a questionable policy to spend millions of tax money to promote small business and at the same time impose estate taxes which have a direct tendency to kill off small businesses. This is an illustration of action in one area nullifying action in another, to which I have frequently alluded. It is even worse, however. The government uses estate money to aid business and thereafter jeopardizes the same business by exacting an estate tax.

Notwithstanding the foregoing generalization on the impracticability of limiting size, *per se*, the time may well come when a situation is so palpably injurious to the free market that public opinion will support its correction. I will illustrate this by a reference to the chain-store problem.

There is a substantial body of economic opinion against chain stores in general and also a body of opinion in their favour.

Under the proposed statute, chain stores would be limited to buying and selling and could not engage in manufacture.

There is no difference of opinion, I believe, on the point that they have tended to drive the locally owned and locally operated store out of business. This, standing alone, is bad for the community, the state and the nation.

It is probably a fact that the chain store sells in many instances at a cheaper price, but this is only one phase of the issue. It is a fact that the chains draw off from a community a substantial part of the sales money and consequently the community purchasing power is diminished. This is bad for the locality as a whole.

It is also a fact that the chains, by virtue of their huge buying power, force the producers into narrower markets and reduce their profits to the slenderest margin which is not good for anyone.

Also, by virtue of their size they place individual competitors at a marked disadvantage in themselves acquiring goods.

It is my own opinion that chain operations of private enterprises, on balance, are not for the best interests of the country as a whole, nor of the states or smaller communities. This is especially so in the matters of absentee control and the stifling of local initiative. One can work for wages and that's all. It is a phase of the treadmill.*

Section 4. This provides, solely on practical grounds, for two classes of exceptions from the general prohibition of interference with the free market.

(a) It is necessary as a matter of logic to make special provision for co-operatives—particularly the producer and marketing ones at the moment. By their nature they start off as combinations in restraint of trade and in consequence

* See opinion of United States District Court for Eastern Illinois in the A & P case, decided September 1946.

technically violate the literal national policy. But this national policy, as I have pointed out, is a means to an end, not an end in itself. Its purpose is to enlarge the area of opportunity available to each and every citizen that he might find personal economic security for himself and at the same time construct a strong and resilient nation to protect that opportunity. Co-operatives as of today serve this end. The classification and regulation simply enable the people to be assured that they in turn stay within the bounds of this national policy and do not take advantage of their growing power to do the same types of things which they object to in other groups such as organized labour or organized business. I believe the co-operative is in its infancy in America as compared to some other countries. For under proper management it is not only good business but, even better, it warms up the spirit of collaboration, mutual interest and consideration, so important in this era. It is already strong, however, the farm marketing and purchasing groups numbering in excess of 10,000 with a membership of 4 million plus.

Some people seem to think that there is something 'socialistic' about co-operatives. Quite to the contrary, they rank with individuals and partnership enterprises as being truly democratic. The members risk their own money; they are wholly competitive with other forms of private enterprise. That is why they exist. They seek to market their own product at a profit. They try to get the most for their money when buying. They offer salutary checks to ordinary business or ordinary unionism. To the extent that they are farmers' co-operatives, they protect their members in some degree from the squeeze plays of unions or the tariff-protected or administered prices of large-scale enterprise. To me, one of their great virtues is that they promote the ownership of property in the membership, thus contributing

to personal security, a more stable nation, as well as the preservation of liberty.

There is nothing in history, law or morals which limits the so-called free-enterprise system to separate individuals, ordinary partnerships or business corporations and excludes co-operatives. In fact, the co-operative is a little of each.

On the other hand, in our proposed really free economy, there is no room for special privileges, either to business, labour, farmers or co-operatives. In the interest of harmony and sound principle and a vigorous competitive organism, co-operatives are entitled to no tax exemptions or preferences of any kind and these should be promptly done away with where they exist within the states and nation.

(b) So complex is our commercial life that an escape should be provided out of the confines of a rigid law for situations where the good of all on balance outweighs a strict enforcement. The introduction into the Sherman Act by the Supreme Court of the concept of 'reasonable' is an illustration of escape. This, of course, requires some bureau or department to receive and pass on applications for exception. Such a system is preferable to attempting to classify them in advance. For example, the telephone business is a natural monopoly as a convenience to the user. It should be exempt from the law under suitable regulation. Railroads, in the interest of the public, should be encouraged by combination and otherwise to furnish better service, and these may require special attention. Certain cartels in the days ahead might be necessary. I do not know, nor does anyone else. Possibly enterprises in the irreplaceable minerals and oils could better serve the long-pull general welfare by tactics which infringe upon the free market. On the other hand, as I have suggested, most careful thought must be given to these businesses as well as those which lumber the forests, raid the soil, or pollute our waters.

Whatever the exceptions to the national policy of the free market, they should be created, regulated and administered in a manner most consistent with its objective: the encouragement of increasing production and employment and the enlargement of the opportunity for individual initiative on an overall basis. The free market for all is the goal; interference by government the rare departure.

Without doubt many businesses will consider themselves qualified for exception and without doubt many mistakes of administration will be made but these are part and parcel of the absence of a true sense of responsibility and the frailty of all government.

Section 5. The task of such a commission may appear to be prodigious, but it comes down to a matter of brains, money and time. The statutes will have to be gone through, line by line, by an eminent commission appointed by Congress. I served on a similar commission in my own state—the Statute Revision Commission of 1927—and I have some knowledge of the problem. It is not too difficult. It just requires patience.*

ENFORCEMENT OF THE FREE MARKET TO THE EXTENT OF FEDERAL POWER

Education, self-interest, and the actual desire of most people to be law-abiding will go a long way towards enforcing the free market. But stupid, greedy and selfish persons must be restrained, as always, for the common good. For this purpose such a centralized agency as the Department of Justice, the Federal Trade Commission or any of the newer administrations or bureaux is inadequate. Besides, the time is here (it is overdue) to realize that these are economic problems; judicial and political matters are one

* See page 136 for a discussion of new codes.

thing and economic matters are another; and each should have its own forum.

I suggest that a *second federal statute* should be enacted creating an *Economic Court* having jurisdiction over economic litigation constitutionally cognizable by the national government. Non-litigious situations would fall within the proposed Department of Economics, more fully discussed hereafter.

This Court would have forty-eight divisions, one for each state and possibly divisions for the territories. The Court should have jurisdiction over all economic matters now in the federal District Courts, such as bankruptcy, patents, reorganizations, violations of economic statutes, and cases arising under the proposed statute described on pages 78 *et seq.* If this sounds complicated, it should be noted that the English High Court of Justice has three great sub-divisions. In either case the word 'Court' is simply an administrative label.

The principal duty of the Economic Court would be to enforce the free market. An ancillary beneficial result would be to permit the existing District and Appellate Courts to confine their attention to strictly juridical controversies, that is ordinary litigation not definitely associated with the overall national economic interest. If there prove to be too many of these latter courts, they can be reduced in number or personnel.

Each local division would have three classes of officials—judges, prosecuting attorneys and their staffs, and public defenders and their staffs.

The present system of suits by private individuals or by small business concerns to protect themselves against combinations in restraint of trade or similar oppressive acts is slow and costly and a perversion of justice. The same is true of actions by the government both as to the protection

of the public interest and the cost to the private litigant defending. So great is the national interest in the free market that it is a chief duty of government as our servant to protect it vigorously—and to adopt a simpler, more effective method of protecting it than the present one.

The prosecuting attorneys, under the system proposed, could act on their own motion or on instructions from the Attorney General of the United States. But the important thing would be that any individual or corporation could go to a prosecuting attorney and make a complaint about a violation of an economic statute, and the complaint would have to be promptly investigated. In other words, each and every citizen would become his own policeman locally. Persons accused of violating the statutes and unable to employ counsel would have the services of the public defender.

The statute should provide for specific jurisdiction in all types of matters returnable in this Court, and for making the necessary rules. Uniformity of procedure could be accomplished by a committee of the judges, as is done in other courts.

Within reasonable limits, the statute should provide for extreme simplicity of trial and for a wide latitude in the presentation of testimony.

The statute would arrange for consolidating complaints against one or more persons or concerns, irrespective of the defendants' domiciles. And appeal could be had to a new economic appellate court.

Based upon my own observation, I believe that most matters that will come before the Court will be disposed of by interviews. In other words, though the kind of set-up proposed here may sound complex and productive of much litigation, I am sure that it will be neither.

The expense would not be large, probably less than what is now involved in handling this general subject under exist-

ing laws in Washington. But money to enforce the free market is well spent. The judges and other officials should be highly paid.

CREATION AND ENFORCEMENT OF FREE MARKET BY STATE ACTION

Although obviously reiteration, may I point out again that all commercial acts or related acts take place within the boundaries of the states because that is where we human beings live. For jurisdictional purposes we have a concept which we call 'interstate commerce' but that is employed, as I have explained, to enable the federal government to enforce the free flow of goods and services *across borders*. We have the free market in the United States, however, only if and as the people of each state make their will known to Congress so far as its power goes and their own governments so far as the latter's power goes. Like all other rights, it may be enjoyed only when public opinion requires that it shall be so.

The states, that is each and every state put together, are the base of the national life. The federal government as a separate entity is set up and maintained by the people of the states in our search for a more ordered, united living. Nevertheless it is just another burden to be carried on our shoulders. It is not the *source* of anything except action and debt. The land, the woods, the water, the rivers, and the people are in states. In carefully marked fields of action it is indispensable to a smoother local life and in our foreign relations. But in real truth that is all it can do. It is simply a paid agent to perform service where there is a joint interest. Everybody loses to the extent that it now costs some *billions* to simply work the machine which siphons off our money and redistribute it.

The free market, therefore, as a living thing, precisely like liberty, arises from the will of the people in the states. If they want it, they have it, but Washington cannot give it to them. The genesis of the free market is the point of view of the people, locally. They enforce it in their own communities where they live and where everything must start. They have, however, expressly delegated one important field of enforcement to their national union—the free market in interstate commerce. But all other efforts they must exert locally for themselves or there is no free market in truth—merely a skeleton.

Specifically, therefore, the residents of a particular state can, where appropriate, set up for themselves a 'baby' statute along the lines I have described. The reasons which have been given under each section apply, *mutatis mutandis*, to the state life. At once it is clear that taxes imposed by the states and communities put on a new garb. Do they impair the free market? Most certainly they do. Some impairment is necessary, but how far do we go?

The real nature of restraints by business, labour and otherwise become clear. They are not someone else's affair. They are strictly ours. We in the states become what we ineluctably are—little Switzerlands. So we enrich and dignify our local life by the simple process of an accurate point of view.

The free market is the business of the states primarily and the central authority concurrently in a specialized field.

We had better also be about this if for no better reason than that we have to eat.

PUBLIC SUPPORT

Back of the letter of the law there will be an organized and aggressive public opinion. There are many associations now in existence whose very lifeblood and that of their

members depends on the enforcement of the free market—notably the trade unions, every organization of farmers, local, state and national associations of manufacturers, and associations of particular trades, of which there are hundreds. Back of all of them are the now unorganized millions. Organized and unorganized, the people must act.

NECESSARY AIDS TO OPERATION OF FREE MARKET

TAXATION

But we can pass the necessary laws and do all the paper work and set up a system and try to develop a strong public opinion, but it will not work if the personal incentive is missing. You can stuff a cow with feed and develop a fine milk production—and, for all we know, the cow thinks it great. But you cannot indefinitely try to pour money into a man with one hand and take it away with the other and expect the man to be happy or even to produce more than a bare living. For thirteen years we have tried the treadmill theory, and it is no good.

Everybody yelps or mutters about the deadening effect on the individual and on our nation as a whole of the federal (and local) tax system. I agree and have a definite programme to submit.

The alleged aim of the vogueish schools of thought is full employment, but that is not a real objective. What we really want is to increase production and consumption and to give everyone an opportunity to better himself, increase his independence, move from one income scale to another and on up, to save, to buy his home, to own a share in a business, to really enjoy life. Our tax system can promote this end or prevent its attainment. The object of our society is not the production of taxes.

I suggest the following for consideration:

Determine what methods and what amounts of federal taxation will least injure this goal and at the same time meet irreducible expenses, and then adjust our budgets accordingly. For this purpose, we should have five separate budgets.

1. Payment of principal and interest on the national debt, with source of revenue and amount of tax.
2. Cost of maintaining army and navy and veterans' expense, with source of revenue and cumulated tax.
3. Ordinary expenditures of government, with source of revenue and cumulated tax.
4. Federal aid, with source of revenue and cumulated tax.
5. Maintenance of the national plant, i.e. soil, water, forests, and irreplaceable resources, with source of revenue and cumulated tax.

Thus, we can see how much the tax load is creeping up and how far we want to go.

To pay (1) the principal and interest on the debt in the orthodox and unimaginative way, I suggest a straight annual levy of a flat percentage on all salaries, wages, earnings, and other income. I would let the Treasury collect this tax—and turn it over to a Debt Retirement Commission which, in co-operation with the Department of Economics, would determine what obligations to pay off each year with available funds, pay the interest and make a simple report to the people. To this Commission would be given authority to work out long-range, debt-refunding plans in terms of interest rates and maturities.

On the other hand, it is imperative for us to do more than nibble at the debt or goggle at it. We must get rid of it or greatly reduce it as soon as possible. I cannot take very

seriously the current proposals to pay it in dribblets over a period of 100 years.

The debt is a menace to every American for these reasons:

1. Its size impairs real confidence in the extended soundness of the dollar. This in turn puts pressure on prices, both because of the desire for spending what one has or of the holding of tangible things rather than to change them for money.

2. The credit represented by it exerts steady pressure on prices because of its buying power.

3. The payment of interest on the debt and its gradual retirement in orthodox ways holds us all in bondage to high taxes into the indefinite future and, as I try to point out, corrodes the foundation of our free society as a road to personal security.

4. If, in this distracted world, we are forced into another war and pile more debt on the present one, all value will likely disappear from the latter as well as the former.

The situation therefore calls for imagination and action now.

Once the matter is on the agenda, I know we will have the wit to act. To start the ball rolling, may I offer the following, however fanciful it may appear at the moment:

The debt is now approximately 269 billion and is roughly held as follows:

Individuals, 63 billion; banks, including federal reserve, 119 billion; insurance companies, 25 billion; other corporations, 27 billion; federal and state government, 35 billion.

All persons either owning government bonds or having bank deposits, insurance policies, corporate stocks or bonds have a direct or indirect interest in the principal of this debt. Assume they number 50 million.

These people own the bonds and in turn owe the bonds.

They tax themselves to pay the interest and principal and, day after day, pay higher than normal prices for goods and services because of them. This increase in prices may continue for a long time or there might be less and less goods. Over a period it might far exceed the cost of the immediate sacrifice herein suggested.

So we had better figure out what to do. Victory was worth the price and infinitely more; and, looked at in perspective, the war was just a bad interlude in many decades of better times. The manly and profitable thing is simply to accept this fact and take some constructive action.

The first step is to appoint a thoroughly representative unpaid Debt Commission of the highest quality. It should take in all of our groups and would have the responsibility of formulating for Congress a comprehensive and dynamic scheme.

Suggestion I:

(a) This Commission would plan a typical American door-to-door campaign the objects of which would be:

I. To get as much of the debt into the public's hands as possible and keep it there.

II. To get as much surrendered for cancellation as possible.

(b) To achieve I, the interest rate should be raised to 3, 4, or 5 per cent.

Bonds issued to individuals and private corporations other than banks and insurance companies should be only transferable to individuals or such corporations or the government and have long maturity.

The federal government as a matter of policy should minimize the holding of its own securities. State governments could have referendums authorizing the surrender of bonds for cash.

Persons and corporations owning bank deposits should be invited to take part of their deposits in the new bonds.

Persons having immediate cash rights against insurance companies, the same.

Dividends and cash distributions could be made payable in part in the new bonds, especially unusual distributions.

(c) To achieve II, and after all practical steps have been taken to get the bonds in private direct-owning hands, a campaign would be put on to

(1) Solicit contributions of bonds for cancellation, thus reducing the debt so much.

(2) Annual campaigns to repeat the performance.

(d) Seek partial payment of all federal taxes in bonds other than those already used for this purpose and cancel them. This might be a fixed percentage, definitely allocable to that purpose. The advantage of this would be the adoption of a policy so that we could look ahead to a steady cutback.

Suggestion II:

(a) A campaign by the Debt Commission to secure a maximum voluntary conversion into non-interest-bearing bonds; an undertaking by the government to redeem a percentage each year equivalent in dollars to the interest saved plus a fixed amount from taxes, the latter made available through a drastic curtailment of federal expenses, undertaken as a part of the campaign.

(b) The campaign could also include voluntary surrenders for cancellation.

Suggestion III:

The Congress could adopt the suggestions on political decentralization hereafter set out and, by collecting even a reduced volume of taxes, make rapid progress on the payment of the debt in the ordinary, orthodox manner.

The foregoing ideas are designed to stimulate national thinking and interest leading to prompt action.

I submit that the American people owe it to the 13 million men and women who went to war to save their country to now put their backs into creating a condition in America for these men and women to live in which will in a measure requite their sacrifices. *In fact, the veterans themselves could take on this campaign.*

* * * *

To pay (2) the expenses of the armed forces and veterans, I suggest another straight levy of the same character as stated under (1) above, based on presidential recommendations and supported by testimony before Congress.

To pay (3) the ordinary expenses of government and the amounts we can afford under budgets (4) and (5), additional taxes should be levied according to the recommendations of the Department of Economics.

In the handling of each of these five budgets, the Treasury operations would be limited to collecting and disbursing the levy. A national tax policy involves so many people and so many factors that it is a job entirely apart from the collection and disbursing of funds and should be formulated basically by the Department of Economics.

Concrete and specific points might well be borne in mind in determining sources of funds and amounts that might be available in the form of taxes without unduly undermining individual incentive. The following are important:

Have no income taxes on income less than \$5,000 other than to support budgets (1) and (2) and possibly (5)—because about everything one buys is already loaded with taxes so that each person now actually uses a part of his cash to pay someone else's tax; because there are and probably will be excise or sales taxes to swallow up some more

of the average family income; and because every man should be able to save a real part of his savings, buy a home or a farm, enjoy life, and provide for the years after he retires. I have seen it stated that for a dollar of income to a Connecticut resident in 1945, 40 cents was absorbed by a direct tax burden of one form or another. I have been informed that the salary of a full professor at Yale University, in spite of a substantial dollar increase, has less net buying power than it did 35 years ago.

Levy no progressive taxes or surtaxes on income over \$5,000. Surtaxes are unjust, unscientific and benumbing. I emphatically deny that Congress should have the right to fix arbitrarily any surtax rate it sees fit in the absence of some acceptable standard. The success of the Western Tax Council, located in Chicago, indicates that there is a great body of people who share this view. The Council is sponsoring an amendment to the federal Constitution to repeal the 16th Amendment (authorizing income taxes) and to forbid Congress to tax incomes, inheritances or gifts more than 25 per cent, except in time of war.

Have no excess profits taxes on corporations. This tax is unscientific and almost impossible to administer. By preventing the owners from ploughing money back into the business, this tax very effectively hamstring the new and competent company that we must look to for increasing employment. This tax nourishes and fosters unfair competition between new concerns and the big old companies with stable incomes. It has been repealed as of 1946 and it should remain so.

Section 102 of the Internal Revenue Code should be repealed or revised, for by penalizing companies for not distributing what the Treasury thinks is a sufficient part of their earnings it is very unfair to small companies that are privately owned. There are millions of these small com-

panies and we want more and more. As it is, prudent, far-seeing managers who retain reserves for bad times or expansions are faced with excessive punishment. I also recommend that a straight exemption on corporate income up to \$50,000 would stimulate the growth and stability of small decentralized business.

No tax should be levied on corporate dividends. This type of tax is discriminating and unjust. However the problem of double taxation on corporate income is reached, more than one tax offends our basic principle. Relief from this tax will be effective in augmenting buying power and employment.

By putting into effect the above suggestions, which are but examples, great buying power could almost certainly be developed without cost to government or taxpayer. We shall spend our own money our own way, and as this will result in developing a maximum demand for the greatest variety of goods, it is sure to produce expanding employment.

There is, in addition to the foregoing, an imperative need for a joint commission representing the states and the federal authority to at once study the entire field of taxation with a view to delimiting in a general way suitable types of levies for the former and for the latter, for the purpose of eliminating conflicts. Success here will reduce the present harassment of the citizens and should tend to reduce materially the over-all tax burden.

FINANCIAL AID

The money needed for the expansion of production by existing enterprises or by new enterprises may be secured from at least three sources without creating new federal agencies or using federal tax-gathered funds.

The first source is the natural one—billions of idle private dollars in cash and securities that would seek a normal

outlet if the opportunity were created by the programme herein suggested.

The second source is the funds of existing commercial banks to be loaned by the bankers.

A third source that I consider might have far-reaching permanent value is one to be created for this particular purpose in the following fashion:

Suppose that a group of public-spirited men in my state (or in any other state), serving without pay, incorporated (under a special statute enacted for the purpose) a semi-public trust, its accounts to be under the supervision of the Banking Department but its policies its own. Or a special statute could authorize the Governor to appoint a commission for the same purpose. The Governor would be *ex officio* a member of the board or commission. The corporation would solicit the purchase of its one and only type of stock which might be restricted initially to, say \$25,000,000. Subscriptions would be limited in amount, up to one figure for individuals and another for corporations, small in either class. The investment appeal would be on the ground that any person who has a financial stake in his state will promote the value of that stake if the state is prosperous. He will be told, *not* that his investment of say \$100 will itself yield much return, but that his real stake will tend to maintain or increase its value, thanks to the corporation. Who would be interested? Who has a stake? Every homeowner, every farmer, every retail store, every service agency (laundry, gas station, etc.), every bank, every utility, every manufacturing company. It is to the advantage of each of them to invest a small amount for the direct purpose of promoting employment, buying power and investment in their state.

The corporation, in consultation with any related state agency, such as a development commission or similar pro-

motional body, would acquire a stock interest in any company, existing or to be formed, that met the three tests of good management: a product useful now and promising reasonable length of use, and a good location as regards the needs for local employment in the state or the presence of water, wood, and other natural resources. It could also lend to private individuals or unincorporated business.

The corporation would make such an investment with the intention of selling out as soon as possible either to the owners, or if the owners and employees jointly desired it, to the employees.

Any earnings on investment over the cost of operation would be distributed to stockholders. A certain percentage of the assets would be kept liquid to redeem shares on the death of a stockholder or other emergency.

The Trust Fund would perform an additional service of real value. It is in effect a market place where individuals throughout a state might bring risk capital for investment. Nothing like that exists today. Thus, ownership of industry is spread out; a more realistic co-operation and partnership comes about.

GOOD MONEY

Good money is integral with personal security, domestic stability and a high standard of living on anything approaching a permanent basis. It is even more; it is a reflection of national integrity and character. The assumption of the colonial and continental debt at par started the United States off on the right foot and it stayed there for 140 years. The refusal by Switzerland in 1946 to tinker with its currency, thus rejecting the utterly specious notion that the welfare of its people could be enhanced by book-keeping and coin clipping, is a beacon in the current world of shaky principles. Of course Switzerland has gold.

Poor money, which we have today, cannot be extolled as evidence of governmental acumen in managing it; it is rather a tawdry cloak for a base fear of coming to grips with reality, not confined to government but to American leadership in general.

The very worst and most far-reaching evil resulting from poor money is that it in fact robs the worker, whoever he may be, of the fruits of his toil. It is a pretty pass, indeed, when our own government sells to us, the people, savings bonds for what are now 60- or 50-cent dollars and offers no assurance that they won't be redeemed in 25-cent dollars. This all affects the self-discipline of deferred desires which lies near the heart of a strong, enduring nation.

There is today widespread distrust in America by Americans of the permanent value of the dollar, of government bonds or promises to pay, and future prices of physical things in terms of dollars. This justified fear disturbs individual and business confidence, deters long-range investment, expansion, savings, all of which in time eventually hamper production and employment. This fear is not of excessive consumer demand and consequent depression. It is a lack of belief in national financial incorruptibility.

A decision must, therefore, be reached before too long by the people themselves on the kind of American money they want. They can reach this decision for themselves. They do not need the help of self-styled priests of the money temple nor should they be deterred by propaganda from high places, federal or private.

At the risk of indictment as superficial, I am constrained to make some quite dogmatic statements. For this book is not a treatise on money; it is an essay on liberty, and but few pages can be devoted to this particular subject. I feel it is sufficient. While thousands of volumes have been devoted to money, there is today no remarkable agreement

among the experts, and when all is said and done the result must be concentrated in a sentence or a word or a vote. As Salmon P. Chase said in 1866, on the subject of the resumption by the United States of specie payment, 'The way to resumption is to resume.' My own judgment on sound money is that it is requisite to individual security through decentralization and the way to have it is to have it.

For the United States, its own particular money, as set apart from the money of all other countries, the medium selected by us for measuring the price or value of goods and services and assisting in their transfer from one hand to another, is significant and important in these two respects: (a) within our own country, and (b) in commercial dealings with each other.

(a) We are at this time in our history largely a self-contained nation and for the most part produce and exchange among ourselves our own goods and services for which we have a boundless market. A small part of our business of buying and selling tangible or invisible things relates to other countries. We are wholly unlike England, say, which exists on imports and exports. I pass no judgment on what is sound policy for her in her present extremity nor for other countries currently and deeply affected by the war.

The kind of money we should use in *this* country is the kind which for the long pull will best serve our over-all interests as a self-contained country. That kind of money is the type which will most likely retain the quality of desirability, both for acquisition and saving. Viewed in this light, confidence in it is less disturbed by the inevitable fluctuations in price. It will tend to this under four conditions and this is where the shoe pinches, for good money develops the hard way.

The first and most important one is a sound national

financial policy, the essence of which is limited taxation and spending and no borrowing, and paying off our debt. The second is such an adequate production of the goods and services desired by a growing population as will promote a steady or a lower price. The third is confidence in the money by the people and this confidence in the money by the people will exist more durably if there is a convertibility into gold or silver. That is a measure which we all understand and want. The fourth is a tentative and exploratory co-ordinating contact by the proposed Department of Economics at suitable intervals in observing and publicly reporting to Congress the effect on our own good money of world conditions and our effect on them.

(b) We produce the necessities of life, with narrow exceptions, within our borders. Before World War II, less than 10 per cent of our total commercial activities in production and consumption involved imports and exports. To the extent that a substantial volume of exports represented a heavy share of the total product of a particular commodity, such as cotton, tobacco or petroleum, and therefore claimed to bear strongly on our internal financial policy, I for one must reject such argument, for surely the welfare of the whole exceeds the very superficial and apparent current gain to a selected group. I will elaborate this in the following section dealing with foreign trade. This treats solely of money.

In the many years ahead the desires of all nations will be for *goods, not money as such*; and, until their internal affairs are adjusted, *goods for goods* will be the pattern of trade. This country grew up on that basis. Hence the internal value of a stable American dollar, good in America, should not affect adversely the movement of goods in and out.

Quite the contrary, as I see it.

1. Our goods of all kinds will be wanted abroad and we will want foreign goods.
2. Like Switzerland, we serve notice on the world that we will engage in no currency manipulation affecting others adversely but that all people can trade with us in reliance on a stable value for our money.
3. This example will spread and will tend to induce, where practical and for purposes of trade, every effort by other nations to bring their own currency in line with ours, and hence speed up their own return to normal.
4. As our own situation improves through decentralization and a sound money policy we will doubtless buy more goods and in turn sell more goods.
5. We do not know what Russia or dictator countries will do but we cannot adjust our way of life to theirs. We do not have to.
6. The perennial cry of domestic competition from cheap foreign goods is first of all a bogey-man, pure and simple. It can be controlled to the extent warranted by tariffs. But high domestic competitive prices are not the result of a stable dollar. We have them now because we do *not* have sound money and because of the evil practices which I have described.
7. So far as competition abroad with foreign products is concerned, well-run American concerns on a unit cost basis plus quality have successfully competed for years throughout the world.
8. In this process we refrain from throwing any spanners in the gears. If the people as a whole understand these simple things, they will not let this happen.

I have purposely refrained from introducing into this analysis any discussion of the many governmental efforts now being made to try to bring stability into the international market place for the reason that it would tend to confuse the argument. I refer, for example, to the Bretton Woods proposals—the Fund and the Bank, commodity agreements, subsidies, government buying, etc.

My thesis throughout the book and here with reference to money, is that the people of America cannot rely on government action to keep them on their feet. Yes, we should sincerely support, participate in and initiate if need be, all efforts towards international accord on every front, but we *cannot afford to rely* on them. The best possible service we can render the other countries is to *put our own house in order first*; to reconstruct an expanding and vital economy; to be strong. If we can do this we can not only buy and sell more things abroad in the reconstruction era; *we can uphold the peace.*

* * * *

After all each and every American who earns a nickle is interested in its value. He is interested in it when he earns it, spends it, and when he saves it for future spending. United States money is his money. What he really has to do to have the kind of money he wants is, first, to want it and, second, to see to it that his paid representatives in his government do the things required. For if this is not his right, in whom does the right reside? It is commonly said that as of today the whole question of money is so complicated that only experts hired by his hired men can tell him what is right. But such bunkum is definitely out of date. When Professor Warren, in 1933, explained how everything would be wonderful if we devalued the dollar in terms of gold, and then nothing whatever happened except

a continuance of the depression, we began to appreciate the peril of the rain-makers. I have suggested four steps which would result in sound American money for the years ahead. There are also others. And I for one would rather participate in my own downfall if I am wrong than simply be shoved into an economic gas chamber by anonymous manipulators. Let us return to the domestic gold standard and do the necessary things to maintain it.

FOREIGN TRADE

In discussing this subject, even as that of money, it is necessary to be brief and therefore appear to be arbitrary.

It is imperative for its successful long-range operation that our foreign trade be consistently handled in its integrated relation to our free market.*

The free market, as we have argued, is one of the liberties of the American tradition in the United States and over the seven seas wherever there is the opportunity to trade.

The free market has also been the instrument which the nation, in theory at least, has deemed most practical for promoting a steady increase in the production of desired things as well as the avenue to personal economic security.

Viewed in its true light, we may thus automatically reject as irrelevant and incompetent all the current proposals to utilize foreign trade as a means of aiding employment in the United States. They are the death rattles of bigness now proceeding from American business, American labour and American government.

This imported European doctrinaire theory of full employment has no place in our American scheme, as I have heretofore tried to demonstrate. It is a phase of the con-

* See *Monograph 10—Industrial Concentration and Tariffs*. Temporary National Economic Committee—1940, for discussion of relationships between tariffs and monopolistic elements in industry.

cept of a proletarian, money economy. They say we should have full employment with compensation to be paid in terms of dollars. The dollars have to be converted into goods. The price of goods must be controlled to make the dollars worth something. The expenditure by the government to keep full employment will cause the dollar to depreciate in terms of goods. Therefore the price of goods must be kept down by any and all means including force, etc., etc. Truly these dying concentrations are reluctant to give up the ghost.

We have had enough experience with this autocratic theory in the last five years to want none of it.

Of course this country can export goods for a while without limit simply by subsidies and foreign loans. Eventually there would be nothing left in America but a starving nation. Every boatload of goods sent out—of food, machinery, automobiles, all-metal products, etc.—without a corresponding intake does nothing for us but withdraw goods and services from the pool which is to be divided around. It does even worse, it steadily depletes our real wealth. What possible value is it to the 10 million people to be employed as the result of our subsidized exports to exchange their sweat for money to be exchanged into a steadily diminishing supply of what they want and must have.

If the government, our government, should by chance continue to foster this dream, let it put these subsidies and gifts in our proposed No. 4 budget—federal aid—so that *all* the taxpayers may know how much this 'economic planning' is costing each and every one of us in personal taxes and shortage of goods. Let it also set forth to what extent we are diminishing our mines, forests and soil and thus know our real loss.

The war being over and the conditions of the shattered

world, including our own country, subject to observation, it seems very clear to me that we must face this brand-new condition of affairs with a brand-new approach. To do this in the simplest way, I recommend that we again wipe the slate clean, this time by repealing each and every law having to do with foreign trade, for the most part of antebellum origin, some going back in essence to the Report on Manufactures, 1791, and enact a new and simple and tentative statute embodying the substance of the principles hereafter described. We can then make a fresh start without the psychological handicap of adapting existing laws and ideas to an utterly changed globe.

First, however, let us take a simple look at some elements of foreign trade.

Country A is quite satisfied with what it has and desires neither to export its goods to take back goods. This is the ideal situation, whatever the standard, where the fruits of the people's toil goes to them and nowhere else. This, however, is less beneficial to them, probably, than if they export a product and get another product back in return. On balance there would probably be more to divide.

Country B may want or need a product it does not produce. It seeks this product in another country and pays for it by sending its own product to that country or something else equally acceptable, say gold. This could be done by barter—goods for goods. It was the ancient practice. It was the practice of this country for many decades.

Country C may want a product which it does not have. It may sell a product to Country D and acquire the means either in goods or exchange to buy it from Country E. This is multilateral trade in its simplest form. This is where the exchange problem arises although it need not. Goods can still be swapped in multilateral trade.

Up to this point, I assume that the trade of the several

countries is in the hands of its own people. The local adventurer would not export goods unless he was sure he would get back the equivalent. If he brought in goods it would be a type which he knew he could dispose of at home. If he didn't bring in goods, he might bring back coin. Or he might acquire exchange, the money of another country. If he could not use this finally either by converting into his own money by a sale and purchase or into goods to bring home, he loses his capital. The exchange problem again arises here. But the risk-taker is cautious about this business.

Finally, we come to a case where the trade originates with a foreigner, X, who more likely than not is not using his own capital but that belonging to a number of persons.

X may send his money to Country F because he wants to manufacture there and avoid import duties, transportation costs, etc. His object is profit and to realize on the profit he must get it back to his own land. There is ordinarily an exchange proceeding here although he could swap his profit for goods and bring his goods home.

Y, on the other hand, may send his money to Country G for the pure and simple purpose of extracting a product out of G, selling it abroad and making a profit. He may, on the other hand, use it himself. To the extent of the difference, with variations, between the price received in the market and what it cost in G to produce it, G is that much poorer because real wealth has left the country and nothing but money remains in return. This money may for a while promote prosperity in G but for the long pull it's apt to make its people worse off.

And we reach Z.

Z is an American, or some other national, whose sole idea is to produce goods in his own country—agricultural, mineral, lumber, finished products or what not—sell them in

some other country for cash and convert the cash into his own money. And here is where exchange may come in with a vengeance. And so far as America goes, she is so much the poorer in real wealth for this man's work, however much employment may be temporarily created and the dollar passed around.

The problems of F and G may not be superficially our problems, that is of our own people; on the other hand, we may be F or G or both. For the long pull we should, therefore, be conscious of them; and furthermore and more particularly, not unwittingly lend our support to international arrangements solely for the purpose of pulling the chestnuts of X, Y, and Z out of the fire. While I have made no careful study of this latter condition, my own personal experience in business and government leads me to believe that much of our foreign-trade headaches have their origin in free-wheeling foreign investments (as do those of other countries), and the worst one, the real migraine, from the activities of Z.

So much then for a very elementary view of foreign trade as we look into the years ahead. To be forewarned is to be armed.

Now, what general principles are to our advantage to set up for our guidance and in what manner should these principles be applied? I will not complicate the argument by mentioning invisible imports, that is to say, the total of American money used to buy foreign services which builds up in this country exchange to enable foreign countries to acquire our goods (or services). They include remittances, tourist expenditures, services bought; and also interest and dividends, our government expenditures, and loans—government or private. The very important feature of these is that, on a real wealth basis, our excess goods exported over actual goods imported leaves us that much poorer in

real wealth each year by reason of these invisibles. But at the moment there appears to be nothing to do about them.

Principles

1. Our foreign trade as a whole should allow to the fullest practical extent the operation of the *free market*, the right of private citizens to sell goods and services abroad and to buy goods and services abroad. This requires a complete re-examination of all existing practices that in fact infringe on the free market. We have more government interference or activities today than ever before in peacetime. The ordinary citizen has simply no comprehension of the amount—real, honest-to-goodness statism. The bureaucrats hate to let go; the Army and Navy hate to let go.

The *basic exception* to this is the unrestricted export of our irreplaceable resources in minerals and oils as well as our replaceable ones, that is soil and woods. This is 1947, not 1791, and it is quite clear that the future welfare of all should not be imperilled by the temporary gains of a few. As I have pointed out, absolute ownership in fee simple of tangibles does not carry an inevitable right for all times to do with them as one would. It is necessary for Congress, after full hearings, to take a position on this grave matter of policy. Sheer survival is at stake. In the matter of irreplaceable natural resources, possibly government ownership and licensing is practical in analogy to the conservation of forests and sale of stumpage. As to the exports of forest products, a test on exports might be—has the cutting been brought in balance with growth? As for agricultural products—how much is by farmers selling their own produce; how much is sheer commercial farming for profit; current progress in soil conservation and restoration?

2. *Multilateral trade* on a world-wide basis. This is the

traditional American policy in support of the free market and of the anticipated all-round gains to those countries concerned including our own. Roughly speaking, it is generally thought that multilateral trade accounts for two-thirds of world trade.

3. *Goods for goods* to the fullest extent. For years on balance this country has been losing its real wealth to other nations. Our imports of real wealth, that is things we use, are away behind our exports of real wealth and the difference is buried for the most part in unpaid debts. We are starting now to do this all over again. It is egregious folly in 1947 with living costs slowly creeping up as spoliation and profligacy are bearing fruit.

If we decide that our national interest requires us to succour other peoples, let's do so as far as prudent but let's call the act a gift not a trade. Let's put the cost, as I have said, in No. 4 budget.

Of course, we shall have to pay our invisible balances—this exchange has to be used by the foreign countries, else it is of no value to them. On the other hand, I am convinced that in the long run we will not complacently commit hari-kiri just to sell our goods abroad. I believe that a scheme might be worked out by interested groups, as I shall point out, which might go a long way towards complying with the goods-for-goods mandate.

4. *Sound American money.* I have discussed the virtues of this. It will tend to reduce prices here, reduce tariffs, encourage imports and enhance our capacity to buy through generating more purchasing power with which to pay for imports. The character of America, as I have tried to picture it in this book, is the greatest tonic for sound foreign trade.

5. *No subsidies, bonuses or gratuities.*

Administration

The supervision of a dynamic trade should be as far removed from bureaucratic control as possible. Supervision—yes; planned control—no, unless necessary.

1. Obviously the over-all policy in its entirety is to be fixed by Congress. I feel strongly that Congress should have nothing to do with the many details, especially tariff details—either fixing them or altering them. It has too many other things to do. I had the honour of being associated in a small way with the inauguration of the bi-lateral trade agreements by Mr. Cordell Hull. I am wholly convinced that this practice, by negotiation, is the best procedure for us to follow in altering particular rates in the interest of encouraging trade.

2. The proposed Department of Economics should be vested with all responsibility for carrying out the Congressional policy. This would include fixing tariff rates in general, the free list, the decisions on trade agreements, regulations on exports, etc. The negotiation with foreign countries should of course remain in the Department of State but the decision on economic policy would be that of the Economics Department and with appeal on disagreements to the President.

Foreign trade, like domestic trade, is a living thing and it should rest largely in the hands of the people engaged in it, subject always to public policy. I suggest that in the day-to-day transactions where the announced federal policy is involved that we try the experiment of immediate administration under the direction of a non-paid commission appointed by the President and confirmed by the Senate and subordinate to the Economics Department. I don't mean simply \$1-a-year men. They indeed in the war performed outstandingly. In fact they were indispensable.

Rather the type of unsalaried commissions we have in Connecticut. Much of the public business of Connecticut is supervised and really administered by them, through a paid staff. We look upon it as an honour to be invited to serve and the state, at no cost, has the benefit of competence and experience that it could not possibly hire.

Consider the Treasury's War Loan job, largely conducted in all the states and communities by volunteers. The same is true of the rationing boards. So it isn't as if we were not used to this free service. We just do not think of it in peace-time and do not trust it. I think we should. I have no confidence, in spite of every good intention, of the average government employee's efficiency and understanding in dealing with business matters of an active character. In affairs of life and death, we call in the citizens; in times of peace, we call the police.

Take, for example, the implementing of a policy of goods for goods. This is going to take a lot of handling. Why not try letting the exporters and importers recommend a group they have confidence in and let them go to it. This commission, duly taking the oath, could I am sure be trusted. They could make reports regularly to the Department of Economics and to Congress. Anyone feeling aggrieved could appeal to the Department. The President could remove any or all of them. Quite the contrary to government planning and execution in England, let's try Congressional planning, executive supervision and, where possible, a little private administration. I have, for example, suggested that the rail-roads should fix their own rates for a while. Why not? They know most about it. If business can be united in war, why not in peace? After all we are all on the same team. I recommend, therefore, in the day-by-day administration of foreign-trade policy we try out the idea of a private non-paid commission selected from the business.

BANKRUPTCY REFORM AND OTHER LEGAL PROCESS

One aim of the new economy is to stimulate production and consumption. For centuries the taking of risks was an understood and necessary evil associated with gainful enterprise. In my lifetime I have watched the growth of the attempt to eliminate business risk through every manner of device, the chief ones being combinations of competitors, an arbitrary division of the market and the fixing of prices by enterprises in the same field. In our dynamic society the objective will be to start business, not to perpetuate it.

Not all risk-takers succeed. Bad luck, poor management, new methods or new products lead to failures. Our bankruptcy and reorganizing procedures are entirely out of date. They do not contribute to the quick settlement of an insolvent situation so that the business can continue or creditors be speedily paid. The remedy is simple. Let our bankruptcy and other reorganization statutes permit the debtor to make a proposal to all his creditors, after it has been approved by the tribunal having jurisdiction (the Economic Court, if one were in existence, or a referee in bankruptcy, or the like). The offer would become effective as a settlement if, say, one-third of the creditors *do not object* to the proposal before a fixed date. This is very different from the current procedure which requires securing the consent of the creditors, and it would save months or maybe years of time. It has three advantages over the present practice: Most debtors would make a better offer than would result from liquidation. The creditors would get their money quicker. The business would be more likely to continue—a gain in employment. This *method* of debt adjustment was acquiesced in by the Supreme Court of the United States. (Gilfillan vs. Union Canal Co., 109 U.S. 401.)

The whole field of trial and appellate procedure can be further simplified and speeded up. As a result litigation

would be less expensive. It would add something to expediting commercial transactions as an entirety. These two achievements in turn further smooth the way of the free market and its objectives. There is no real difficulty. Only consider, for example, the amazing accomplishment in civil and criminal procedural reform by just one man, David Dudley Field, born 140 years ago in my neighbouring town of Haddam, Connecticut.

IMMIGRATION

It will be imperative for Congress to limit immigration to this country drastically for at least ten years. A sufficient warrant for this step is the engrossing task of developing employment for our own existing population and its natural increase, not adding to the drain on the goods and service pool. Our cold, realistic job is to preserve this nation for ourselves, and by doing that we shall render the greatest possible service to the world at large. Let us get on our feet before we try to do anything else.

POLITICAL DECENTRALIZATION

FEDERAL

The readily observable growth in all government in the United States, federal and local, is a matter of profound concern to reasonable people. A mass of statistics is not required to bring the fact home. Some comparative data, however, is useful as a framework for our discussion. We approach this subject as we have the others, not as an isolated situation to be attacked for its patent evil, but because of its relation to the success or failure of the free market, to the matters of personal economic security and national stability and strength. Our conclusion is simple: overconcentration of power in government, but particularly the federal government, is one of the fundamental causes of

our present unhappiness. This is an assumption based on observation and experience, not a conclusion simply from a study of figures. But some of the figures are instructive.

The Congressional Directory for the 79th Congress, First Session, February 1945, is slightly over 900 pages in length. It describes merely the legislative and executive branches of the government, their personnel and functions, and that small part of the judiciary which functions essentially in Washington. Is it to be wondered at that the federal payroll of January 1946, four months after the end of the war, had 2,893,670 persons on it? This compares with 563,805 as of December 1932, or an increase of over 2,000,000 employees.

In 1870, which we have selected as the beginning of a trend which has not ceased, there was a population in the United States proper of 38 million; in 1940, 131 million. The cost of the national government in 1870 was 350 million dollars, or \$9.21 per capita. In 1940 it was 9½ billion, or \$72.52 per capita. The year 1938 is a fairer one for comparison as it was the last one preceding World War II. In that year the expenditures were 7½ billion, or \$59 per capita. While the population had increased 3½ times from 1870, the per capita cost had increased 6½ times. In 1913, the last year before World War I, the population was roughly 95 million; the cost, 725 million, or \$7.62 per capita. In this second period, 1913-1938, the population increased to roughly 130 million or, say, 30 per cent. The cost of the government increased from 725 million to 7½ billion, or from \$7.62 per capita to \$59 per capita, or 700 per cent. In 1913 the estimated tax collection of federal, state and local government was 2½ billion, or \$30 per capita. In 1938 it was 13 billion, or \$100 per capita. While the population was increasing by 30 per cent the exactions were increasing by 300 per cent. As I have said, it is thought that in Con-

necticut 40 cents out of every dollar of a man's income goes into direct taxes of one form or another. We work four months out of twelve to feed the government employees we carry around on our backs. Of course, it goes without saying that the expenditures were voted by the duly elected representatives of the people and, except for war, were for new services.

Now, all sorts of explanations are in order and infinite arguments justifying or condemning. I am making none; simply stating that we have a mighty lot of government and it is taking a lot of money out of every dollar earned by a man or a woman. The per capita figures are misleading. They show a trend; they do not show the cumulative impact of taxes on a man's annual net buying power. The actual cost of day-to-day living comes in here with a vengeance.

How do we account for all this government in the free United States? One undisputable fact at least is that it is synchronized with the unprecedented expansion in population and the rapid proliferation of mechanistic usage. From my own view, it is directly traceable to a complete shift in the American point of view on government accompanying the rapid rise in dependency on wages and a propertyless class. In the short space of 150 years we have reversed our thinking; from looking upon government as necessary for the protection of our common liberties, but withal an expensive burden, we now for the most part have come to regard it as a source, *the source*, of personal, individual good and well-being. This idea is an economic, social and moral monstrosity and demonstrable as such. The mate of the helping hand carries a chain when the hand is the government. History proves this.

It represents unwitting absorption by Americans of an utterly foreign group of concepts. So-called modern social legislation had its origin, as did the earlier concept of the

'cameralist state,' largely in Germany where the people, under the guidance of Bismarck, were lashed to the state as an instrument of supreme monarchical policy—Hohenzollern expansion. The enforcement of modern one-class interest by legislation, even force, which we are now enduring, is the absorption pure and simple of the principle of the proletarian revolution of Marx. Our belief in financial and trade manipulation as a substitute for grappling with our American difficulties in an American way have been attributed to swallowing British economic theory which has no place in our self-contained nation.

The natural way out of this overconcentration, as I see it, is to return to simple American ideas that are related to our own genius and which embody in part our common tradition. The early American did not lean on his government because he stood erect.

The famous words of Thomas Paine, below, reflected the feeling of the people of the thirteen colonies and their political leaders. It is today, in my judgment, still the view of a majority of our thinking people. It is a principle to which we can adhere because it is inseparable from our principle of the free market and free men and women, not the principle of the slave state. We should not lightly disregard the views of men then emerging after bloody struggle from the shadows of thousands of years of statism or absolutism.

Paine wrote, in 1775: 'Some writers have so confounded society with government, as to leave little or no distinction between them; whereas they are not only different, but have different origins. Society is produced by our wants and government by our wickedness; the former promotes our happiness *positively* by uniting our affections, the latter *negatively* by restraining our vices. The one encourages intercourse, the other creates distinctions. The first is a patron, the last a punisher. Society in every state is a bless-

ing, but government even in its best state, is but a necessary evil; in its worst state an intolerable one: for when we suffer, or are exposed to the same miseries *by a government* which we might expect in a country *without government*, our calamity is heightened by reflecting that we furnish the means by which we suffer.'

Let us consider then, first, the federal set-up.

For historical and constitutional objections to a centralized government, I shall cite only one authority, James Madison, our outstanding early political commentator. He said (*The Federalist*, No. XLV):

'The powers delegated by the proposed constitution to the federal government are few and defined. Those which are to remain in the state governments are numerous and indefinite. The former will be exercised principally on external subjects as war, peace, negotiation and foreign commerce. . . . The powers reserved to the several states will extend to all the objects which in the ordinary course of affairs, concern the lives, liberties and properties of the people, and the internal order, improvement and prosperity of the state. The operation of the federal government will be most extensive and important in times of war and danger; those of the state governments, in times of peace and security.'

Economic decentralization, however, automatically requires *political* decentralization. Under the Plan outlined in this book there will be neither the excuse for excessive federal activity nor the money to support it. The practical problem is how and where to decentralize.

I know from personal experience the really great difficulty involved in pulling the plug on bureaus. The personnel of the affected bureaus have all the time in the world at the government's expense to fight an effort to consolidate or eliminate. It is very hard to achieve a reorganization except

with an axe wielded with all the grimness and singleness of purpose of one of Cromwell's Roundheads. It cannot be accomplished with emery paper or nibbling. *No appropriation is the axe.* And in aid of the axe, Congress should forbid civil servants, under penalty, to lobby, propagandize or otherwise interfere with the efforts of Congress to drastically reduce the executive activity. Should we not all be somewhat apprehensive at the spectacle of the Army and Navy at each other's throats over the Truman proposal to merge these branches? After all they are not private preserves with 'No Trespassing' signs.

The *first step* is for Congress to appoint a joint committee with skilled advisers, to examine all existing statutes in the marginal fields, largely economic or privileged, to determine which of them fall outside the functions that Congress decides shall be continued. In appointing this committee, the statute should contain a general outline of public policy, viz., that it is the will of Congress to curtail all departments, bureaus and functions deemed to be inconsistent with or prejudicial to the full operation of the free market with its attendant characteristics of minimum taxes, sound money and world trade.

If we thus approach the question of which functions to eliminate and which to continue, by determining which *do not* serve the national life and which *do* serve it, the task is organized and simple. The following departments *do* serve a clear, undisputed national purpose—State, Treasury, War, Navy,* Justice, Post Office.

There must also be a department of home affairs, or Interior as it is now called. To this department could be

*War and Navy might be combined into one department of Defence, with sub-divisions for army, navy and air, as has been recommended to Congress. The essential need is the point here, not the grouping or the nomenclature.

transferred all indispensable national functions that are *administrative* and not *economic*. For example: civil service, public health, immigration, national archives, etc.; from the Department of Commerce—patents, census, weather, coast and geodetic survey, etc.; from the Department of Agriculture, forest service, etc.

The Departments of Commerce, Agriculture and Labour should be abolished as they function largely for or are symbolic of specialized interests. They are expressions of what I have already mentioned—the prevailing notion that organized interests are entitled to a free ride on the national merry-go-round with each hoping to get a brass ring. If it is justifiable to create bureaux for these special interests, then all substantial interests should have bureaux, and we would cease to be a representative republic.

Any national *economic* purpose found by Congress to be indispensable to the general good and supportable under the new budgets should be transferred to a new department called the Department of Economics.

Because the intrusion of the federal government into the economic life of the country has, in my judgment, impaired its vitality and immeasurably interfered with employment, personal economic security and national well-being, its continuation in any area is to be tolerated or encouraged only after the severest Congressional scrutiny of its relation to the free market and the willingness of the taxpayer to pay for it.

To house such economic activities there should be a single department; and all economic functions in the departments and independent bureaux that are declared to be indispensable and that must be continued should be lodged in that department. This will eliminate contradictory policies in the national field that now arise from conflicts between departments. Every bureau now has a common law of

being, *the imperium in imperio*. Its own function outranks all others. It must be complete in itself; it must expand; and hence it refuses to utilize available talents in other departments and is reluctant to act in necessary co-ordination. The waste in unnecessary pay and effort is appalling. The destructive effect on our economic life is immeasurable.

Another benefit of setting up this Department of Economics is that it will simplify the President's task of administration.

The Department of Economics should contain a separate division for each essential class of functions. Each division should be in charge of an undersecretary with real ability and eminence. The undersecretaries should meet together with the Secretary at stated periods to keep the general national policy in order. The over-all directive would be the act of Congress creating the Department.

Among the functions and bureaux to be transferred to this department—unless they are abolished, as I have recommended—are the following: budget and taxation policy, tariff policy and reciprocal foreign trade, Interstate Commerce Commission, Security and Exchange Commission, Federal Trade Commission, agriculture and labour functions found necessary in the general national interest.

If a real and sincere attack were made on this objective, and transfers and eliminations were made as indicated, there would be very few independent bureaux left. They could be gathered into one more cabinet department which would make a total of eight instead of ten as now. Then these independent commissions and other agencies would have a spokesman in the cabinet.

I have said nothing as yet about the administration of funds which may be appropriated for plant maintenance under budget No. 5. This could be handled under the Interior, but possibly a separate department might be ad-

visible in order not to unduly inflate the responsibilities of the former. We could call it simply the Department of National Services. There would then be nine departments instead of ten, but no independent bureaux and agencies.

My advocacy of a radical reduction in federal activities does not imply that the central government should not be *strong*. Decentralization is not an end, it is only a means. The economic and political simplicity that are so desirable demand vigour and power to keep them simple and effective. Within the fields where the federal government should operate, the best available talents are needed. We should have strong laws, strong men, adequate personnel, and adequate salaries.

Just as it is necessary to revise and codify the federal statutes in providing for the free market and its enforcement, so likewise is it in effecting real political simplification and decentralization. As I have said, the first step is for a joint committee of Congress to determine what functions should be retained, transferred, or abandoned. A statute revision commission would then be put to work to bring in recommended laws for effecting this over-all policy. This is not a difficult task at all; it simply requires competent personnel, money and some time, probably not over a year.

Nothing is to be gained by avoiding this job. Reorientation in government, as we face the new era after many sad lessons, is as imperative as is the reorganizing of our military and naval traditions following the atomic bomb.

NEW CODES OF LAW

A thorough and complete recodification of the entire body of federal law will be necessary under the Plan. This is required,

- (a) for setting up the free market and for the necessary aids which have been discussed;
- (b) in the rearrangement of the executive department;
- (c) in eliminating or redirecting the variety of federal aids discussed in Point IV;
- (d) in repealing or amending related miscellaneous laws.

The undertaking is not complicated once the governing principle is formulated. There could be the special commissions on revision which I have mentioned and additional ones as needed or one commission with a number of divisions.

The great digests of Justinian were compiled by small commissions in short order. The Codex, old and new, Pandects and Institutes were produced in just six years, A.D. 528-534. The first Codex was done in fourteen months by ten commissioners. The Pandects in three years by seventeen men. The five Codes of Napoleon were enacted between 1804 and 1810.

The task proposed here certainly does not exceed these in magnitude.

THE STATES

Naturally, if the principle of political simplification is adopted by the people, it will operate in the states as well as Washington. Each state has its own peculiar situation. I am not really familiar with any except Connecticut, but it is probably accurate to say that in each one of the forty-eight States growth in activity, as well as costs to the citizens, has been proceeding apace.

In 1870 the population of Connecticut was 537,454; in 1913 it was 1,174,000; in 1938 1,637,000. The increase, percentage-wise, was 218 per cent in 1913; in 1938, 305 per cent. The cost of the state government in 1870, including payment of principal and interest on debt, was \$1,871,457;

in 1913, \$9,090,230; in 1938, exclusive of unemployment compensation, it was \$49,983,915. The increase, percentage-wise, was about 500 in 1913; in 1938, 2,700.

There is something familiar about this trend.

For 1935-7 the Connecticut legislature appointed a commission to study and recommend a reorganization of the state government in the interest of simplicity, eliminating overlapping, and reducing costs. Naturally this would result in aiding efficient administration by the governor. I was chairman of the unpaid commission. We made a full report to the 1937 legislature with recommended changes. All proposals providing for consolidation or elimination of the 115 or more bureaux, departments and commissions were defeated. There was approved a new method of fiscal controls. This, however, was a new department. For six months the almost undivided attention of public employees on the state payroll was given to defeating any proposal affecting their particular privileges. And they succeeded. If the governor had had a majority of his party in each house, possibly the result would have been different. I do not know, of course.

The accepted procedure in Connecticut for handling increasing demands for services has not varied for years. It is simply to increase appropriations and add additional personnel, that is, persons on the state pay roll. I assume this same process prevails in many states and I am convinced that no headway will be made in easing the tax burden on the citizens by nibbling here and there. As with the federal bureaucracy, dynamite, not emery paper, is needed.

Therefore, I suggest the following pattern for study:

1. In analogy to the city manager idea, appoint a state manager and pay a large enough salary to secure an outstanding man. Appoint an unpaid board of directors (a so-called state commission) to work with him. The board's decision on policy would be final.

2. Reorganize the existing services, retaining only those which cannot be passed back to the towns, or individuals or abandoned. Reduce the *number* of departments to a minimum.

3. Contract with private enterprise for the performance of all services where this is practical, with a minimum supervisory staff of state employees.

4. Automatically drop each year from the payroll a fixed percentage of employees having the lowest grades.

5. Increase the hours of work of state employees and pay sufficiently high salaries to secure competent persons.

There is just one practice which I imagine is common to most of the states and which could well be re-examined for the purpose of more clearly placing responsibility and accountability. We, the people, only need two elected officials—a governor and a lieutenant-governor. We only have a president and a vice-president. The balance of the state ticket serves no proper government function. The places, however numerous, are habitually given to candidates looking for the job, on racial, religious or geographic grounds, and solely for party purposes. This bit of minor graft is paid for by all the taxpayers and the personnel of the departments involved are for the most part hostages for keeping the party in power. It is a pernicious system of ward politics.

PHYSICAL DECENTRALIZATION

To repeat the thesis, we, as a society, must endeavour to bring about the greatest opportunity for each citizen's maximum productive capacity as a co-operative and contributing member of society as well as for his own material security and development. This system requires decentralization—economic, political, physical and moral. I believe there will be little dispute with the statement that such opportunity

does not exist today where we have huge masses of people concentrated in relatively few areas.

This is so for two reasons. The first reason is that the opportunity of the city dweller to produce depends for the most part in the will of an employer. This employer finds himself in turn dependent upon conditions which to a real degree are beyond his control. If a depression hits, he closes his shop. If a third party strike hits, as in steel, coal or railroads, he closes his shop. If he sells to a buyer who needs his product as a part of his own article and the buyer is compelled to shut down, he again must close his own shop. If the demand for his particular product fails, he closes his shop. The opportunity for the employee to produce anything on his own land to bolster his dependency is nil. The cities are the culture for mass unemployment.

The second reason is that in turn the cities absorb a great part of the production of the country as a whole. When their capacity to buy drops off, this causes shut-downs throughout the land, both industrial and agricultural. The latter producers have no choice in this matter. So their opportunity is greatly affected by the mass movements in the great cities and their purlicus.

For creating a more stable and satisfying country, it is therefore necessary for all of us to give active consideration to this egregious threat to freedom and individual security. So compelling is the similar condition in England, that the government has simply taken the bull by the horns and created, in the spring of 1946, a Town and Country Planning Authority to expand existing rural settlements and move a million city people into them.

Some practical suggestions are outlined in Point III.

The congested areas of the United States lie within only 246 counties out of a total of 3,000. Yet they hold more than 65 million people and 70 per cent plus of manufacturing capacity (1940 census).

Forty-two counties embrace one-fourth of the population. These 33 million people live on two thousand square miles, less than one-tenth of one per cent of our total land area.

Another one-fourth of the people live in some sixty other counties.

Physical decentralization of industry and population simply means spreading out from these overcrowded areas. The rest of America is fairly well dispersed now. We would be well off if no county contained more than 100,000 people. Today we have 275 counties exceeding this quota. There are 2,700 with less than that number. These are not all equally desirable by any means. Nevertheless there is in or near them abundant room and all the potentials of a good living.

But not only do these indigestible conglomerations offer an increasing threat to economic and political stability; they are sitting ducks for atomic bombs. Six of these tools of war could demolish New York, Pittsburgh, Detroit, Chicago, Los Angeles and Washington, D.C. If this occurred the American plant would be a shambles. So serious is this threat, that without doubt the Congress will be compelled to act if private business and private individuals and the smaller towns fail to move.

Finally, and also bearing on this matter of opportunity and with it individual security, these more personal dividends of physical dispersion cannot be overlooked.

Living costs are less in smaller, rural areas.

Health is better.

Crime is less.

Larger families are more practical.

Food is better and cheaper.

Taxes are lower.

School facilities are better in some sections, not so good

in others, but in all instances there is more fresh air and space.

Privacy is real.

There is more leisure time.

There is greater financial security.

Opportunity for good citizenship is larger. Above all, man is happier, or can be, as he is in his natural milieu—the sky, the air and the land.

MORAL DECENTRALIZATION

I endeavoured in a preceding section—Everybody's Job—on page 31, to set forth the nature of the responsibility resting on every living American with respect to his stake in the country. I called this 'moral decentralization' a spreading out of duty as a counterpart of privilege—the corollary of liberty.

May I now point out to the very core of our republic, to the corpus of our trust.

A republic is variously defined. In describing the United States of America, we may accept Madison's language (*The Federalist*, No. XXXIX): 'We may define a republic to be, or at least may bestow that name on a government which derives all its powers directly or indirectly from the great body of the people, and is administered by persons holding their offices during pleasure, for a limited period, or during good behaviour.'

But our republic is more than that. It was created by common consent to embody the *res publica*, the common thing, that which belonged in common to the whole community of the colonies.* It was the total of our rights as

*See *The Will to Freedom*, by R. J. S. Hoffman (New York, Sheed and Ward—1935), from which I have adopted this idea with my own amendments. The quotations are also from it.

members of a society. Our *res publica* in turn derived from 'a political tradition which may be called common in the sense that it expresses the mind and instinct of the great mass of reasonable men. Its component elements are popular sovereignty, natural law, the social contract, the republic and the prince. Rightly combined they give to the state its highest security and greatest effectiveness for protecting the human community.' We did not continue the prince. In his place we substituted the federal (and states) Constitution.

In the slow development of the *res publica* in ancient times, the prince was directed by the popular will to preserve and enforce that which all the people, the community, owned or held in common, namely, their rights. The prince did not always do this well; but when the Roman prince finally failed in his ability to defend the republic, the *res publica*, 'it became prey to lawless forces, and the feudalism that succeeded was in its political aspect simple class government, devoid of any concept of the republic and replete with the abuses that are inseparable from that kind of rule in human society.'

To our federal Constitution and its first ten amendments, as an instrument of popular will, was entrusted the tradition of the common thing, or that which we sought to enjoy and perpetuate. With its legislative, executive and judicial branches a contract in effect was made to protect and enforce the rights which we cherished in common in return for our support of them. But the constitution, even as the prince, could not do this unaided. Steadfast allegiance by the joint and several owners of the rights was indispensable. I have pointed this out all through this book.

'As the century [the 19th] wore on liberals thought less and less about natural law and the social contract, and hence the liberalism that had been nobly derived from the

law of nature was gradually eclipsed by that Benthamite liberalism, which was utilitarian and pragmatist and held natural rights in contempt. As a result, the state that had emerged by the middle of the century as characteristic of liberalism was a state in which the common tradition was again fading away. It embodied no recognizable principles, rested on no rational basis, had no philosophical justification whatever, and could therefore appeal to nothing except expediency, material success and a baseless, irrational optimism. . . . And what was perhaps worse than anything else about it, the state had practically abandoned all regulating control over middle-class business activity; had permitted indeed the greatest and rashest release of capitalist appetites our society has ever known. . . . It was the virtual negation of government as a thing protecting the common interest: it left the republic at the mercy of social strife. . . . Its mechanism still stands and men are trying with pitiful intelligence to use that mechanism for correction of grave social wrongs. The voting masses are trying to make good their just claims for a decent existence under industrial capitalism by turning the mechanism against the plutocratic interest which it long served so well. . . . They cannot really do anything with it save destroy by bureaucratic action what small liberties remain to them, making straight the way for the servile state, and pile up a burden of government cost which will be most certainly shifted to their own backs.'

* * * *

'Never before has the material organization of life required so urgently a common philosophy and morality; yet so far are we from having these that our society is actually threatened with spiritual and moral dissolution. That is the essence of the modern social crisis.'

'Wherefore does the need grow daily more urgent for an attack by men of tradition on this high political question of our age. Success or failure in that attack will determine whether the future is to hold for us a citizenship of freedom and fitting for man, or subjection to an order that denies most of the traditional sanities of western civilization.'

I have quoted at such length from Mr. Hoffman because he has expressed far better than could I the central thought of moral decentralization—'everybody's job.'*

POINT III

The objective of such a system will be that the largest possible number shall have economic independence, viz., shall own their own homes; own all or part of a productive business in which they are engaged; have savings; have a trade or skill. The larger the number of our people having such economic independence the less will general economic disturbances be felt, and the greater will be the certainty of preserving freedom.

The objective of decentralization as we have defined it is to develop the largest number of wholly or partially independent people. Such a society will need less government, nor will it tolerate much. People will have more interest in liberty because they will not be clinging to the fetish of an illusory security based solely on money. There will be actually more opportunity and real security for the individual. Not only will the general standard of living be enriched but the way of life and the content of mind and spirit. As John Adams said, 'The happiness of the people is the sole end of government.' Note well the word 'happiness.' His bigness served the end of 'happiness'?

* See the joint statement of the Protestant, Catholic and Jewish leaders on economic justice, issued as of October 16, 1946.

OWNERSHIP OF HOMES

It is sound public policy for the states to encourage ownership of homes and homesteads. This is *not* a field for federal activity. The problem and the solution vary locally and should be solely within the jurisdiction of the states.

No matter what might have been true seventy years ago, today the ownership of land in every state is affected with a public interest. No longer can it be said that land use and ownership are no concern of the public. For a man should be able, if he wishes, to buy a home without paying a speculative profit and he should have the assistance of the state to make this possible.

Besides, the community (town, county, state) has a distinct and positive interest in the method and manner of land development. It has been demonstrated time and again that decent housing actually may reduce taxes in the field of policing, health, increased values, etc. General aesthetic values should also be sought for, particularly in the neighbourhood of rivers, streams, woodlands and places of natural beauty. Attractive home sites can be created in these places, and, in a very inexpensive way, a real public benefit can thus be achieved.

I suggest that *each state provide by statute* for the creation of a public authority with general powers to buy and sell land and to issue its own bonds guaranteed by the state. In a very large state several such authorities could be created to simplify and speed up the work. Realty men, bankers, manufacturers, labour leaders could serve on such an authority, without pay.

Contrast such a simple idea as this, involving no cost to the people in the shape of taxes and yet aimed at one of the greatest needs of the times, with the folly of the soldiers bonus. Literally billions are being thrown away by the federal and state governments to give a handout of a few

hundred dollars to veterans when a fraction of this money in a revolving fund of self-liquidating home projects would permanently benefit veterans and the nation as a whole.

Surveys would be made to determine what existing areas are to be served and what areas should be developed to care for growing population, for local industries or future production, or to utilize natural local advantages.

Where any conflict between the authority's plans and local zoning ordinances occur, the plans of the authority would prevail.

One experimental development of each type should be tried initially. Only slightly locations should be purchased. The aim would be a complete unit, including—where necessary—water, electricity, stores, theatres, etc. An existing utility should be encouraged to establish services on a guaranteed basis, and private enterprises should be invited to take on stores, etc. The cost, including purchase of land and cost of building, would be financed by the authority.

Homes of varying costs would be provided under fixed maximum prices, and every home (except those in a city) should have at least one acre of land.

In the interest of sound finance, a down payment would, of course, be required on every sale. The buyer of a home should pay each year 5 per cent of the purchase price, interest at the cost of the bond issue to the authority (say 2 per cent) and a *pro rata* share of the administrative cost of setting up the development. His cost would be the cost of the authority. This financing, properly run, would cost the state nothing.

Assistance in the purchase of farms for real farming is identical in principle. I think it entirely desirable to supplement the work of agencies which may be in existence by directing the authority to issue bonds to sellers of farms or to the public to aid the purchase of farms, of a character

which fill a real economic need in the state and the country. This could certainly be done at a very low rate of interest to the individual buyer.

That such a plan is practical was demonstrated by the Finnish government in 1922 when it provided for the purchase of large tracts of land, paid for in government bonds and sold to individuals who paid off the debt at the rate of 7 per cent per annum.

Co-operative groups planning a development that fitted into the general plans of the authority should be aided and financed by the authority in the same way.

No new private development in the state should be permitted unless the plan was submitted to the authority for review. At the start the authority might not be given the right to prohibit or require modification in a development, but even so much good would result from sincere co-operation.

The intelligent and aggressive pursuit of economic decentralization, and the tax policy herein before proposed, will combine to develop a great surge of interest in the purchase of homes, preferably in the country, within riding distance of one's job.

In addition to the federal tax policy which has been advocated, I earnestly recommend that *consideration be given by the states to allowing partial exemption from local taxes on homes assessed at \$6,500 or under and farms and equipment assessed at \$7,500 or under.* In order not to shift the burden of the exemption on the remaining taxpayers of the community, the state could make up the sums lost to the communities out of the general funds. This experiment might be tried for a period of ten years. The advantages to the people of a state like Connecticut and other heavily populated states are many. Such a policy would further stimulate demand for goods and in turn employment. It is

equitable, for owners of small homes and farms now bear an unfair share of the local land tax, as such properties are more likely to be assessed at full value. Much greater economic stability in the state would result from increasing the number of homeowners and this would be reflected in the prosperity of local communities. When the cost is weighed against potential taxes and expenditures for relief, public works, institutional care, and when one reflects upon the inevitable reduction of living costs through increasing local home production, it seems very clear that all reasonable efforts to promote home ownership by a state will yield large dividends to *all* of the people, not simply to the ones benefiting from the exemption. For example, attention is being directed at the moment to the rapid increase in, and huge number of, mentally upset persons requiring hospital care. This phenomenon is attributed in part to the Machine Age. Decent homes in country surroundings would help.

OWNERSHIP OF BUSINESS

Fully as important within our framework of freedom as the plan to multiply the individual ownership of homes and farms, is the scheme to promote more widely the ownership of shares in a productive business by those employed in the business. The more local business is locally owned and owned by its own workers, the greater the probability of expanding employment, production and consumption. I am satisfied that this fact has been definitely established. The more stable the general economic level in good and bad times, the more individual contentment and satisfaction and the richer the local and the national life. With all the talk about small business in the last few years, nothing has been accomplished because no really sincere and intelligent effort has been directed to creating a favourable atmosphere.

That right atmosphere is the free market with decentral-

ization, a creative tax policy and a general and generous spirit of co-operation and good will. A real diffusion of ownership will work to the advantage of all—employee, management and owner. Thus there will be every incentive in the world to make the scheme work.

There is a *status short of a share ownership* that accomplishes, to a degree, the same results. It consists of genuinely close relations between employees and owners. I have already urged that employees be represented on the board of directors of a corporation, with broad participation in policy matters through a joint labour-management committee. These are simple means of bridging the gap between the *haves* and the *have-nots*. Real participation in policy and in profits short of ownership is steadily growing, and spreading the gains of successful business certainly tends to expand production and consumption.

In a *corporation that has a real market for its stock* the sales of shares to employees is an old practice. Offering the stock at par or market, whichever is lower at the time, savours more of a partnership and minimizes the effect of market fluctuations. Suitable safeguards against dumping large amounts and for otherwise protecting the business are appropriate for the good of all concerned.

A share of *ownership in a partnership business* must be mentioned, for a considerable degree of our commercial life takes this form, and the unlimited liability of the partners is a wholesome factor in fostering economic stability. But the present federal tax policy in this area is unrealistic and should be changed in the interest of promoting growth of small business and increasing employment. I suggest that a genuine bona fide business partnership should have the choice, if it desires, of being taxed at the corporate rate and, as I have said elsewhere, that no tax be levied on dividends.

The *closely owned corporation*, usually started by one man or a few men, presents a very different problem of employee share ownership. That problem bulks large, for this form of business accounts for possibly half of all industrial employment.

In the close corporation there is no difficulty about an *owner* selling shares in his business to his employees. The trouble arises when an *employee* wants to sell or has to sell. Who will buy? There being no ready market, such as there is for stock of larger concerns, one has to be created. I suggest, simply for an example, that where stock is sold by such a corporation, part of the purchase price should go into a reserve for repurchase and be kept liquid. I think it proper to make some allowance, in computing net profits for tax purposes, for reasonable sums put into such reserve. It is not practicable to maintain a 100 per cent reserve. Is not 10 per cent, as in reserves for bank deposits, a reasonable figure? In selling stock to an employee, there could be a contract requiring (a) that the stock should first be offered to the corporation if the employee wishes to sell, (b) notice to the corporation of the desire to resell to it, such as exists in savings banks; the company would agree to repurchase to the extent of its fund at book value according to the latest annual statement. If the reserve is exhausted, there would be no repurchase at this time nor sale to outsiders, but this is no greater risk than the general owner runs.

PROBLEMS OF PRIVATELY OWNED SMALL BUSINESS FROM THE NATIONAL WELFARE ANGLE

By a privately owned small business I mean the ordinary enterprise owned by a man, or a local group, or a family. These are the backbone of our economic life—which makes their problems matters of great importance.

One of the problems is original or additional capital. I

have no faith whatever in government credit as a source of capital. It does not fit into a free enterprise system of self-reliant people. In a really free enterprise system, where there is incentive to speculate on character or on an invention, there should be no lack of money. This was formerly the case. It can be so again. But to supplement this I have already suggested the semi-public investment unit financed wholly by the people of a state. See page 111.

The competitive strength of small business versus big business would be greater if some symbol of quality could be affixed to the product. For long years the courts have known that the assertion of a fact in writing or in print carries more weight than the same statement made by the spoken word. This fact is, of course, well known to the advertising folk. National advertising fixes in our minds the names and alleged qualities of innumerable objects to such an extent that, convinced of their merit, we instinctively seek them.

I suggest that the investment unit mentioned above could, as one of its services, work up a method of testing and certifying quality. The same could be done by the customary trade association in a particular industry. Also private enterprises could engage in this business and likewise a co-operative laboratory.

A grim situation arises for the community, the employees and the family *on the death of the leading spirit* in a small business (close corporation or one-man ownership). The owners must pay heavy inheritance taxes if the business is good, and frequently the only source of cash is the stock of the company, which may have no market. So the alternatives are: winding up the business and closing the factory; or selling out—which may have the same result in closing the factory. Even if other cash is available, the widow or children may not know how to keep the business going or

have any interest in keeping it going. In these cases a sale usually results.

Let me illustrate this point. John Brown built up a successful iron foundry. He started from scratch and when he died at the age of 87 there was nobody around to carry on. The foundry was offered for sale by the executor of Mr. Brown. The employees didn't know a thing about it until one day they were handed their dismissal notices.

Doubtless there had been at one time or another men in the foundry who could have been trained to take over and who might have bought an interest in the business. But Brown never gave them a chance. The Gadget Specialty Company thought it might be smart to buy out the foundry and move the machinery. It did so and closed the shop. Now its roof is tumbling in and the old employees had to look for new jobs.

As I have pointed out in the case of land, the ownership of a local business is affected with a public interest and simply should not be closed at will. I have suggested several remedies. See page 94. Real employee ownership would be a partial insurance against the death of one man in a close corporation. What a field of education and expansion this opens up for the intelligent, far-sighted labour organizations. I am reasonably confident that *one trust company in an industrial state* which specialized in handling estates of heads of close corporations and other small businesses could keep many such enterprises going, make a real contribution to the prosperity of its state—and make a good profit for itself.

CO-OPERATIVES

The co-operative is a supreme means of spreading widely the ownership of real wealth and production and distribution facilities. I have already referred to this.

Co-operation is the ideal I would like to see the country strive for. In many fields it may not be practicable, but it has infinite uses today and will have in the immediate future. Funds are, of course, needed to start a co-operative, but we are fortunate in that almost everyone in this country is in a position to provide, from savings, his share of the first capital, and banks can furnish working capital.

I feel certain, also, that for a sufficiently imaginative effort, with good management and officers, our state investment trusts should advance funds. In some countries abroad outstanding businessmen consider it a public obligation as well as an honour to participate in launching and steering such enterprises.

It is not, I believe, generally realized how real are the savings in the purchase of consumer goods which are effected by members of the co-operatives, both in net price and quality. As I have said, there are some ten thousand purchasing and marketing co-operatives in the United States with an estimated membership of four million plus and an annual business of six billion dollars. This represents a creation of real and substantial ownership of business, spreading out the wealth and developing personal economic independence. The movement is growing on a local as well as integrated basis and no longer represents class or regional insularity. It is just one more democratic means for attaining the national goal—personal economic independence for the greatest number.

OWNERSHIP AND USE OF SAVINGS

A third means to independence is savings. Of course, money invested in homes and farms is savings, but let us consider *cash* savings not so invested. Much of people's savings are cash savings. Americans as a whole are strong for saving. But the spread between required spending and

the annual income must be sufficient to permit the owner to lay something aside.

The use to which a saver puts his cash is very important. Very little attention has been paid to this in the past by the saver himself. It's really up to him, however, and he and the rest of us who can save effectively use this money to augment our security.

The great mass of the nation's savings goes into savings banks, regular banks, postal savings, life insurance and government bonds. Some of this money is laid away for future investments; some merely to have cash for a rainy day.

A substantial part of the billions and billions on deposit is not currently put to productive use. This is simply because the normal investment practice is to acquire outstanding government bonds, state and city bonds, private corporate bonds and seasoned stocks, the proceeds from the issuance of which have already been used up in the initial expenditures. The buying and selling of these creates no new jobs or goods except indirectly. Realizing that we must have an economy that is dynamic and expanding, that only from production and consumption do we get jobs or acquire personal security, should we not give thoughtful consideration to the most constructive use of our national annual savings?

It is not likely that we can directly influence the investment policies of our depositors, though this is not impossible. On the other hand, as a people we could each adopt for ourselves the conscious will to invest, each in our own community, some part of our annual cash savings directly in an active productive enterprise—not all, not a half, but some part. Each one of us might follow this policy for ourselves each year, because it is *good for us and for our families*.

As the ownership of business becomes more widespread constantly increasing uses will appear for putting our savings promptly into productive work. But other chances in almost unlimited volume are already at hand or will develop. To mention a few:

Co-operatives in general.

Co-operative building and loan associations to finance homes.

Credit unions to make loans to fellow members, a field with no apparent limits.

Providing the risk capital for new or growing businesses in the state investment trusts that I have recommended.

Direct purchase of an interest in a small local business where one trusts his co-adventurers.

To augment existing old-age pensions, and in classes not covered by law—in fact to sometime in the future supersede them and save ourselves a lot of money—an admirable use of savings for production would be to greatly increase the purchase by co-operative bodies of group pensions from private insurance companies.

A TRADE OR SKILL

I might rest my case under this title by quoting two epigrams of Benjamin Franklin:

‘He Who Hath a Trade, Hath an Estate.’

This is a material advantage.

‘He that hath a calling, hath an office of profit and honour.’

This gratifies the inner man.

But there is the most decided increment to society as a whole in the widespread possession of trades and skills, and some elaboration is required. This is not limited to indus-

trial trades, but all fields of endeavour, including agriculture.

One reason for the shortage of men's clothing is the fact that so few new men are learning the business of a tailor. In the building trades everyone knows the scarcity of skilled workers. The cost of homes goes steadily up. Instead of poorly trained bookkeepers and white-collar workers, we, that is the people who pay for and run the schools or run industry or contracting, will have to be about educating men and women in the more profitable and satisfying vocations.

It is a fact that needs no documentation that a person having a trade is more apt to have steady pay for steady work; his annual take-home, which is what counts, is more likely to be higher than a person without one. Good men are seldom out of work and today the demand in the market far exceeds the supply. Persons with trades, then, promote greater domestic equilibrium and stability.

'The wages of labour vary with the easiness and cheapness, or the difficulty and expense of learning the business.

'When any expensive machine is erected, the extraordinary work to be performed by it before it is worn out, it must be expected, will replace the capital laid out upon it, with at least the ordinary profits. A man educated at the expense of such labour and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labour, will replace to him the whole expense of his education, with the ordinary profits of an equally valuable capital. It must do this too in a reasonable time, regard being had to the very uncertain duration of human life, in the same manner as to the more certain duration of the machine.

'The difference between the wages of skilled labour and those of common labour is founded upon this principle.'
(Adam Smith—*Wealth of Nations*.)

A trade enables one to participate in the opportunities provided by technological advances, as well as to in turn contribute to its future progress.

A trade increases the opportunity of achieving social security and happiness through individual initiative and productive excellence. It might translate itself in terms of a home, a business and savings.

None of this of course is disputable.

Our American society gains as the result of individual skill. Our thesis is that the greatest production and consumption will result from the unhampered individual efforts of the largest possible numbers of people. Clearly this production will enhance in proportion to the number of skilful producers. It will improve in quality; waste will be reduced. The reputation of the north-eastern states for skilled production is widespread. The leadership of this country in production is due in part to its skill. But we in turn have to guard against a waning supply. For the continued elaboration of our techniques is based upon the wide development of human capacities in the skills required for their employment and perfection. In this process the highly skilled technician and mechanic becomes increasingly vital since only through these agents can ideas be transformed into material reality and utility. The more efficient the methods of production, the greater is the specific knowledge and skill required for building and maintaining the essential tools and machines.

There is the gain also in the quality of our people. From earliest times, the direct influence of the elder man or woman through association, example and precept has been a weighty factor in the training of the young. There is no

substitute today for it. The development of wisdom in this manner, while absorbing the detail of a trade, is to the advantage of the community as well as to the pupil. The more our young men and women participate in acquiring a trade or skill in this fashion from their elders, the richer the future of the country in terms of character and general reliability.

A characteristic of the handcraft era was the 'master and apprentice' relationship. Almost all young men had to—and did—learn a trade. The development of power, machinery and specialized production has had the effect of separating the apprentice and master, and wherever the separation occurred training has correspondingly suffered.

This natural cause has been augmented in some degree and in some occupations by trade unions' restriction on apprentices on the one hand and employer indifference on the other. Both of these habits are the result in part of misapprehension of the nature of real wages. They cut down on the pool of goods and services and raise prices.

In the building trades there is a definite social peril. What will happen as the older journeymen pass along and there are not sufficient new people coming to care for the critical needs of our steadily growing population?

Is it not clear, then, that all of us have a vital interest in this general matter of a trade or skill?

Public trade schools are helping out. In Connecticut we have an expanding system of these schools. The state supplies the teaching; the communities provide and maintain the buildings. There are eleven here today.

Schools and colleges are a source of training for trades. Agricultural schools contribute in their particular field.

But the chief reservoir of teaching skills and trades is in commerce and industry, by both employers and trade unions.

In the present materialistic period of each for himself and the devil take the rest, with prosperity measured solely in money units, the long-range advantage of imparting trades and skills may not be persuasive. But in the decentralized society which I have pictured, with different standards and a good living, it will come to be regarded as a 'must' by both the boy and girl and their parents, as well as by the many communities and their leaders. It is 'everybody's job.' Greed alone threatens our freedom.

THE 16,000 RAMPARTS OF THE NATION

Some 79,000,000 Americans live in the 16,340 villages and small cities in the United States with populations ranging from 500 to 25,000. These towns and these people are the ramparts of the American way of life, the fortresses of our liberty. In them the continuity with the past is strong and in them the fathers and mothers hand down to their children the great liberal traditions of personal moral responsibility, self-support, decent pride, equal laws, equal opportunity, reverence for justice, and religious observance. They best exemplify Vitalism at the moment.

The towns are the places where the policy of decentralization will partly take effect; they are at one end of the road. They are also the starting place of the future. They are now faced with the first real opportunity in a century to attract new people, new enterprise, to enhance their stability and permanent prosperity. We are still a small-town nation. The time has come for the town, the village and the farm to raise their voices in the cause of freedom, and as explicitly as they spoke at Lexington.

Those are the places where a majority of the people live. Here people dream their dreams, raise their families and talk about local affairs. They are the molecular structure of real America. In and on them, people have time to think,

to appraise, to arrive at opinions, freely and fairly. Ask an urban cliff dweller what he thinks on something or other and he will stare at you. Ask the barber or grocer or druggist in a small town and he will have a ready answer because he has already thought about it and made up his own mind.

But they still are tied into the country as a whole. Within our constitutional framework of an indestructible union, the emissaries of federal policy, men and laws, can reach into their every nook and cranny, the tentacles of the Machine Age—of big government, big business, big unions, big agriculture—squeeze them within their deadly embrace, lifting them and lowering them on the tides of our economic and political temblors. However much they may have succeeded, here and there, with especial blessing, in insulating themselves, beyond doubt each and every one, in differing degree, is affected by the national policies and fortunes. They see the results, for example, in the fields of taxes, direct and indirect, in prices the people pay, in prices they receive, in the volume of goods available and in the less tangible areas of the spirit.

Of necessity, therefore, any proposal put forward by any persons or group, political party or otherwise, the effect of which would seem to flow inevitably into the fabric of our national life, warrants the watchful eyes of the towns. By united action they can select the over-all policy or by indifference they can suffer from it. A majority of the national House of Representatives are, at the moment, from the small towns.

We invite the attention of the towns to a policy of decentralization as a substitute for overcentralization.

The necessary consequence of a vast move in this direction is the inevitable building up of local and regional production of goods and services and they are therefore

cheaper; the building up of home instead of non-resident ownership and control of business in most forms and thereby local prosperity; the building up of strong state and local government and thereby more representative and less expensive.

While decentralized living—self-reliant, individual and community living—cannot come to pass except that it be a national policy, it likewise cannot become a reality unless it is achieved locally. Support and action, therefore, must come out of the places where people live, in the towns, counties and states.

The time has come, then, for the towns to cultivate the national roots, prune the dead branches, clear out the cutworms and prepare for the future; for that is where the towns are going to spend the rest of their existence.

Among the many and varied projects which the towns can undertake to further their own prospects, increase local values, improve appearances, attract desirable residents, stimulate business and add to the pleasure of living and in general to encourage decentralizing, might be listed the following: the matters of housing, locally owned business, the upbuilding of utilities in service and lower costs, fine government, health, co-operation in general among the people, education, neighbourhood resources.

A start may be made by anyone—by a man, a group, a church, a newspaper. These local frontiers are boundless once we get the vision and turn our eyes from size to quality.

Point IV

To some individuals and groups who need help to maintain themselves the people as a whole should furnish aid, provided the aid is sound in itself, and does not impair the vitality of the free order which makes the aid possible.

The decentralized America which I propose, of self-reliant human beings and very little government, cannot—nor can any other social form—automatically care for the best interests of everyone all the time. We have too many people, too complicated a business life, too vast a country, too many selfish and greedy souls, too little experience, too little unity in a common, friendly effort, too much impact from world situations, not to keep the oil can handy.

The vital thing, however, is to always have in mind the difference between the oil and the machine which, it may be asserted, needs some oil here and there.

The machine is the vast national body of private individuals, seeking within the constitutional framework to provide, each for himself, the necessities of existence in increasing abundance as well as a good and happy life. If this machine shows signs of breaking down and someone, namely, the government, reaches for the oil can, it cannot be forgotten that the oil has to come from these same people and it cannot be found anywhere else. Hence there can be no security through taxation. Government can provide no wealth or real money to pour out of the can. Citizen A has to provide it, and when the government tries to take too much oil to lubricate the private machine for the benefit of Citizen B, it can very easily destroy the machine altogether. Today Citizen A is straining his back all day long furnishing oil, and the oil is giving out and the

machine falling apart. He works about four months for his government and eight months for himself.

For purposes of illustrating this fundamental point, let us consider a few activities of the federal government supposed to assist the smooth running of our private-enterprise machine. For the most part, they involve oil in the shape of tax money. They are currently important, and, besides, an examination of them should enable us to formulate some principle or standard for our permanent *general* use and guidance both at the Capital and in the 48 states and our local communities. I do not forget that a federal activity may overlap and also duplicate a similar one in one or more states, also paid for by taxes, nor am I unmindful of the volume of privately financed aid, usually the best and most intelligent and likewise cut into by stifling tax exactions.

THE SO-CALLED NATIONAL INCOME

In recent years it has been argued that if what is called the national income is big enough, we can pay all kinds of taxes for all kinds of spending and no one will feel the taxes. It is, of course, clear that in these United States there is only one set of people. This one set is all of us put together. We get the income, and out of us come all the taxes, local, state and national. And I need not point out, in commenting on the unsoundness of this claim, that at no time in our entire history before and after the Revolution have we gladly paid taxes in *any* form.

The expression, 'national income,' as commonly used in a discussion of taxing and spending, is partly misleading and partly fictitious.

1. 'National income' is the designation given to a compilation of figures made in the United States Department of Commerce. The figures rest upon some known facts and

upon some assumptions. It is physically impossible to arrive at an accurate dollars-and-cents determination of national income.

2. Because of the difficulty of computation no account is taken of such real national income as the goods and services produced by people for their own consumption. This enormous real value cannot be measured in dollars and cents. In 1870, when about 66 per cent of the people lived in rural communities, they were to a large degree self-supporting. At that time the national income was relatively small in dollars and cents, but very large in terms of eating, clothing and shelter. This type of real (non-money) income can be very materially reduced in volume by taxing and spending dollar income. It can be killed off simply by eliminating its production.

3. National income is measured in terms of dollars, as if this had some significance. But we do not eat dollars. The figure can be increased, as it is today, by *borrowing* dollars and pouring them out. It can be increased by government spending of fiat or 'greenback' money. The national income of Germany at the height of the great inflation following World War I could not even be counted in terms of money, yet a trunkful of bills wouldn't buy a loaf of bread. The inflation during and after World War II are known to all. The Hungarian inflation is now so great that they have run out of numbers and words. We are having one now in this country. There is only one realistic test of national well-being and that is a sampling of what people have to put on their backs, into their stomachs and over their heads. In these respects, we are worse off than formerly. A few people may winter in Florida but too many others need just a place to sleep and decent clothing to wear. This big volume of current national income has not given the workers what they have hoped for, hungered

for. Neither has big government in Washington. Nor has big business, nor big unions. But neither have the collectivists in Russia nor the socialists in England. We must find our remedies within the framework of our own tradition.

4. A national-income figure pulled out of the hat is a wholly different thing from our own personal shares of such income. It is no comfort to know that if Citizen C makes a million dollars and I make a thousand, our joint income is over a million or that, statistically, we each have a half-million. If the individual incomes of 50 million people were each increased \$100 a year, the annual national income might seem to increase by five billion (50 million times \$100). But many more billions would be added as each \$100 started turning over in changing hands. I might raise a steer and sell it for \$100 to a trader. The trader sells it for \$110 to a cold-storage man. He sells it for \$125 to a butcher. He cuts it up and sells it for \$150 or more to his customers. The national income swells in this process, but all the time there has been but one steer.

Suppose my income increases from \$2,000 to \$2,100. But suppose the cost of what I have to buy has also increased, and suppose my taxes have increased. Then I get very little comfort out of my increased income, and a big national income may mean nothing to me. So there are many millions whose individual incomes do not go up when there is a big rise in national income. Where do they get off under more taxes and higher costs?

5. Real national income is goods and services for use. The normal plans of the politicians for supplying jobs or guaranteeing employment depend chiefly upon a huge programme of public works. Five, 10, 15, 20 million people may be put to work to build roads, bridges, dams, but this will not produce what we need to live. This throws the production of consumable goods on the rest of the workers.

Even if they can produce the goods and also pay the taxes that will pay the others and thus enable them to buy the goods, the result will be a lower standard of living for all than if all were gainfully employed. Recall Benjamin Franklin's illustration of the fiddle player.

Suppose, on the other hand, that we increased our foreign trade on a goods-for-goods basis. Those who had been building roads would help produce more goods that we could swap with countries that produce things we want. The total volume then to be divided among ourselves would be much greater.

Suppose we decided to call a halt to the progressive destruction of our diminishing national resources. We could export manufactured goods to other countries and buy their lumber and pulp, or metals, or oil, or food products, and do ourselves a double service.

6. Dollars-and-cents national income, as we commonly refer to it, is a snare and delusion and an illusory foundation for an impossible plan. I would like to see a settlement of spending planners try to eat for just one week the whole or any part of an unlimited dollar national income.

* * * *

The dominant question involved in government aid, the oil can, cannot be covered up and hidden by meaningless talk about national income. The real question is: What *must* we spend that is imperative? And over and above that: What more can we *afford* to spend? This is clearly a difficult problem, but it can be solved if we adopt a few rules in which we believe and which we determine to put into operation.

One rule, and the most important, is that 'doing good' through passing a law, and taxing and spending under it, is a palliative and can never be anything else. This requires

that we repudiate for all time the now popular belief that this is the way to happiness.

For example, countless billions of dollars have been spent to hospitalize millions of Americans who live for decades at a time at public expense. I have mentioned the millions of mentally ill. As an alternative, how about attacking this paramount question of health at the source of the trouble? Is not decentralizing by people a really fundamental approach?

Another and concrete rule could be that when any proposal to tax-and-spend, of the character discussed hereafter, is referred by the executive department to Congress, it must be accompanied by brief comment from the proposed Department of Economics. All such proposals originating in Congress should be referred by the proper committee to that department for similar comment. At public hearings and in debates on bills, these observations of the Department should be published and made available to the people. These comments should include estimated sources of revenue to meet the expenditure, and judgment on the merits of the proposal. How different such a procedure would be from the budget referred by the President to Congress in January 1945, for the fiscal year ending June 1945, made up of 905 printed pages, mostly tables of five-point figures incomprehensible to the general public.

If this suggestion were adopted, the procedure would be adjusted to the new five-budget system I have previously discussed. The principle could be extended to the states and towns.

In my own town in Connecticut, as in many other small communities, we have a grand exhibition of democratic taxing. The selectmen present a short summary of the proposed expenses for the following year, an estimate of the grand list and an estimate of the rate of tax that will meet

the outlay. If anyone doesn't like it, he gets up and hollers. Thus we knowingly and consciously figure what we think we can afford and then vote it.

It is perfectly possible to apply this system to the federal government in the way I have outlined; and then we will all know what is proposed and what we are willing to go in for. How otherwise can public opinion operate? How else can we have democracy? At the present time we do not even have representative government, because the general process is too difficult to be understood even by the representatives.

In considering the various forms of government aid, there are two questions that must be answered: Is the proposal sound in itself? Can we afford it?

Let us now see how the first test works out in practice. Of course I am simply expressing my own opinion.

SO-CALLED SOCIAL SECURITY

We have a branch of the federal government entitled 'Federal Security Agency' and its affairs are supervised by a man designated as Federal Security Administrator. So groggy are we by incessant propaganda and the opiate of government largesse that we really do not see anything funny about that. You would think, looking at it coldly, that this man was the commander of the Army, Navy and Marine Corps. Not at all—he promotes security by the handing out of money. I myself believe that security, to the extent attainable, lies in individual capacity and initiative and opportunity, a home with some land and in things that one can eat or wear. But no, the new idea is that all you need is money, and in money is security, and that the man who hands out the money is properly called 'Security Administrator.' He administers security—all you need is to get in the line-up.

This office of social security includes the Administrator himself, with a lusty list of assistants including a general counsel and six assistants and these units: Social Security Board, Public Health Service, Office of Education, Vocational Rehabilitation, Food and Drug Administration, etc. Each, presumably, has a big, imposing office that reflects in varying degree the importance of the person and the myriad assistants who roam the land with expenses paid, holding seminars and either doing good or showing other public employees how to do good. Citizen A of course pays for this.

The Public Health Service and Food and Drug Administration perform a real national function, especially the former as its area of operation is really without the scope of separate states. Each has its own directing head and needs no Security Administrator.

The Office of Education, always growing in accordance with the law of bureaucracy, should be promptly abolished as wholly unnecessary—even dangerous in the extreme. Vocational Rehabilitation represents the same old idea of taxing and handing back to the states to do good in accordance with someone's own plan. It should likewise be abolished.

This brings us to the main idea of what is now called 'social security'—old-age insurance or assistance, aid to children, aid to the blind and compensation for temporary unemployment.

The proposals now pending in Congress to extend this type of handout in practically every situation arising from birth to death is really frightening. As I have said before, these are not American-born ideas—they are taken over lock, stock and barrel from foreign countries wholly unlike ours in almost every respect. If a majority of us want to follow the red plume of communism, where the state under-

takes to look after everyone, leading them straight down the broad road to perdition and starvation, let's do it, but don't let's label it 'security.' It's just about as secure as an overloaded canoe. The thought of being fastened permanently on the treadmill affords me no real glow of satisfaction. I can't see any security in a handout, a dole of a promise to pay. The only security in this world is what people build inside themselves.

But that is beside the point here. I am persuaded that this is not a federal task nor within the scope of acceptable activity. All such types of assistance, if any, should be administered and financed by and within the states with the possible exception of old-age insurance. Every beneficiary lives in some state, not in Washington; each state knows its own problems best; the amount of relief needed varies on account of climate and living conditions; a federal bureau of immense size is eliminated and the total tax load would be less.

Whether federally or state administered, however, these aids should be critically examined. For example, unemployment compensation obviously arises out of a wage and urban economy. It rests on passing out small sums to be exchanged for goods when there are goods and when prices stay still. It's of little real value otherwise. It cannot be rightly called security. It's really a dole and as of 1946 can truthfully be said to actually compensate for not working at all. We are buying a lot of unemployment right now.

But the real trouble with it is that it does not get at the roots. It's the old poultice. Everyone without exception pays when there is substantial unemployment. Why not then confine our thinking and action to something fundamental. Let's get right down to the cause of unemployment and how people can be best protected when in need. This book advocates widespread decentralizing as the remedy.

The object of our Plan for Action is to have and maintain a free country whose individual citizens are to the largest degree economically independent. It follows that taxing and spending for unemployment relief cannot be considered sound if it materially hinders the increased production and consumption required for this goal. If it does, then we enter the spiral of unemployment, more taxes, more unemployment, etc.

The real cruel fact of this sanctimonious humbug, financed by money taken in effect from pay envelopes, and administered, in part, by 12 thousand tax-paid federal employees, is that by its very nature, except in an emergency, it must be self-defeating. Where are the things coming from that we need when unemployed? If the unemployment is severe enough there obviously is a great falling off of goods. This in turn puts pressure on prices; prices put pressure on taxes; taxes put pressure on the supply, etc. Is it not clear that the avenue to security in the Machine Age is to get as far removed from its impact as possible rather than sticking one's finger in the dam of unemployment?

I suggest therefore these concrete thoughts:

(a) Stop fooling ourselves into thinking that tax money or any money can provide security. It cannot.

(b) By analogy to the nation-wide system of workmen's compensation which is a wholly state affair, eliminate the federal authority completely and continue a state tax.

(c) By analogy to workmen's compensation, the employer be permitted to insure his own risk or buy private coverage; and, in the alternative, that the employers and employees be allowed to jointly secure, if possible, commercial insurance from private insurance companies.

The foregoing would be much less burdensome on all taxpayers, reduce federal activity, possibly result in higher benefits, limiting the compensation to bona fide unemploy-

ment, more closely integrate the interest of employer and employee, and combat unemployment at its very source by increasing over-all stability.

PUBLIC WORKS

The application of our test to federal public works results, I think, in a very simple conclusion. Except for the self-imposed long-pull task of preserving our lands and forests to which I have referred, this should be only an emergency expense.

Private business has in many instances laid out work-pile programmes for the years ahead. So have numerous cities. Connecticut has, and I suppose that many other states have. None of these programmes need call for any federal taxes.

But there is an area for federal *planning* and initiative, though not for federal execution. To exist we must have soil on which to grow food, water for the soil and for drinking, and trees to keep the water in the ground. The spoliation of our wonderful land by greed and stupidity must be without parallel in history. It takes 500 to 1,000 years to make an inch of top soil; it takes a century to make a good-sized tree. Through erosion and floods and ill-advised farming, our tillable soil is disappearing at an appalling rate every year. We cut down trees five times faster than we grow them; our water is disappearing, and our rivers are cesspools.

Man lives at sufferance and by the bare skin of his teeth on the earth's surface. The area that supports life is so skimpy in relation to the earth's depth, that it is infinitesimal. A few feet of soil spells the difference between good communities and ghost towns. You can measure four thousand miles to the earth's centre, but the arable depth can be measured not in miles but in feet—sometimes inches. That is how close man is to retirement from the scene.

As long as we fight a death struggle to remain free, I favour a national policy to preserve a place to be free in. *Stopping erosion, building back our soil, improving and planting public lands, and improving and planting private lands at private and public expense, removing sewage and waste from our streams and rivers and beautifying the banks of these waterways, make a public works programme of enduring value that will pay immense dividends.*

So, applying the first test to proposed public works, the only one that is sound, to me, is the one just indicated. Great new public highways are a liability rather than an asset: they use up land, accelerate the run-off of water, foster erosion, start an inescapable need for repairs and maintenance. How many people profit from them? People live locally for the most part. Let the states improve needed local roads, and let these vast, wasteful super-highways wait. Who can foretell what forms of transportation will be important 20 years from now? In 20 years super-highways may be as little used as canals are today.

Grade crossings are a liability of the railroads. Let them make enough money to bear their own burden.

If we need general and miscellaneous public work for employment, to the extent that it proves practicable, let the states and towns finance and do the local job. Let the nation initiate the planning of only the one that is absolutely indispensable for future security, appropriate the money to the states and have the states execute the programme.

As for public works that involve acquisition of tangible assets by government, we should adopt a policy of constantly reviewing government-owned property with the idea of disposing of it by sale, for this increases the tax base instead of constantly reducing it.

The second test, *Can we afford it?* must be answered on a budget basis.

AGRICULTURE

Federal aid to agriculture started, as far as I can find out, nearly a hundred years ago; in the last ten years it has expanded like a balloon. A stroll through the halls of the Department of Agriculture, a glance through the Congressional Directory, a squint at the cost, and the most callous spender must be appalled. But I can find no one who thinks the huge expenditure has been successful in solving the farm problem, whatever it is. We have followed the time-tested political treatment of palliatives. At the same time bear in mind that every state maintains, largely at its own expense, all manner of activities centring around agriculture.

All of these aids are now paid for from just one source—the people.

I am not a grass-roots farmer, though I have lived in the country of New England for 30 years, grow some of my food, have some livestock and some forest, and am a member of the local farm bureau. I have my own ideas about farming.

I believe there is no agricultural problem that can be looked at and dealt with all by itself. There are good and bad farmers as there are good and bad manufacturers. I have been in about every state of the Union, in Canada many times, and in Europe twice. I have seen poor farms in good country and good farms in poor country. In a river valley in Canada where I go every year there is a 40-mile stretch of exactly the same soil, with good farms and poor farms. The good farms belong to industrious, intelligent and thrifty men; the poor farms to the others. I have seen farms in Denmark that amazed me, clover and hay so thick that cows were tethered in a line so they could eat only so much each day. That crop came from manure and work.

The working of poor land, the impoverishment and de-

struction of good land by overuse, and the disappearance of water supply concern the entire people, not just the farmers. They should be treated that way, not as an agricultural problem. The life of the nation is at stake.

Among problems common to most farmers—and to everybody else—are cash costs, including, of course, land taxes and the hidden taxes on what farmers buy, and income taxes, if they pay any. A worse problem is buying goods at prices artificially maintained by the producer.

These matters that concern farmers cannot be handled solely as farm problems. They are national matters and incidents of the tax policy and the free competitive market we have discussed at length. An active, intelligent determination to do something about them will help all farmers, good and bad.

Artificial support of farm prices cannot be justified under any sound theory in this country. Maintaining prices taxes everybody for the benefit of a few. And subsidies are no real remedy—they do not cure anything.

The purchase of surplus crops is as indefensible as the purchase of silver at twice its value. If this is a sound procedure to care for overproduction, why not also buy the inventories of overstocked manufacturers and merchants? Why not a government subsidy to purchase unwanted or unsaleable articles or stories of America's authors? Sometimes writers receive money for their produce; so they have intrinsic value. Why put the farmers over the writers?

Surplus crops are normally the result of specialization. Their producers almost always have to sell in a buyer's market. The remedy for this evil is diversification of crops and smaller units—not subsidies. Most so-called agricultural expert thinking is directed to dollar income, disregarding real income. There are other values in good farming besides dollars.

One situation in farming today that affects the farmer's profit is the drying up of local and regional markets and the increasing centralization of buying in a few hands. For example, the evil effect of the limited number of large buyers of milk here in the East is aggravated by the folly of trying to fix the price to the consumer.

The same general rule applies to livestock. Can anything be less comprehensible than shipping live cattle to great central markets, and then shipping back the dressed meat over the same long distances? Who pays these charges, really? Why, the farmer and the consumer. And to a lesser degree this is regionally true. There is no good reason why there cannot be raising, selling, slaughtering and marketing of substantial quantities of beef in smaller areas, thus reducing the cost of the long haul and of the concentrated buying, slaughtering and distributing. Do not forget the menu in Appendix I.

Such great national crops as wheat, cotton and tobacco are, of course, affected by world markets and present a unique situation in the general agriculture field. Is it not true that large-scale operations in these fields add to the difficulties of the smaller producer? Large-scale, one-crop farms are big businesses engaged in working the land; and I have little sympathy with their owners' troubles. If they want to take the risk, they are no different from the ordinary manufacturer, with the important exception that the manufacturer at least sets up a practical reserve against depreciation of his capital assets.

Our concern should be for the small and moderate-sized regular farmer in whose hands lies our future. But, as I said before, these man or their farms do not make a problem all by themselves. The real problem is in the surrounding circumstances.

I recommend abolishing the Department of Agriculture,

all its functions, and all federal activities in this field, and starting all over again. We should have one integrated economic point of view in one place: the proposed Department of Economics. That will be the place to prepare a tax policy as it affects farmers, as well as labour policies and tariff policies, etc. All of these spheres are interwoven, and the programmes for them all should be harmonious. Then the betterments that Congress thinks should flow to agriculture under all the circumstances of the national welfare should be re-stated in a single law, and the Department of Economics should administer it.

Here are some other thoughts on agriculture that seem to me constructive, even if not necessarily new. I read a great deal of farm literature and know some farmers. Most farmers, I feel sure, want to stand on their own feet and run their own affairs. They want a square deal in the market, instead of buying at an artificial price and selling at a competitive price. They don't want to be hamstrung by taxes.

The states and the nation in pursuance of our suggested programme of a free market and a minimum of taxes can help the farmers get these things they want—and it will not cost the people anything at all.

One solution of the farmers' buying and selling difficulties obviously lies in co-operatives. I am amazed at what co-operation has done in other countries. We can do it here and are doing it more and more. I delight in these well-run enterprises and am proud to belong to one. Here we have really militant American democracy, no doctrinaire business or government payroll. Then, in line with a determined policy of decentralization, regional and local markets must be built up. They may be either co-operative or private enterprises.

I feel that co-operatives should do a grand job with the

great staple crops, for they have the indispensable factor of self-interest. I see no practical reason at all why free, vigorous co-operatives should not entirely supersede our present dismal bureaucracy.

Another thing to be sponsored by state action is decentralized industry. The creation of small businesses in rural areas will furnish to the farmers part-time employment for cash, and real diversification. In Connecticut we are at work on that now and so are other states.

If we can eliminate all these superficial sops and really enhance the strength and attraction of rural life on a sound, non-handout basis, that will satisfy the real farmer.

FINANCIAL AID

When I first went to Washington in 1933, the government was already in the field of 'doing good' by making money available in certain distress situations. The Reconstruction Finance Corporation and the Home Owner's Loan Corporation were new, not too big, and doing a fine job in a grave emergency. We had not really embarked on the building business. The continuation of the depression, then the war, and we really mushroomed.

It is all too plain to me that federal financial aid to people and building and what not is not a permanent federal government function. Let them be terminated now. These huge bureaux cannot be worn down by emery paper, They have to be simply exploded out.

AID TO VETERANS

This is of course the number-one problem of the future so far as money is concerned simply because of its size. This in turn, however, aids the solution.

It has been estimated that 43 per cent of the adult male population will be made up of veterans. They cannot there-

fore look calmly on pension grabs or other old-fashioned types of raids where there is an appearance of something for nothing. It's too much like robbing Peter to pay Paul. We shall want to aid our disabled men and women and that's all we can do. By disabled I mean service-connected disability, not the free-for-all we were embarked on before World War II arrived.

I was in the army in World War I and have been a member of a veterans' post from the day the door opened. My own observation, and I believe it corresponds with that of many others, is that the great body of men in World War I never really needed and do not now need aid from anybody; and that the bonus of 1936 did very little real good to anyone. Neither will the gratuities currently sought. I also think that veterans do not consider themselves a class apart from the other citizens. In brief, they give little thought to the fact that they are ex-soldiers or sailors; certainly not that each is entitled to a gift. Politicians are stampeded. There are of course in each community self-appointed champions of veterans or men who will never get over wanting to put on a uniform and get dressed up. There are others who make a living out of it—professional veterans. But they are poor pied pipers to follow.

The unvarnished truth is best. All that the people can do for veterans as a whole is to co-operate with them in creating a fine, strong country. Opportunity for all, without crippling taxes and other millstones, is the best possible aid to them. That is aid for the long pull, not just a cheque to spend now.

SUMMARY

These discussions of the various forms of federal aid will demonstrate, I hope, that there is a simple approach to this whole problem of government assistance. That approach is indicated by these questions:

Is the proposed act within the powers of Congress, or should it be?

Should the aid be given by the states, if at all, instead of by the federal government, on the basic issue of political and economic decentralization?

Is it sound in itself, that is, can the same end be accomplished in some other and better way, or does this way get to the root of things?

Can we afford it in view of an over-all national policy of expanding production, consumption, employment and opportunity?

Point V

The objective of individual economic freedom, the good life, will be realized only by unremitting effort through voluntary co-operation and education.

We have all observed the individual lack of real interest by voters in the affairs of their town, state and nation. Local affairs get the most notice; they are closest at hand and more easily understood.

The causes seem to me to be these two:

No real sense of individual responsibility for any overall national objective, except lower taxes. People do better when they aim at a real goal.

A feeling that the burden of such affairs is that of the elected and paid representatives: 'They know about it, I don't.'

At the same time, in more intimate matters, there are very real and very large collective enthusiasms: the churches, fraternal orders, such business groups as farm organizations, labour unions, chambers of commerce, manufacturers' associations and individual trade bodies, and the countless philanthropic societies. But when it comes to the

one really big national joint enterprise, *that* is left by people to the paid office-holders and the elected servants of the people.

It is also true that the effect of government, good or bad, on community and national life has in the past seemed so slight—compared with the onward sweep of our millions of people towards financial gains and material achievements—that government really did not appear to deserve any active interest. There was a momentary exception—on the morning of March 4th, 1933, when the banks closed and all eyes turned to the government for salvation. But no sooner was this danger met by the magnificent leadership of the President and his associates than the old inertia set in again. This, too, when year by year federal management has been more aggressively exercised, and with it the tax and debt load has grown ever heavier. Actually the apathy of the public seemed to become deeper as federal control and the pressure politics of special interests grew rampant.

This condition is passing, I think. The states are re-asserting their historic role of protecting their people against an overstrung national government. Throughout the land we find a slowly growing conviction that we have been and still are in real jeopardy; that all is not for the best.

We are again conscious of individual and collective prowess. We are learning again the real identity of interest of all persons and all groups. We are finding profit and pleasure in trying to work together. We are slowly resenting being pushed and chivied. We are coming to understand once more that we are a great group of people.

There is a general awareness of the growing crisis of the Machine Age and the death struggle between freedom—freedom of the individual spirit—and materialistic bondage—the surrender to the state in exchange for a promise of the necessities of life.

For this belief that money is wealth we must substitute a knowledge that money is merely a means to decent and good living. Not far from where I live there is a white cottage, and city people driving by would think the people were poor because the back yard seems to be in disorder.

Part of this disorder stems from the activities of the youngest son, aged four, who builds all kinds of dams for the ducks. They have a dozen or more turkeys growing up on wire. There is a cow on the premises, a couple of pigs—and in the cellar, a deep-freezer.

This man was hit by the depression, so he worked out his own solution. He still works for a 'company' in the 'city' but he walks upright and has no fear because he has enough food in being and in process for years to come. He owns the roof over his head. He is, in short, his own man and thus is able to find time to inquire into ways by which he can help his neighbours.

Current ideas in America are flowing in two parallel streams. About the only thought common to each is the general one of individual security.

In the free stream, the life stream, we find the churches emphasizing the critical need for a real renaissance of moral and spiritual values proceeding from our Judaeo-Christian concepts and the body of organized religion; innumerable groups of free men dwelling upon the American tradition of the federal constitution, the Bill of Rights, equal laws and the free-enterprise system in general; other groups with more concrete doctrines, such as full employment through private initiative supplemented by federal spending, or decentralization, etc. By any one or more of these means, the free men think we can solve our great problem of individual freedom.

In the slave stream are two main groups—the American economic planners—lending lip service to the individual and

his welfare under a free constitution while at the same time zealously espousing salvation through government; the other group composed of the avowed collectivists who frankly set up the state as the end product and through it look for economic salvation—food, clothes and houses.

The slave stream is organized and has the advantage at the moment of concrete plans, whether good or bad.

The free stream is not organized at all. What it requires for practical success is co-operation and agreement on a definite programme which it can unite.

The idea of this book is to offer such a programme for consideration, revision, amendment and action.

I referred to a few cases of effective action back of specific things on page 63. They could be multiplied probably by the thousands, but conviction and zealous and passionate pursuit are the indispensable ingredients. I, for example, happen to believe in the teachings of Christ; I aspire to live them. But day after day I have to *do things*. *So does everyone*. Well, if we believe in the Golden Rule, in liberty, in the free-enterprise system, in world peace, what do we do about it? David at least had a slingshot and Joshua his horns.

Organize and educate. Which comes first? The general idea should take form and substance. Then organization and education and action follow.

Now we are quite accustomed to the use of symbols and descriptive names in dealing with concepts of one kind or another as well as with the body of the concept. Thus we have the American flag and the eagle; together they signify the Declaration of Independence, the Constitution, all the statutes, the common law, Perkins Corner and a 1947 model. The Swastika and "Nazi" cover *Mein Kampf* and its effluvia. 'Dixie' meant the antebellum South; 'Yankee,' the whole American race and a vast body of tradition.

As my contribution and to symbolize my own particular

concept of the free state in the Machine Age, I offer the device shown on the jacket.

First, the individual as number one in importance; second, the arrow indicating direction with understanding on his part; third, the mosaic platform of democratic co-operation.

To me this sums up the purpose and end of decentralization.

On the other hand, 'liberal' no longer has any meaning whatever; nor 'conservative'; nor 'reactionary' nor 'progressive.' 'Democrat' or 'Republican'—they are meaningless today except in tradition.

What about a word? Decentralization is not a good word in itself. It is negative, whereas the content of the idea is affirmative.

I offer, as a possibility, 'Vitalism.' If this is no good, I do not worry as I am confident that someone will produce a better one. Yet the word is worthy of thought.

It is a biological term, the doctrine that ascribes all the functions of an organism to a vital principle distinct from chemical and other physical forces. This, it seems to me, is apt, because decentralization, as I have described it, relates to a living organism, the free state, and to living things, i.e., men, women and children.

Assuming the state to be the organism, the vital principle are these human beings as separate individuals. The individuals cause the state to function and nothing else can. As *each man* flourishes the state flourishes. The organism cannot be said to flourish as measured solely in terms of wages, plumbing, automobiles, four-lane highways, movies—these emblems of what is called the standard of living. We know that neither the organism nor the individual is flourishing today. By the use of this proposed term we simply shift our thinking from inanimate things to vital things—from skyscrapers to men.

A believer in the existence of vital force is a 'vitalist.'

The fact that the Plan for Action consists of five and only five points and 'Vitalism' begins with a capital V, each of these will assist in keeping the Plan in mind. It is all really extremely simple.

Even if we have no symbol or word, someone or a small group may decide that the idea and Plan are helpful. This is all that is necessary for a start. One man could assume temporary leadership in each state, 48 men and women in the nation. These in turn could become a national organizing committee. Each would recommend county and local leaders. Three thousand men and women could account for the counties, and 16,500 for the communities. This is not a very great task. Yet it would do the trick. On the other hand, anyone can make a start anywhere and eventually these people would be drawn together like iron filings by a magnet.

In time a national group might set up communication with the other main groups in the free stream and evolve a plan for active co-operation through which would run a thread of unity—a belief in the individual as against the state, and a belief in a core of agreement on the essential elements of a plan for action. All might not be in accord on all phases; some would prefer to work in one field, some in another. But there would be harmony on the basic objectives.

In the permanent organization, once one is set up, there should, I believe, be two important bodies:

A council whose sole duty would be to maintain continuity of thinking and to interpret proposed actions in terms of the basic programme in order to keep the movement as far as possible on the main track.

There should be a small body representative of the many groups whose ranks would comprise the general member-

ship, and annually this body might recognize and reward outstanding service to the movement—possibly by giving a distinctive ribbon. Public service receives too little recognition in America. Contributions to the general good should win for the man or woman real honour and position. Someday, possibly, a memorial hall might arise. Tradition is necessary to the onward and upward swing of mankind.

Assuming an organization, its initial and great task would be to educate. Education falls into two categories: (a), for immediate action; (b), for the long pull in succeeding generations.

(a) Education is required in the programme itself; in political strategy and tactics; and in materialistic, humanistic and cultural values. The Plan must be explained to millions of people, old and young. Countless starting points are ready to our hand—churches, colleges, schools, organizations and associations of every kind. These should be used where that is possible, and supplementing these established units, it will be necessary to organize thousands of small groups everywhere. From them the teachings will spread out like ripples until the whole country is covered.

(b) In general, our educational system as a whole is designed to fit into large-scale production, consumption and government, and almost entirely for one's own personal profit—not for society. The emphasis should now be shifted to include a different and more complete way of life.

Our elaborate two-billion-dollar educational business is not adapted to the developments of the present age. There is not adequate attention given the nature of man himself, to his purpose in life, to his duties to himself and his neighbours and to his state. Consider for a moment some of the aims of education in other periods:

* Elmer H. Wilds, *The Foundations of Modern Education*, Rev. ed. (New York: Rinehart & Company, Inc.), 1942.

Primitive	Security through work and worship
Early Chinese	Training in the path of duty
Early Persian	Production of a nation of soldiers Building of national ideals Inculcation of civic virtues
Hebraic	To develop holiness and righteousness
Homeric	Individual excellence and public usefulness
Spartan	Individual military excellence for state usefulness in war
Early Athenian	Useful for public welfare Broad culture
Later Athenian	Individual excellence for individual success Preparation for personal advancement
Early Roman	Brave warriors and dutiful citizens The <i>vir bonus</i>
Later Roman	Intellectual development for service The 'orator' Affectation and personal display
Jesus	Humanitarianism Brotherhood Respect for human personality and indi- vidual rights Social efficiency
Monasticism	Physical and moral discipline
Scholasticism	Intellectual discipline
Chivalry	Rudiments of love, war and religion Social discipline Devotion
Guild system	Participation in commercial life Vocational discipline
Saracens	Scientific knowledge Individual initiative and social welfare

Humanism	Full, rich and abundant life for individual and for society as a whole
Moralism	Religious and character training and service
Realism	Preparation for actual living in a real world
Rationalism	To test all things by the power of reason
Naturalism	Preservation of natural virtues of the individual and formation of a society based upon individual rights
Nationalism	Training for patriotic citizenship

It can be seen from these that in periods of stress youth was in general educated to be of value to the society in which he lived as a matter of self-preservation for himself as well as for the group or social entity. And, in general, individual virtue and thorough development was the great objective. Education was what it is supposed to be—exceedingly important. This is doubly so, of sheer necessity, in a democracy.

In the growing complexities of modern life and the patent inability at the moment of living beings to adjust themselves satisfactorily to it, the outstanding problem of decentralized America is to overhaul its whole educational system in the light of new conditions. The people who pay the bill ought to call the tunes. The grip of the education hierarchy should be loosened just as we must get from under the economists.

As a start, may I suggest that the following subjects should receive the over-all emphasis, not for one year, but for the whole period of six to 22 years of age, from the primary school through college:

- | | | |
|------------------|---|--|
| The
Tradition | { | <ul style="list-style-type: none"> a. The nature of man—who he is and his relation to God and to the cosmos b. Morals c. Political history, especially American d. History of education e. English language and mathematics f. Clear thinking—systematic—leading to ability to form sound judgments g. The Machine Age, its problems and the duties of the citizen h. Conservation and the nature of things i. Health j. Rudimentary military training under state and town direction through voluntary co-operation of national guard and veterans. |
|------------------|---|--|

Of course, teaching the teacher how to teach goes hand in hand. Teachers, like other public servants, should be highly paid and honoured as befits their responsibility.

* * * *

As education proceeds by intensive efforts, I believe that political organization will become necessary. Even if either present political party espoused the Plan for Action, my own experience leads me to doubt its full and convincing exploitation. The 1932 Democratic platform, which certainly proclaimed in perfect composition the beliefs of the party, vanished like the mist in six months. I have watched platform drafting for years and have taken a part in it upon many occasions, but I have little confidence in pledges made by many of our political folk, for the active party workers are job holders, entrenched there and most anxious to remain. The candidates for election, both before and after election, work closely with the organization. The

organization wants to win and stay in power and it almost invariably follows the course it thinks will keep it there. Any change in the *status quo* is viewed with alarm. If changes are made, they are usually in obedience to public clamour and after long delay. We cannot afford to take that chance in this crisis.

But, we are told, there cannot be a third party. I do not propose a third party. The growing cleavage in opinion on the basic issues leaves room for only two parties, so far as this Plan is concerned.

One party will be composed of voters who believe in freedom, opportunity, employment, production and consumption—through co-operation and individual enterprise. *All the people who have other ideas (such as happiness through statism) will be in the other party.*

One more thought on the political phase. The general composition of the national House and Senate has changed little in principle since the Constitution went into effect. The two federal houses are made up for the most part of lawyers and businessmen, selected simply on the basis of population and states. The same type of legislative body has considered the affairs of our country from the days of its rural infancy to the present era of a most complex inter-related economy with world-wide involvements. Could not we do a better job for ourselves if we had a wider, deeper, broader experience to draw on?

Why not a small third body, without any vote and without power, to which matters involving economic policy could be referred for opinion before action by the Congress? Then the country would have the benefit of the thinking and experience of all the elements woven into our nation.

Appointment to this body, according to a procedure established by Congress, could be by the President, with the

advice and consent of both houses, for one term not to exceed six years. The appointment could be based upon recommendation of the several economic groups represented. It should be a badge of distinction and a reward for service to the common good.

No change in the Constitution is necessary, and if the experiment did not work the law could be repealed.

EPILOGUE

This frail thing we call the free state is born of a mutual need and can live only by mutual good will. The economic order that exists within its frame is not of independent life, to be ravished incessantly by rapacious groups seeking something for nothing. For years selfish interests have claimed their special privileges, and this habit is growing rapidly under the illusion that plunder will always be at hand. But it will not. And the penalty for violating the simple laws of the free society is its death. The autocratic state is no substitute—it is blighted at birth because it contravenes the human pattern and the Divine law. Every thoughtful citizen knows this and he should now be aroused before it is too late to discharge the trust imposed upon him by his birth in these United States.

For clearly we of the living are trustees. We are trustees for the dead and trustees for the future. We are trustees for the soldiers and sailors who have defended and are defending this trust with their bodies. They are trustees for their slain comrades.

What is this trust? Did we plant the trees, fill the rivers and lakes, build the soil in this country? No. They are the gifts of God, secured for our use by the superlative vision, courage and single-mindedness of our ancestors. We enjoy them in life and should bequeath them in death, improved, to our successors.

Did we create the liberties of America? No. They are handed to our care in the beautiful language of our constitutions and by the valour of our forebears.

Did we build the white villages of New England, the beauty and dignity of which, with all our machines, we can-

not approach? Did we run from the trim houses at Lexington Green to resist the enemy and die on our doorsteps? Did we cross the gaps of the Blue Ridge and Alleghenies? Did we venture across the plains, redeem the dry western lands, scale the great passes of the Rockies, and force the Sierras to the Pacific? No.

Let us then with fidelity and zeal reclaim our heritage—our lands and our liberties; restore the individual American to dignity and power and, passing, yield our guardianship, enriched, to our children.

APPENDIX I

KEENEY'S HOTEL

East Haddam, Conn.

Winslow & Keeney, Proprietors

Bill of fare

for

Monday Eve., Feb. 23, 1857

15 CENTS

Boiled

Ham

Tongue

Chicken

Roast

Beef

Lamb

Pork

Veal

Chickens

Turkey,

Cranberry Sauce

Entrees

Beef Steak

Ham and Eggs

Broiled Chickens

Pork Steak

Fried Tripe

Stewed Oysters

Fried Pickerel

Fried Sausages

Chicken Pie

Vegetables

Potatoes Browned

Potatoes Plain

Potatoes Mashed

Turnips Beets

Boiled

Onions

Pickled Cucumbers

Kole Slaw

Pickled Beets

Peppers

Horse Radish

Pastry

Mince Pies

Apple Pies

Squash Pies

Custard Pies

Lemon Pies

Whortleberry Pies

Cranberry Tarts

Cake

Soda

Loaf

Fruit

Sponge

Pound

Drop

Railroad Cake

Dessert

Blanc Mange

Boiled Custards

Floating Island

Lemon Jelly

Apples

Ice Cream

Figs

Layer Raisins

Oranges

Filberts

Walnuts

Almonds

English Walnuts

APPENDIX II

THE AMERICAN TRADITION

An ancient writer, Roger of Wendover, described a meeting in the year before Magna Charta at St. Paul's, London, on August 25, 1214, of Stephen, Archbishop of Canterbury, with the bishops, abbots, priors, deacons, and barons of the kingdom:

At this conference, as report asserts, the said Archbishop called some of the nobles aside to him, and conversed privately with them to the following effect, 'Did you hear,' said he, 'how when I absolved the King at Winchester, I made him swear that he would do away with unjust laws, and would recall good laws, such as those of King Edward, and cause them to be observed by all in the Kingdom; a charter of Henry the First, King of England, has just now been found, by which you may if you wish it, recall your long-lost rights and your former condition.' When this paper had been read and its purpose understood by the barons who heard it, they were much pleased with it, and all of them, in the Archbishop's presence, swore that when they saw fit opportunity, they would stand up for their rights, if necessary would die for them.

The said Roger concludes his description of the wresting of Magna Charta from the King:

At length, after various points on both sides had been discussed, King John, seeing that he was inferior in strength to the barons, without raising any difficulty, granted the unwritten laws and liberties and confirmed them by his charter.

John Adams, in 1765, described the reasons for the settling of the United States:

It was this great struggle (against ecclesiastical and civil tyranny) that peopled America. It was not religion alone, as is commonly supposed; but it was a love of universal

liberty, and a hatred, a dread, a horror, of the infernal confederacy (of canon and feudal law) before described, that projected, conducted, and accomplished the settlement of America. . . .

. . . Be it remembered, however, that liberty must at all hazards be supported. We have a right to it, derived from our Maker. But if we had not, our fathers have earned and bought it for us, at the expense of their ease, their estates, their pleasure, and their blood. . . .

. . . Let it be known, that British liberties are not the grants of princes or parliaments, but original rights, conditions of original contracts, coequal with prerogative, and coeval with government; that many of our rights are inherent and essential, agreed on as maxims, and established as preliminaries, even before a parliament existed. Let them search for the foundation of British laws and government in the frame of human nature, in the constitution of the intellectual and moral world. There let us see that truth, liberty, justice, and benevolence, are its everlasting basis; and if these could be removed, the superstructure is overthrown of course. . . .

The Mayflower Compact declared that the undersigned ' . . . covenant and combine ourselves together into a civil body politick for our better ordering and preservation and furtherance of the ends aforesaid, and by virtue hereof to enacte, constitute and frame such just and equal laws . . . , etc.'

The famous 'The Liberties of the Massachusetts Collonie in New England; 1641' opens with the statement:

The free fruition of such liberties, immunities and privileges as Humanitie, Civilitie, and Christianitie call for as due to every man in his place and proportion, without impeachment and infringement, hath ever bene and ever will be the tranquillitie and stabilitie of Churches and Commonwealths. And the deniall or deprivall thereof, the disturbance if not the death of both.

Dr. Joseph Warren, in his Boston Massacre Oration, 1772:
None but they who set a just value upon the blessings of

liberty are worthy to enjoy her—your illustrious fathers were her zealous votaries—when the blasting frowns of tyranny drove her from public view, they clasped her in their arms, they cherished her in their generous bosoms, they brought her safe over the rough ocean, and fixed her seat in this then dreary wilderness; they nursed her infant age with the most tender care; for her sake, they patiently bore the severest hardships; for her support, they underwent the most rugged toils. In her defence, they boldly encountered the most alarming dangers; neither the ravenous beasts that ranged the woods for prey; nor the more furious savages of the wilderness; could damp their ardour—whilst with one hand, they broke the stubborn glebe; with the other, they grasped their weapons, ever ready to protect her from danger. No sacrifice, not even their own blood, was esteemed too rich a libation for her altar! God prospered their valour, they preserved her brilliancy unsullied, they enjoyed her whilst they lived, and dying, bequeathed the dear inheritance, to your care. And as they left you this glorious legacy, they have undoubtedly transmitted to you some portion of their noble spirit, to inspire you with virtue to merit her, and courage to preserve her; you surely cannot, with such examples before your eyes, as every page of the history of this country affords, suffer your liberties to be ravished from you by lawless force, or cajoled away by flattery and fraud.

The unanimous declaration of the thirteen United States of America in 1776, from the mind of the Virginian Jefferson, proclaimed that among the inalienable rights of men are 'life, liberty and the pursuit of happiness.'

Said Ezra Stiles, a president of Yale College, in 1783:

Liberty, civil and religious, has sweet and attractive charms. The enjoyment of this, with property, has filled the English settlers in America with a most amazing spirit, which has operated, and still will operate with great energy.

Jefferson wrote in 1789:

Liberty is the great parent of science and of virtue; and a nation will be great in both in proportion as it is free.

And in 1782 Jefferson also wrote:

Can the liberties of a nation be thought secure when we have removed their only firm basis, a conviction in the minds of the people that these liberties are the gift of God?

Louis Kossuth, in a speech in St. Louis in 1852, declared:

When the struggle is about principles, indifference is suicide. Nay, indifference is impossible; for indifference about the fate of that principle upon which your national existence and all your future rests—is passive submission to the opposite principle—it is almost equivalent to an alliance with the despots. He who is not for freedom is against freedom. There is no third choice.

Abraham Lincoln at Independence Hall in 1861:

. . . I have never had a feeling, politically, that did not spring from the sentiments embodied in the Declaration of Independence. I have often pondered over the dangers which were incurred by the men who assembled here and framed and adopted that Declaration. I have pondered over the toils that were endured by the officers and soldiers of the army who achieved that independence. I have often inquired of myself what great principle or idea it was that kept this Confederacy so long together. It was not the mere matter of separation of the colonies from the motherland but that sentiment in the Declaration of Independence which gave liberty not alone to the people of this country, but hope to all the world, for all future time. It was that which gave promise that in due time the weights would be lifted from the shoulders of all men, and that all should have an equal chance. This is the sentiment embodied in the Declaration of Independence. Now, my friends, can this country be saved on that basis? If it can, I will consider myself one of the happiest men in the world if I can help to save it. If it cannot be saved upon that principle, it will be truly awful. But if this country cannot be saved without giving up that principle, I was about to say I would rather be assassinated on this spot than surrender it. . . .

Woodrow Wilson in 1919:

. . . Liberty is a thing of slow construction. Liberty is a thing of universal co-operation. Liberty is a thing which you must build up by habit. Liberty is a thing which is rooted and grounded in character, and the reason I am certain that the leadership of the world, in respect of order and progress, belongs to America is that I know that these principles are rooted and grounded in the American character. . . .

In the golden age of Athens, Pericles, in his funeral oration for the Athenian dead of the Peloponnesian war:

For our government is not copied from those of our neighbours; we are an example to them rather than they to us. Our constitution is named a democracy, because it is in the hands not of the few but of the many. But our laws secure equal justice for all in their private disputes, and our public opinion welcomes and honours talent in every branch of achievement, not for any sectional reason but on grounds of excellence alone. As we give free play to all in our public life, so we carry the same spirit into our daily relations with one another. We have no black looks or angry words for our neighbour if he enjoys himself in his own way, and we abstain from the little acts of churlishness which, though they leave no mark, yet cause annoyance to whoso notes them. Open and friendly in our private intercourse, in our public acts we keep strictly within the control of law. We acknowledge the restraint of reverence; we are obedient to whomsoever is set in authority, and to the laws, more especially to those which offer protection to the oppressed and those unwritten ordinances whose transgression bring admitted shame. . . .

Dante, in the *DeMonarchia*:

Again, the human race is ordered best when it is most free. This will be manifest if we see what is the principle of freedom. It must be understood that the first principle of our freedom is freedom of will. . . .

It is therefore again manifest that this liberty, or this principle of all our liberty, is the greatest gift bestowed by

God on mankind: by it alone we gain happiness as men: by it alone we gain happiness elsewhere as gods. But if this is so, who will say that humankind is not in its best state, when it can most use this principle. . . .

Machiavelli, in his *History of Florence*, reports an address of a delegation sent by the people of Florence to the Duke of Athens who was requiring to be made Prince of Florence, A.D. 1342:

. . . Have you considered the mighty things which the name of liberty implies to such a city as this, and how delightful it is to those who hear it? It has a power which nothing can subdue, time cannot wear away, nor can any degree of merit in a prince countervail the loss of it. . . .

That time can neither destroy nor abate the desire for freedom is most certain; for it has been often observed, that those have reassumed their liberty who in their own persons had never tasted of its charms, and love it only from remembrance of what they have heard their fathers relate; and therefore when recovered, have preserved it with indomitable resolution and at every hazard. And even when their fathers could not remember it, the public buildings, the halls of the magistracy, and the insignia of free institutions, remind them of it; and these things cannot fail to be known and greatly desired by every class.

What is it you imagine you can do, that would be an equivalent for the sweets of liberty, or make men lose the desire of their present condition? No; if you were to join the whole of Tuscany to the Florentine rule, if you were to return to the city daily in triumph over her enemies, what could it avail? The glory would not be ours, but yours. We should not acquire fellow citizens, but partakers of our bondage, who would serve to sink us still deeper in ignominy. And if your conduct were in every respect upright, your demeanour amiable, and your judgments equitable, all these would be insufficient to make you beloved. If you imagine otherwise, you deceive yourself; for, to one accustomed to the enjoyment of liberty, the slightest chains feel heavy and every tie upon his free soul oppresses him.

We find John Milton, in his pamphlet on freedom of speech, declaring in 1642:

. . . It is the liberty, Lords and Commons, which your own valorous and happy counsels have purchast us, liberty which is the nurse of all great wits; this is that which hath rarefy'd and enlightn'd our spirits like the influence of heav'n; this is that which hath enfranchis'd, enlarg'd, and lifted up our apprehensions degrees above themselves. Ye cannot make us now lesse capable, lesse knowing, lesse eagerly pursuing of the truth, unless ye first make your selves, that made us so, lesse the lovers, lesse the founders of our true liberty. . . .

And Edmund Burke in 1777:

It [civil freedom] is not only a private blessing, but the vital spring and energy of the state itself, which has just as much life and vigour as there is liberty in it.

DECENTRALIZE FOR LIBERTY

