

interests from conspiring continually against the national welfare.

There is no reason to think that the self-regarding activities of special groups can be balanced or regulated by organizing more and more of them. In the historical period during which organized interests have been increasingly active and their activities have been treated as more and more reputable, there have been two momentous developments. By organized restrictions of many sorts the production of wealth has been retarded, the method of monopoly being employed to enrich the favored interests. The imprimatur of respectability having been put upon organized privilege, the whole population has become imbued with the idea that as a matter of right everyone is entitled to invoke the law to increase his income.

This is the vicious paradox of the gradual collectivism which has developed in western society during the past sixty years: it has provoked the *expectation* of universal plenty provided by action of the state while, through almost every action undertaken or tolerated by the state, the production of wealth is *restricted*. By these measures modern states have frustrated the hopes which their policies have aroused. They have put into effect measures of scarcity, and all the while they have taught the people to believe that the effect of the policy would be to give them abundance. To that paradox no small part of the dangerous tension in modern society is due.

4. *The Restriction of Wealth*

That a system of gradual collectivism, operating through tariffs and bounties, price fixing and wage fixing, must reduce the wealth of nations has seemed so self-evident to a long line of economists that one of them has been moved to say that "only the feeble-minded and the paid agents of vested in-

terests will be found to deny such propositions.”⁸ Yet the proposition is denied in the practice of all modern states, and among the great mass of their inhabitants it is regarded as far from self-evident that to restrict production is to become deliberately poorer.

It is curious and significant, however, that while almost every interest favors collectivist measures, no one defends them all. Thus, for example, the processing tax on cotton — levied in order to pay cotton planters to restrict their output and raise the price — was invalidated in the Supreme Court as the result of a lawsuit brought by a textile mill corporation which enjoys high tariff protection.⁹ Manufacturers, who have the legal privilege of exclusive possession of the domestic market at more than a competitive price, have no difficulty in understanding the objections to laws which create artificially high prices for their raw materials. They can see no less easily the fallacy of monopolistic union wage rates. All the reasons for respecting the law of supply and demand, all the arguments against monopoly, restriction, and scarcity, are self-evident to them except in the field where they themselves have an exclusive market under government protection.

The managers of the great corporations are fully aware that the production of wealth is restricted by labor laws and labor contracts which enable their employees to do less work for more pay. But it is not so easy for them to see that when, by means of tariffs or a monopolistic control of prices, they restrict production and raise their prices above the competitive level, they too are practising a policy of scarcity. Though they will shut down their own plant rather than sell at a lower price, and will invoke tariff protection to prevent foreigners from selling at the lower price, they nevertheless understand that the

⁸ Lionel Robbins, *The Great Depression*, p. 67.

⁹ Hoosac Mills Case.

soundest principles of economics have been violated when farmers are assisted by the government to plough under cotton and slaughter little pigs, when wage earners insist on shorter hours at a high "prevailing wage." These same farmers, however, relying upon the full power of the government to raise their prices by restricting production, will in the same breath denounce the railroads and utilities for not expanding production by reducing the rates.³⁰

Thus, in the debate which accompanies the advance of gradual collectivism, particular interests will be found advocating protection for themselves and free trade for those with whom they transact their affairs. If the student is looking for a defense of the system, he can find it by assembling the arguments used by each interest in defending its special privilege. He can obtain a separate brief from some producer to justify every item in the tariff law, a separate brief from some corporation executive to justify every price fixed by monopolistic decision, a separate brief for each subsidy from the interest subsidized, for each restrictive law from the beneficiary. These briefs would be submitted by businessmen, farmers, labor unionists. They would be written by lawyers and economists and experts, some calling themselves conservative and others progressive, and they would provide an impressive defense of the system as a whole. But an equally impressive collection of separate briefs could be assembled, written by spokesmen for the same interests, denouncing as uneconomic, as immoral, as unconstitutional, often as treasonable and subversive, the same practices when carried on by other interests.

These self-contradictory pleadings are such glaring instances of man's ability to see the mote in his neighbor's eye and to

³⁰ Cf., for example, the price policy of the Tennessee Valley Authority, which has the backing of the farm bloc, with the price policy of the Agricultural Adjustment Administration.

overlook the beam in his own that one is led to ask how the disinterested exponents of gradual collectivism can persuade themselves that they have a rational political philosophy. At the level of practical politics there is the pulling and pushing of interested groups contending for the assistance of the sovereign power. At the level of popular debate there are the special pleas of interests, each insisting that the general interest will be served if the coercive authority of the state is placed at its disposal. The gradual collectivist has to suppose that over and above these special groups and their special pleadings, there exists a sovereign power able to discern the universal in the particular, and to assert it with the force of law. He has to suppose that the electorate and its parliament have a criterion, presumably a body of principles, by which, after they have felt all the pressures and heard all the arguments, they can determine which imports to restrict, which industries and regions and occupations to favor, which prices and wages to fix and at what rate to fix them.

It is important that we make clear to ourselves the real character of the judgments which the method of gradual collectivism requires of the voters and their representatives. They are not expected merely to interpret and enforce a system of established rights among vested interests. On the contrary, they are asked to create a series of new rights, some to replace old ones — most of them, however, in addition to the old ones. Thus they destroy some vested rights and call into being others. The arbitrament required of a democracy under gradual collectivism is, therefore, a peculiarly difficult one. It calls for the continual creation of new special privileges: it has to be assumed that the people and their parliaments can judge correctly which special privileges will be, and which will not be, for the general welfare. For under gradual collectivism the state does not merely enforce existing rights. Nor

does it repeal privileges and liquidate vested interests. It establishes partnerships in more and more fields between the government and certain selected interests. The government has, therefore, to decide continually with which interests it will go into partnership and on what terms.

The real nature of gradual collectivism was made extraordinarily clear in the New Deal, as it existed before the Supreme Court of the United States invalidated it. Under the National Industrial Recovery Act, industries were encouraged to organize themselves as agents of the state. To each of these groups there was then delegated the power to legislate not only for all who were then engaged in that line of business but for all who might wish to engage in it. No clearer, no more naked, illustration could be offered of what is meant by the statement that gradual collectivism means the conferring of privileges upon selected interests. For the right to make laws and to enforce them by fines and imprisonment is the basic attribute of sovereignty, and the delegation of sovereignty to selected interests is exactly what the word "privilege" means. In the case of the NRA privilege was conferred upon certain trade organizations and theoretically at least upon industrial employees also.¹¹ The industrial codes were in effect charters — like those once granted to the East India Company, like those now granted to municipal corporations — to exercise the sovereign power within a certain jurisdiction.

Under the Agricultural Adjustment Act, and under such ancillary laws as the Bankhead Cotton Control and the Kerr Tobacco acts, the conferring of privilege and the delegation of the state's authority to particular groups was not quite so nakedly evident. Nevertheless, that was the essence of the matter. Out of all the farmers of America and among all the crops they produce, Congress selected seven staples, and authorized

¹¹ Sec. 7 (a) and also the Wagner Labor Relations Act.

the Secretary of Agriculture to levy taxes and to apply the proceeds in a subsidy to the producers of those seven staples. The producers of these selected commodities were established as a vested interest, protected by laws and by a subsidy in their right to produce their crop as against anyone who might wish to trespass upon their right to produce. It is significant not only that the established growers of the basic commodities were given a privileged position as against all other farmers, but that, among them, the cotton and tobacco growers had a specially favored position. Whether that was due to the fact that cotton and tobacco were peculiarly hard hit, or to the fact that they occupy a strategic position in the political composition of the Democratic Party, is perhaps a matter of opinion. But it is undeniably clear that the privileges were conferred approximately in proportion to the influence of particular pressure groups.

This view of the nature of gradual collectivism is confirmed when we examine the efforts of the Roosevelt Administration to confer privileges of equal value on less powerful interests. The symmetry of the gradual collectivist conception, ordinary considerations of justice, and the personal sympathies of many of the New Dealers required, for example, that if great industries like steel were to be given such extraordinary privileges, if great interests like that of the cotton planters were to be taken into partnership by the state, wage earners should also be given privileges. But the event showed that most wage earners were too weak to exercise the privilege which the government attempted to confer upon them and that the government was not strong enough to make those privileges effective. The system broke down wherever powerful organized interests were lacking which could use the privileges the state was willing to confer. Thus, the railroad brotherhoods are able to use their entrenched position under the law. But agricultural

laborers were offered no legal privileges and could not have used them had they been offered. For them the system of gradual collectivism could provide only charity.

The gradual collectivist has to believe that a mass of special privileges can be distributed among interested groups in such a way as to raise the general standard of life. He has to believe that an elected parliament will distribute its privileges according to some general conception of the public welfare and not according to the pull and push of organized interests. Is this conceivable in a democracy? It is conceivable, of course, under a dictatorship if it be granted that the dictator knows in general and in particular what is for the public welfare. It does not seem likely that an electorate, listening to the babel of special pleadings, would be able to detect the universal interest in the particular, except occasionally and by good luck. There may be, as Professor Carver has said, "at least a theoretical possibility for improvement through restrictive regulation"; conceivably "a system of privileges is imaginable which would be so nicely designed and so delicately adjusted that it would raise the standard of life by increasing the production of wealth and improving its distribution."¹² But no economist has ever designed such a system and the chances are small that a democracy could see through the special pleadings, would be able to resist the pressures, and could know even with approximate accuracy which interests to favor and in what degree. Perhaps if the experiment could be repeated often enough, under the law of chances a democracy might by trial and error hit upon the right system of privileges. But so, as an eminent philosopher once remarked, could a band of monkeys who had learned to hit the keys of a typewriter turn out a play of Shakespeare's — if they kept at it through all eternity.

For while a system of privileges *might* theoretically augment

¹² Thomas Nixon Carver, *Principles of National Economy*, p. 467.

wealth, the chances are overwhelming that most of the privileges granted will be reducible to a common denominator. With few exceptions they will be guarantees, backed by the authority of the state, that the beneficiaries will receive a larger private income for less effort. That means that those who are not beneficiaries will have a smaller income in return for more effort. On the whole, and in the ordinary run of human affairs, tariffs, subsidies, regulated prices, and wages are promoted by men seeking to obtain a larger income, not by producing more wealth but by obtaining a larger share of the wealth produced. "The aim and result of every price-fixing agreement, if effective," says the Supreme Court, "is the elimination of one form of competition. The power to fix prices, whether reasonably exercised or not, involves power to control the market and to fix arbitrary and unreasonable prices."¹⁸

Thus when a tariff duty prevents the domestic consumer from purchasing the most inexpensive steel that can be produced in the world, the state has said that the nation must use more expensive steel. The nation must therefore be content with less goods of other kinds. The capital and labor and managerial skill devoted to making the more expensive steel are no longer available to make other goods. The same principle applies to the regulation of particular prices and particular wages. If they are set high, and are effective, they exact a subsidy from others; if they are set low, the victims are sweated to subsidize others. Those who receive the subsidy obtain more income for less effort; those who pay the subsidy have less income for more effort. But since a system of gradual collectivism will always tend to favor the interests that are organized, are identified, and are insistent, since they will be in-

¹⁸ See No. 273 U.S. 392, known as the Trenton Potteries Case. Cited in James Gerald Smith's *Economic Planning and the Tariff*, p. 149.

sistent not because they wish to work harder but only because they wish to receive more by not working harder, the grand effect of the system is to diminish the production of wealth.

No doubt it is sometimes hard to see how a particular measure in the system diminishes the production of wealth. There are some measures which have a negligible effect. There are many which cannot be enforced. In specific instances the pleas of the advocates are often so persuasive that to object on the ground of general principle seems foolishly doctrinaire. In the era of gradual collectivism it has been the fashion in philosophy to decry general principles and attend only to the apparent pros and cons in specific cases. But this is like attempting to examine the claims of every inventor of a machine for perpetual motion while rejecting as doctrinaire the second law of thermodynamics.

While it is not easy to discern the effect of every measure, the total effect of raising prices and wages by restricting markets and limiting the division of labor is to reduce the production of wealth.

5. Rising Expectations

At the same time the people have been taught by the collectivists to believe that the government can and should make them richer. The farmers and wage earners who come asking for tariffs, bounties, monopoly in their markets, fixed prices for their goods and services, are merely following the example of the manufacturers who told them that protection produces prosperity and that concentrated corporate control produces stability and security. In a society which has adopted the collectivist view, there is a standing invitation to everyone to devise some method by which the authority of the government can be used to improve his income. For that reason the great