

Chapter 8

Free Enterprise

Writing at the end of the colonial period, Adam Smith remarked: "It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture."¹

From this observation the Scottish professor of moral philosophy moved logically into his famous consideration (Book III) "Of the Different Progress of Opulence in Different Nations." The following passage contains more than a suggestion of the causes destined to bring the American people to a position of world leadership:

According to the natural course of things . . . the greater part of the capital of every growing Society is, first, directed to agriculture, afterwards to manufactures, and last of all to foreign commerce. . . . But though this natural order of things must have taken place in some degree in every . . . Society, it has, in all the modern States of Europe, been, in many respects, entirely inverted . . . and manufactures and foreign commerce together, have given birth to the principal improvements of agriculture. The manners and customs which the nature of their original government introduced, and which remained after that government was greatly altered, necessarily forced them into this unnatural and retrograde order.²

¹ *The Wealth of Nations*, Modern Library Edition, p. 347.

² *Ibid.*, p. 360.

Adam Smith goes on to explain that this inversion of "the natural course of things," in Western Europe as distinct from its offshoot in North America, was a direct consequence of the catastrophic fall of the Roman Empire. The disruption that then ensued destroyed the entire social fabric of Western Europe. When a system of social order was restored, it was along lines, and according to principles of government, from which American thinking later broke away.

In our own era, in which human blunders have again produced a disaster comparable to that of the fall of Rome, there is a natural temptation to re-examine what Gibbon called the "most awful scene in the history of mankind." There is certainly a warning for contemporary Americans in the degeneration that this great historian attributes to "the artful policy of the Caesars, who long maintained the name and image of a free republic." And the responsibilities forced upon the United States, in the era following World War II, also make apposite Gibbon's picturesque description of Rome as the sixth century of the Christian era drew to its dismal close: "The lofty tree, under whose shade the nations of the earth had reposed, was deprived of its leaves and branches, and the sapless trunk was left to wither on the ground."³

It is not forcing a historical parallel to uncover background that explains the deeper nature of contemporary problems. The fall of Rome is important to us primarily because the resulting chaos set Western Europe on a course of development from which the American Republic eventually departed. The significance of that departure cannot be realized without some survey of what was left behind. And even an outline brings out the profound difference between the basis of the European and the North American civilizations.

³ *The Decline and Fall of the Roman Empire*, Ch. XLV. The reference to the Caesars is at the conclusion of Ch. LXXI.

II

The dissolution of the Roman Empire was followed, for a protracted period, by conditions so terrible that even the records are, almost happily, fragmentary. Flourishing cities fell into ruins and, over large areas of Western Europe, country once cultivated reverted to wilderness. Here and there throughout the Dark Ages organized Christianity was able to maintain some degree of social order. But the general picture, not for a few years but for five centuries, is one of continuous violence and insecurity; of utter poverty, ignorance, depravity, and barbarism. It is relieved only by the heroic, though futile, effort of Charlemagne to found an Empire of the West—the first of the many post-Roman failures to give Western Europe political unity.

After the death of Charlemagne, in 814, there was a complete dissolution of civil law. But out of this chaos, as a result of the banding together of men in self-protection, slowly emerged the system that we know today as feudalism.⁴

By contrast with the preceding anarchy, feudalism in time brought a very real advance, placing a premium upon good faith and encouraging co-operation through the mutual obligations gradually developed in the reciprocal services of lord and vassal. Nevertheless, two other characteristics of the feudal system gave rise to handicaps for Western Europe from which it has never become fully emancipated. One of these stultifying characteristics was the concept of status. Allied with this was the denial of free enterprise. It is not surprising that the order which succeeded the Dark Ages should have had those characteristics. Acceptance of status seemed a small price to pay for some security in life, and free enterprise had been for centuries primarily a matter of theft and murder.

Under the feudal system a measure of order returned to the European countryside. But it was an order of stagnation, not far

⁴ Perhaps the best general study of the feudal system, and that most relied upon in this summary, is still to be found in the first volume of Henry Hallam's *View of the State of Europe during the Middle Ages*. F. W. Maitland: *The Constitutional History of England*, has also been useful.

removed from slavery even for many who were nominally freemen. In return for service, military and otherwise, the lord promised, and to the best of his ability provided, protection for the villein. Thus the degree of local security improved, to the extent that the land, and with it the dispensation of justice through private courts, came under the unchallenged control of the feudal proprietor. There was, however, a constant tendency for these proprietors to become more powerful, and fewer in number, as—in the absence of any effective central authority—one lord conquered his neighbor and took over the retainers together with the estates.

Both the theory and practice of feudalism required monopolization of the land, ideally in the hands of the king from whom the barons nominally held their fiefs, actually by these "overmighty subjects" who so frequently repudiated any exercise of the royal authority in their own domains. Therefore, to perpetuate land monopoly, the devices of primogeniture and entail, unknown to the Romans, were developed: the first preventing an estate from being divided at the death of the lord; the second blocking alienation during his lifetime.

These stereotyping devices helped to insure that the interest of the feudal proprietors, monastic foundations excepted, should not be that of production. In the eyes of the feudal nobility, agricultural labor was at best a debased occupation and the class distinction, between those who labored and those who led, became ever more pronounced as the meticulous code of chivalry came to place exclusive emphasis on the knightly virtues. Increasingly, the effects of primogeniture and entail were to emphasize the proletarian and enslaved condition of those who actually tilled the soil. Feudalism, for all its virtues, produced an inert social order. The only feasible way to change this order, in Western Europe, was by the development of centralized governments sufficiently powerful to subordinate the Lords Temporal and Spiritual to the Crown.

Under feudalism the monarch was nominally the supreme lord. In reality the king was merely first, and not always that, among equals. Hallam lists five prerogatives of the French baronage

that "during the prevalence of feudal principles" were exercised wholly independent of the Crown. These were (1) the right of coining money; (2) the right of waging private war; (3) the exemption from all taxation except feudal aids; (4) the freedom from legislative control; (5) the exclusive right of original judicial procedure. "Privileges so enormous and so contrary to all principles of sovereignty might lead us," in the conclusion of this historian, "to account [medieval] France rather a collection of states, partially allied to each other, than a single monarchy."⁵

As actually happened in Germany and Italy, all of Western Europe might easily have developed into a patchwork of petty principalities, because of the divisive characteristics of feudalism. And it is well to realize that this is no mere academic consideration, without practical bearing on the lives and fortunes of present-day Americans. When national governments were eventually formed, in Italy and Germany, they were the more strongly absolutist because of the background of fragmentation tracing to feudal times. Behind movements like Fascism and Nazism there is a long line of predisposing causes, and American boys died in Italy and Germany in part because of the feudal heritage in those countries.

As the solutions of today determine the problems of tomorrow, so the problems of today are the result of conditions created in the past. Free enterprise, specifically, is not likely to be preserved in the American Republic unless we realize why it took root so much more readily here than in Western Europe.

III

It was the revival of urban life that eventually shattered the feudal system in Western Europe.

Even during the Dark Ages a measure of trade and simple manufacture continued in the stricken towns. Then, gradually, fortifications, raised by community effort, turned back all but the strongest of marauding bands. There had been a large degree of municipal autonomy under the Roman Empire and the spirit of

⁵ *Op. cit.*, (fifth edition) Vol. I, p. 227.

independence was fostered by the anarchy that seethed throughout the countryside. Slowly, the corporate structure was strengthened by the necessities of the medieval monarchs. To gain support against the great feudal lords the Crown devised the plan of granting charters, with broad immunities and powers, to the towns. These municipal charters, granted by the monarch, may be called a precedent for those which later established some of the American colonies. But it is obvious that the feudal charters are in sharpest political contrast with the social contracts whereby these colonists actually founded settlements in the wilderness.

With the royal charters the medieval burghers became the legal as well as the natural allies of the king, bound by a common interest in resisting the pretensions of the territorial nobility.⁶ And to gain further strength the municipal governments of medieval Europe actively encouraged the villeins, though bound to the soil by feudal law, to escape to the walled cities. In Hallam's words: "One of the most remarkable privileges of chartered towns was that of conferring freedom on runaway serfs, if they were not reclaimed by their masters within a certain time."⁷ Oppenheimer summarizes the whole process: "The city as an economic, political body undermines the feudal system with political and economic arms. With the first the city *forces*, with the second it *lures*, power away from the feudal master class."⁸

So it was from the towns, with the active support of the Crown, that a measure of commerce and general prosperity penetrated into and over the baronial countryside. The beginnings of national government spread out along the "King's Highway," linking the seat of the throne with the self-governing towns. And in reviewing this development, Adam Smith concluded: "It is thus that through the greater part of Europe the commerce and manufacture of cities, instead of being the effect, have been

⁶ Sir Walter Scott's novel *Quentin Durward* centers on the alliance between the town of Liège and Louis XI of France, in opposition to the Duke of Burgundy. The same important reign is the theme of Victor Hugo's *Notre Dame de Paris*.

⁷ Hallam, *op. cit.*, Vol. I, p. 306n.

⁸ Franz Oppenheimer, *The State* (Vanguard Edition) p. 238.

the cause and occasion of the improvement and cultivation of the country."⁹

IV

In the economic growth of the United States, on the other hand, agricultural development came first. The way, as well as the will, to create a new form of Society was open in the New World. Certainly it was not easy to clear and cultivate the land around the early settlements. Nature was none too gracious and occasionally there was bitter resistance from the aborigines. But the intractability of these obstacles itself served to elicit unusual individual effort. And the reward of this effort was not expropriated, to anything like the degree that ruled in Western Europe, by overlord or tax collector. Except for slaves and temporarily indentured servants, the fruits of American labor actually accrued to those who labored. Thus free enterprise became a characteristic that permeated American life as thoroughly as status had permeated feudal Europe.

The progress of European civilization had been from town to country; here the movement was from country to town. Generations of American tourists, charmed by the antiquity of the walled cities of Western Europe, have been prone to ignore what those fortifications so strongly suggest. Here there was no hostility, and therefore no need for physical barriers, between urban and rural leadership. It has been of the utmost significance to humanity that Americans were never forced to immure free enterprise.

On the continent of Europe, and to a somewhat lesser extent in England, where feudalism did not entrench itself so strongly except in respect to land tenure, that system caused men to place security ahead of liberty. Exactly the opposite was happily true in the United States, where the early colonists sought liberty first. From that profound difference of emphasis emerged the very different attitude toward centralization of power, and other political contrasts not less pronounced because Americans continued to speak a European language. The difference was well expressed

⁹ *Op. cit.*, p. 392.

by Henry Hallam when, as far back as 1818, he summed it up—from the European viewpoint—as follows:

From these feelings engendered by the feudal relation has sprung up the peculiar sentiment of personal reverence and attachment towards a sovereign, which we denominate loyalty; alike distinguishable from the stupid devotion of eastern slaves, and from the abstract respect with which free citizens regard their chief magistrate. Men who had been used to swear fealty, to profess subjection, to follow, at home and in the field, a feudal superior and his family, easily transferred the same allegiance to the monarch. It was a very powerful feeling, which could make the bravest man put up with slights and ill treatment at the hands of their [sic] sovereign; or call forth all the energies of disinterested exertion for one whom they never saw, and in whose character there was nothing to esteem. In ages when the rights of the community were unfelt, this sentiment was one great preservative of Society; and, though collateral or even subservient to more enlarged principles, it is still indispensable to the tranquillity and permanence of every monarchy.¹⁰

It does not minimize the value of the loyalty that Hallam emphasizes to point out, as he does, that this loyalty differs fundamentally “from the abstract respect with which free citizens regard their chief magistrate.” The primary American loyalty was always directed much more to God than to the monarch. This pregnant fact cannot be fully understood without realization of the strength of the feudal heritage in Europe, abandoned by the judicious choice of the American colonists.

Therefore the American Revolution was a much more significant upheaval than any of the mutually suicidal wars of European nations which followed the firm establishment of statehood on the Continent. In the long perspective these will be seen as quasi-feudal struggles, in which centralized governments sought to impose their punitive will upon each other much as the rival baronies had sought to do a few centuries earlier. The change in European warfare, from feudal to modern times, was much more in the method than in the meaning of conflict. But the American Revolution, for all that the actual fighting was only a series of

¹⁰ *Op. cit.*, p. 323.

skirmishes, arose from the impossibility of reconciling two entirely different sets of loyalties. The profound difference between the two is not lessened by the fact that a large number of individual Englishmen preferred the American way, and vice versa. We have already seen that the American Revolution, which succeeded, was at bottom a continuation and completion of the two previous revolutions in England, neither of which achieved the republican ideal.

The different set of loyalties that came to dominate in the United States was greatly strengthened by the individual enterprise fostered in a civilization with a basis of free agriculture. All the economic historians of Europe, even those as far apart in their conclusions as Adam Smith and Karl Marx, are in agreement on one indisputable point. The urbanization of Europe was greatly stimulated by the stereotyping of agriculture under feudalism. Marx, being bitterly opposed to the whole concept of free enterprise, makes a defense of feudalism. He must do so, in order to argue that "wage slavery" is worse than "the guarantee of existence afforded by the feudal arrangements." But Marx agrees with Adam Smith that the stagnation of feudalism operated to concentrate energetic producers in the "sovereign towns," which the philosopher of socialism calls "the highest development of the Middle Ages."¹¹

What appealed to Marx in urbanization, however, was its encouragement to centralized power, furthering security at the expense of freedom. While the villein had no freedom, security of a sort he did possess under the protection of his lord, and therefore Marx saw good in feudalism. Better security was provided for the burghers by the walls behind which they sheltered, and by the restrictive mercantile guilds, which so strongly favored the privileged membership at the expense of general progress. Still more security, on a broader basis, was promised by the gradual centralization of all political authority under the national king. All that seemed necessary to Marx, to complete what looked like natural evolution, was to proceed from the royal and local to the proletarian and universal dictatorship. It is the role

¹¹ *Capital*, Ch. XXVI.

of private capital, according to Marx, to make that further step toward social security inevitable.

One capitalist always kills many. Hand in hand with this centralization, or this expropriation of many capitalists by few, develops, on an ever extending scale . . . the entanglement of all peoples in the net of the world-market, and with this, the international character of the capitalistic regime. Along with the constantly diminishing number of the magnates of capital . . . grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working-class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself.¹²

To the American contemporaries of Marx, and indeed to most Americans until recent times, this type of reasoning simply made no sense. In a civilization which was building its cities on an agricultural base, it was absurd to argue that "one capitalist kills many." On the contrary, every capitalist was helping to create others, and this with a restless energy and rapidity that amazed European observers. "What most astonishes me in the United States," de Tocqueville wrote, "is not so much the marvelous grandeur of some undertakings as the innumerable multitudes of small ones. Almost all the farmers of the United States combine some trade with agriculture; most of them make agriculture itself a trade."¹³

De Tocqueville, however, was keenly aware of the long-range social and economic implications of the democratic urge. He clearly foresaw that American insistence on equality would mean a general demand for manufactured articles, and that they must be manufactured cheaply in order to facilitate a general distribution. Therefore America was from the outset destined to become a center of mass production, involving both the development of crowded cities and the replacement of individual craftsmanship by a minute division of labor. In the famous passage that opens *The Wealth of Nations*, Adam Smith had dilated upon the ad-

¹² *Op. cit.*, Ch. XXXII.

¹³ *Democracy in America*, Vol. II, p. 157.

vantages of having "eighteen distinct operations" in the manufacture of a pin. De Tocqueville asked caustically: "What can be expected of a man who has spent twenty years of his life in making heads for pins?" And then, replying to his own question: "In proportion as the principle of the division of labor is more extensively applied, the workman becomes more weak, more narrow-minded and more dependent. The art advances, the artisan recedes."¹⁴

V

It was not long before the art of American manufacture advanced, and the individuality of American artisans receded, to an extent that seemed to make the observations of Karl Marx more reasonable to Americans, as well as to Europeans. Certainly the basis of American civilization remained different, but an enormous industrial superstructure was rapidly developed on the agricultural base.

By the dawn of the twentieth century, as we can see in retrospect, the still unsolved dilemma of the Republic was already foreshadowed. On the one hand the blessings of liberty had been secured, for at least a large proportion of the population, by a carefully-balanced governmental system that placed a minimum of restrictions on individual enterprise. On the other hand Americans, thus liberated, had almost unconsciously developed an industrialism which by its very power was likely to lead to centralized governmental restraints. Meantime, as the Republic grew ever richer in material wealth, its thinking, political and otherwise, became less discriminating and more standardized. Here was a portent that, in the name of liberty, liberty would be circumscribed.

This sardonic result was made the more likely by the democratic character of American society. Happily for progress, its members do not regard themselves as born to any "station" in life. Great waves of immigrants poured in from Europe essentially for the same reason that had moved their ancestors from

¹⁴ *Ibid.*, p. 159.

feudal serfdom to the relative freedom of the chartered medieval cities. They came not to exchange one status for another but in the belief that as Americans, by the application of energy and shrewdness, they could exploit their individual talents to the full. As the pages of *Who's Who in America* attest, many have done precisely that.¹⁵ But, as is true also of native talent, the very rapidity of success has often meant a subordination of qualities that are as important to the Republic as is mere acumen.

Titles of nobility were prohibited by the Constitution. That prohibition did not make it desirable to forget that the device of nobility had overtones, of which our general use of the word gives evidence. The phrase *noblesse oblige* possessed substantial meaning. Too many successful Americans have failed to realize that in eliminating prerogative there was risk of eliminating also all sense of obligation to those less favored in character or circumstance.

For those who think only of climbing, it has never been difficult to reach a certain eminence in American life. And by admiring one's own skill as a climber, by forgetting that the ascent involves the co-operative assistance of other human beings, it became easy to regard material success itself as a virtuous accomplishment. It was particularly easy to make this moral error in a society that for good reasons gave free play to the acquisitive instinct. The fundamental components of Society—the Home, the Church, the School—could have emphasized the ethical counterpart more strongly. Indeed, they sought to do so. But parental standards were themselves too often uninspired. The churches were frequently more jealous of each other than of the spiritual welfare of their parishioners. The schools and colleges, with honorable exceptions, worked into the rut of vocationalism. And so the man of "business"—of busyness with purely material production—rode merrily on toward fortune and the fall that was his in 1929.

The subsequent tragic turn toward reliance on governmental planning was also inherent in the nature of democracy, viewed as a matter of some established "right" to equality. To many

¹⁵ The 1930-31 edition shows that 9.02 per cent of those listed were foreign-born. This percentage has tended to remain remarkably constant.

people such a right is meaningless, unless it becomes operative in terms of material possessions. For some reason, deep-rooted in the nature of Man, there is little incentive to memorize the Twenty-third Psalm just because one's neighbor knows it by heart. But it appears highly desirable to have an electric washing machine or a hydroidiotic car, if others on the same street are thus equipped. It is the material and not the nonmaterial possession that inspires envy. People are not made unhappy by an unequal distribution of talents. Often there is no apparent desire to make the individual effort required to emulate superior intelligence, or superior morality. An unequal division of material possessions, however, appears to many as a personal deprivation and therefore "undemocratic." Neither ability, nor assiduity in its application, is envied in a democracy. Covetousness is reserved for the fruits of applied knowledge.

We are concerned with understanding, rather than with appraising, the seeming miracle of American economic development. Here was a society, wholly agricultural in origin, all members of which had to produce in order to live. Its first indigenous holy day was Thanksgiving, set aside in appreciation of conditions facilitating material production. Among such a people the virtue of producing was always the more likely to lead by imperceptible gradation into the vice of acquisition without ulterior purpose. It is equally understandable that, since their society was democratic, these people should the more strongly resent the inequalities of distribution, justifiable or unjustifiable, which are inevitable under any economic system. And, finally, there is no mystery about the very dubious resort to governmental controls, eventually chosen to bring about a more even distribution of material wealth.

The widespread desire for more material possessions can be met only by the large-scale development of industry. For such a development American conditions were particularly appropriate. There was the mechanical genius of a people who had to be skilled in contrivance in order to meet the rigorous demands of frontier life. There was the general spate of invention that brought what we call the Industrial Revolution coincident with

the achievement of complete political independence. There was the tremendous encouragement to individual enterprise that resulted from eliminating the restraints of the British mercantile system. There was the impetus given by the establishment of a federal republic, strong enough to maintain order, but carefully designed to minimize its coercive or directive power over the individual. By placing the power in the people, individual energies were released for productive enterprise, of every kind, in a manner for which history shows no parallel.

All this pointed to and explains the development of mass production. The extent to which that mass production has been developed, and the speed with which it came, undoubtedly constitute one of the most remarkable phenomena the world has ever witnessed. Americans themselves, unaccustomed to philosophizing about their activities, have given little thought to the magnitude of their accomplishment, for good and evil. Peoples of other countries had even less realization of the gigantic strength that America was building up. Until it was actually demonstrated, during World War II and its aftermath, there had been nowhere any adequate appreciation of the fact that 6 per cent of the world's population, in the United States, could outproduce the other 94 per cent; could not merely provide fabulous conveniences and luxuries for their own people, but could also simultaneously fight a global war and afterward supply the necessities of life to millions in destitution on other continents.

Not much that can be called consideration was given to the almost incredible nature of this accomplishment as it was being developed. And wonder, rather than understanding of the portent, was the general reaction when the physical strength of the United States was finally made unmistakably apparent to friend and foe alike. Americans themselves have scarcely begun to reflect upon the deeper meaning of the enormous power that they control—the meaning both for their own Republic and for the world at large.

VI

The mass production of the United States has provided extraordinary material well-being for the American people as a whole. But it has also brought a truly disturbing industrial concentration. Although the basis of our civilization remains agricultural, and although our political institutions still conform to that basis, the industrial superstructure is now so great as to jeopardize the foundations on which we have built. Here is the explanation for many of the social problems, and much of the justified uneasiness, of our times.

At the risk of repetition, let it be emphasized that there has been nothing unnatural in the capitalistic concentration that has taken place in American life. Popular demand, native ability, and continental setting combined to develop both the billion dollar corporation and the million population city. Both of these have contributed to the comfort and amenity of American living. But both the big corporation and the big city have brought grievous problems in their train. To say this is not to idealize a past that was in many ways crude, raw, and far more inimical than modern life to cultural and spiritual values. Nor is it to deny the tremendous advantages and merits of a material prosperity that has percolated through the entire body politic to a degree that has no precedent. Here we merely observe that our national development has tended to concentrate power; and concentration of power, whether clerical, political, economic, financial, or social, is at variance with both the purpose and the nature of the Republic.

The cult of bigness, though wholly natural in a big country, has done great damage to American civilization in two directions. In the first place, it has given mere numbers, whether of dollars in a bank account or of wage earners crowded into city slums, a wholly fictitious and false importance. In the second place, it has led to a quantitative competition in which the value of the individual effort as such is consistently minimized. Big Business, for instance, has logically evoked Big Unionism. And to a "Public Be Damned" attitude on the part of both must be attributed

at least some responsibility for the original acceptance of Big Government as a remedial device. Long before the "New Deal" it was pointed out that industrial feudalism would inevitably lead to the subordination of this neo-baronial class by the State.

The distinguishing characteristic of American civilization is the subordination of centralized power in behalf of individual liberty. But the blessings of liberty cannot be firmly secured unless there is limitation of social and economic, as well as of political, power. The Constitution seeks to restrain the latter and combines with the native intelligence of the American people to make pretensions of social pre-eminence meaningless. For the restraint of economic power, however, whether acquired by determined individuals or groups, there is no effective mechanism. The spirit of the Constitution is as hostile to economic monopoly as to that of any other kind. But within the letter of the law, as we know from many somber pages of our national history, its spirit can be easily and successfully flouted. The history of the Sherman and Clayton Acts, admirable as was their intent, is clear indication that legislative defense against monopoly is not enough.

All Americans to whom the definition of liberal can properly be applied have realized that freedom is indivisible. Therefore, freedom cannot be preserved in the political and social spheres, if it is lost in that of economics. The American mind and the American morality alike respond to the assertion of Justice Brandeis: "Our business is not to make goods but to make men."¹⁶ President Hoover rose above the political arena when he said that: "Liberalism is a force truly of the spirit proceeding from the deep realization that economic freedom cannot be sacrificed if political freedom is to be preserved."¹⁷ Professor Hocking reduced the whole issue to a thoughtful aphorism when he wrote:

. . . human beings, while they can endure sometimes to reduce others to items in their own calculations, cannot endure to be so reduced by them. . . . Hence the general habit of considering the other man so far as he is useful to me and no further is a trait which, given sole

¹⁶ Statement before Commission on Industrial Relations, 1914, Sen. Doc., Vol. XIX, p. 1003.

¹⁷ Speech at Madison Square Garden, October 31, 1932.

sway in any community, would reduce it in time to its elemental dust. Economy alone could destroy, it could not create the nation.¹⁸

These parallel assertions, by a jurist, a statesman, and a philosopher, indicate that every line of careful thinking leads to an identical conclusion on the subject of economic freedom. Industrial and commercial conditions must not be allowed to frustrate the individual spirit of liberty. Otherwise it is worse than deceit to define these conditions as "freedom." It is worse than deceit because, as the Communists have helpfully taught us, trickery with words designed to convey thought is the perfect way to turn Society into that chaos from which dictatorship must emerge.

VII

Freedom is not an abstraction, like liberty, but an underlying condition of life that cannot be fragmentized into four or any other arbitrary number of parts. Lincoln realized this when he told the American people, quite simply, that this nation could not continue "half slave, half free."

But while freedom is indivisible it may at any given time be present or absent in various spheres of human activity, such as the political, the religious, or the economic. It is doubtful, however, that freedom can be broken up within any particular field so as to justify the Marxist assertion that capitalists can be free while wage earners are enslaved. Again Lincoln went to the heart of the matter in saying that the chain which fetters the slave is also fastened to the master.

Certainly it is false to say that economic freedom has two sides, corresponding to two aspects of the economic process, commonly described as production and consumption. Actually these functions are inextricably interwoven and people in their economic activities cannot properly be divided into textbook illustrations of producers and consumers.

The device that establishes the underlying unity of man as producer and consumer is the market, which is as old as Society itself.

¹⁸ William Ernest Hocking, *Man and the State*, p. 293.

To be free, either as producer or consumer, the individual must have open access to a market in which he can exchange what he has to offer for what he wants to obtain. The offerings and the wants are alike expressions of the spirit of liberty and when they complement each other satisfactorily the condition of freedom is established. So the market, though only an economic instrument, is actually a device essential for securing the blessings of liberty, which in the aggregate constitute the condition of human freedom.

The offerings and wants exchanged in the market assume innumerable forms, because of the infinite variety of the power in the people, both as creators of and as consumers of wealth. But whatever the product the market will tend to embrace it and facilitate its exchange for other products. It is the market that permits men to produce without reference to their animal needs. It is the market that permits men to satisfy esthetic yearnings as consumers.

But the market is only a trading place. Impersonally it receives whatever goods and services are offered. Impersonally it utilizes a mechanism whereby things in demand can be conveniently exchanged. That mechanism is the price mechanism. This may be as primitive as barter, or as refined as the various forms of credit. Similarly the market itself may be as variegated as an eastern bazaar, or as specialized as a commodity exchange. The tendency, in every advancing civilization, is for the market and its price mechanism to move from a rudimentary to a perfected stage, in the sense that the exchange of goods and services is facilitated.

It follows that in an advancing civilization the objective with regard to the market will always be the removal of restrictions to trade. In other words, competition will be encouraged. When sellers compete with one another, and only then, is the buyer truly sovereign, as he should be under a political system in which no organ is allowed to usurp sovereignty. This economic sovereignty can be exercised only in a free market, responsive to the constant extension of competition.

Unrestricted competition is essential to economic freedom. Indeed, it can be said that competition *is* freedom, as distinct from the personal attribute of liberty.

It is impossible to refute the legal apothegm, older than our

Republic, which declares that "necessitous men are not free men."¹⁹ But the thought behind those words can be more generally phrased by saying that those who are unable to compete successfully inevitably lose a measure of their freedom. Competition is always and necessarily ruthless, for all men. It is inhuman, in the sense that it pays no attention whatsoever to human weakness or human failings. But competition could not perform its essential service for Society as a whole if it were not "cut-throat" for individuals.

The unrestrained ability to compete is freedom, in every human undertaking, from the planting of potatoes to the painting of portraits. And when we speak of free enterprise what we mean is enterprise unfettered by restrictions, conventional or legal, directed to the limitation of either production or exchange. At one time the operation of a free market, through the price mechanism, will favor the individual as producer; that is the case when demand in any line is strong, and prices rise because of scarcity. At another time unrestricted competition will favor the individual as consumer; that is the case when demand is met from relative abundance and prices consequently fall.

Indisputably these fluctuations work tragic individual hardship. Undoubtedly they favor those who are unscrupulous as well as those who are farsighted. The very responsiveness of the market to human wants must tend to penalize those who are uninformed as well as those who are incompetent. And it is precisely because of this impersonal operation of the market that Christianity becomes a factor of economic as well as of political importance.

Christ laid particular emphasis on the responsibility of the fortunate in respect to those who are unable to compete in the market, or whose offerings the market rejects. If that sense of social responsibility is absent, or inadequate to the spiritual need, the inhumanity of the coldly mechanical operation of the market becomes obvious. It is a perfect mechanism. Left to itself the market will accurately evaluate the services of every individual and impersonally fix the price of every commodity that is offered

¹⁹ Opinion of the Lord Chancellor in *Vernon v. Bethell* (1762). Quoted by Edward S. Corwin, *Liberty Against Government*, p. 5.

for sale. But the mechanism can do this only according to the standards that Society sets. And the free market will set values on only those things that can be bought and sold.

There is much in life that cannot be defined as merchandise. So the incompetence of the free market in pricing nonmaterial values is one factor that makes men turn to the State to control or even destroy the market operation. The fallacy in that recourse is clear. The market does not become more humane under the direction of the amoral institution that we have seen the State to be. Only as humanitarian considerations are brought to the market by those who trade there is its mechanical perfection really adapted to human needs. State intervention destroys the freedom of the market. But the mere absence of State intervention does not mean that the free market will be preserved. Those who cannot compete are also men. And to the extent that Society disclaims responsibility for them, the State, always impinging on the market, will enlarge its paternalistic role.

Thus it becomes axiomatic that the less significant the spiritual element in business, the greater will be political intervention in the economic sphere.

VIII

If we look for a common factor in all the developments that have tended to impinge on freedom in the United States, we shall find it in concentration of power.

In a predominantly agricultural society, such as in this country when its form of government was established, there can be no significant concentration of economic, as contrasted with political and social, power. That is why those who wrote the Constitution gave only inferential consideration to the problem of economic concentration, leaving this problem to posterity to confront in accordance with the general objective of securing the blessings of liberty for all Americans.

Under no system of government has it ever been possible to concentrate and maintain significant economic power on a purely agricultural base. But concentration of power is to a considerable extent imperative, as well as easily accomplished, in the operations

of modern industry. And the larger those operations become, the more formidable is the potential threat to freedom. It is not eliminated by the breakup of combinations in restraint of trade, for organized labor has shown itself as apt in dictation as management ever was. Nor is the problem of concentrated power solved by distributing legal ownership among many shareholders, as in a big corporation, and still less so by spreading ownership among the entire body of taxpayers, as in a nationalized industry. With such absentee ownership, industry is actually operated by a small managerial group, the more likely to be arbitrary because it is deprived of the discretion of personal ownership. When industry is nationalized, management becomes still more arbitrary, because all power of effectively resisting or opposing the managerial group must then be denied to the rank and file of employees.

So concentration of economic power has become an issue of the first magnitude for the Republic. Historically, this happened as the center of political gravity moved from the agricultural base to the towering industrial structure imposed upon it. Concentration of power was the motive force behind the nineteenth century trust. It was the motive force behind the rise of industry-wide unionism, which has certainly done as much to fix prices arbitrarily as was ever accomplished by any trust or cartel. Finally we must realize, if we are interested in preserving free enterprise as a vital expression of liberty, that concentration of power in the State was the uniform motive force behind every aspect of the so-called "New Deal."

Early in his first administration Mr. Roosevelt tacitly disclosed his intention of destroying economic freedom in the United States, charging in the manner of Karl Marx, though more obliquely, that this condition has in it more of evil than of good. In the foreword to his book entitled *On Our Way*, describing the first year of the New Deal for popular consideration, this President said:

In spite of the necessary complexity of the group of organizations whose abbreviated titles have caused some amusement, and through what has seemed to some a mere reaching out for centralized power by

the Federal Government, there has run a very definite, deep and permanent objective.²⁰

Further on, in this revealing memoir, the chief architect of the New Deal explained the nature of its "definite, deep and permanent objective." The "emergency" of 1933, wrote Mr. Roosevelt:

... went to the roots of our agriculture, our commerce and our industry; it was an emergency that had existed for a whole generation in its underlying causes. . . . It could be cured only by a complete reorganization and a measured control of the economic structure. . . . It called for a long series of new laws, new administrative agencies . . . all of them component parts of a fairly definite broad plan. . . . We could never go back to the old order.²¹

For freedom immediately, for liberty eventually, the New Deal cure was far more dangerous than the disease it sought to eradicate. The ailment was concentration of power. Stripped of disarming phraseology, the remedy found by the Roosevelt administrations was simply to increase the concentration of power, to a degree for which there was no parallel in American history, and even less warrant in American political philosophy.

The steps that have been taken to concentrate economic power in the federal administration, and their cumulative effect in the undermining of free enterprise, are matters of recent history. The documentation is exhaustive and the material easily available. It is not our purpose to examine these measures in detail, but merely to fit the historic significance of Mr. Roosevelt's "broad plan" into the long perspective of this study. How did it harmonize, for instance, with James Madison's conclusion that "we rest all our political experiments on mankind's capacity for self-government"?

For succinct answer to this question it would be difficult to improve on the brilliant summarization made, as early as 1944, by Garet Garrett, in his pamphlet entitled: *The Revolution Was*.²² Here it is pointed out that the Roosevelt "Revolution"—it was a

²⁰ *Op. cit.*; Foreword, p. xii.

²¹ *Op. cit.*, pp. 35-36.

²² Obtainable from the Caxton Printers, Ltd., Caldwell, Idaho.

counter-revolution—"took off from nothing that was implicit in the American scheme. . . . The design was European. . . . The end held constantly in view was power."

Mr. Garrett then sets forth nine separate "problems" that had to be solved by the New Deal before the United States could be converted into a unitary socialistic State, exercising what Mr. Roosevelt had euphemistically called "a measured control of the economic structure." In order to gloss the projected regimentation of the market, each of these problems was publicly represented as one of economic recovery. But each problem also represented some phase of the seizure of power from the people; of the liquidation of local government; and of the consequent concentration of the captured power in the hands of a strongly centralized, unrepresentative, and irresponsible "elite." The nine "problems," recasting Mr. Garrett's wording somewhat in the light of subsequent official disclosures, were as follows:

First, peacefully to capture the center of governmental power and then rapidly to enlarge its functions with the consent of a malleable Congress.

Second, to seize the major controls of economic power by instituting a "managed currency," involving progressive governmental usurpation of private banking functions; and devaluation.

Third, to organize and promote, through governmental agencies, vilification of all who asked that these problems should be intelligently and dispassionately examined, in the traditional American and liberal manner.

Fourth, to undermine the independence of the American farmer by lavish subsidies and controls, simultaneously making labor organization compulsory and provisionally giving to union leadership powers more autocratic than business management had ever possessed in its most concentrated form.

Fifth, simultaneously to shackle business, taking every advantage of its vulnerability to criticism in order to center more and more of the power of private enterprise in the State.

Sixth, to destroy the American tradition of individualism by making every citizen dependent on State benefits and by creating conditions under which nobody, irrespective of ability, could hope

to achieve that degree of personal security which encourages men to speak their minds, without fear or favor.

Seventh, to weaken the federal system by systematically reducing the area of state sovereignty and the powers of all governmental agencies except those of the centralized administration, concentrating all these usurped powers in the White House.

Eighth, to promote inflation by continuous deficit financing, with the well-reasoned conviction that rapidly rising prices would popularize the argument for government controls and thus further strangle free enterprise.

Ninth, to debilitate capitalism by confiscatory taxation deliberately calculated to make capital formation increasingly difficult, thus facilitating the steady development of State enterprise as free enterprise became increasingly anemic.

In these, and other ways that the reader will recall for himself, the very bone and marrow of American civilization were corrupted from within. Even so, except for the windfall of World War II, it is doubtful whether the New Deal could have broken down the strong fiber of Americanism to the extent that it did. But it is important to realize that the disintegration had been carried far, before Mr. Roosevelt broke the precedent against a Third Term. In his Second Inaugural Address, on January 20, 1937, he felt able to say publicly:

Nearly all of us recognize that as intricacies of human relationships increase, so power to govern them must also increase. . . . In fact, in these last four years, we have made the exercise of all power more democratic; for we have begun to bring private autocratic powers into their proper subordination to the public's government. The legend that they were invincible—above and beyond the processes of a democracy—has been shattered. They have been challenged and beaten. . . . In taking again the oath of office as President of the United States, I assume the solemn obligation of leading the American people forward along the road over which they have chosen to advance.

But, in spite of the lures so successfully held out to the electorate, it cannot be called certain that the American people have

so definitely "chosen to advance" along this well-worn road to serfdom.

IX

Those who would build up the State to break up private concentrations of economic power are making essentially the same mistake that Europe made when it developed absolute monarchy in place of feudalism. The remedy does not lie along that road. It will not come from without, but from within. If Americans would save the Republic, they must realize that: "We rest all our political experiments on mankind's capacity for self-government."

To transfer power to the State may temporarily seem to break its concentration. Actually the process serves only to monopolize power in wholly irresponsible hands. When the State achieves mastery it is no longer possible even to identify those in the maze of bureaucracy who actually wield the power of government. If the exercise of power seems less flagrant than in the hands of industrial autocrats, that is only because the processes are more surreptitious and because the cost of inefficiency and corruption is concealed; to be made up later under the whip of the tax collector. To expect the dictatorial State to break a monopoly, and to restore the benefits of competition, is almost the height of human folly. The State from its very nature is, and must be, monopolistic.

So the tendency of the American people to turn to political authority for the solution of their economic problems was tragic. It was tragic, in the first place, because there is no solution, nor even any reasonable hope of solution, in this fancied remedy. The disease from which our Society suffers is overconcentration of economic and financial power. The remedy is to break up concentration, not to magnify it in political hands.

Acceptance of State Socialism as a remedy was the more tragic because once a people are lost in the recesses of this blind alley, they will learn that it is almost impossible to find a way out. The big fortune, the big corporation, the big union, all carry in themselves the seeds of their own liquidation. Certainly, devices can be established to keep them intact, as in the case of primogeniture

with landed property. So it is a proper function for the State to remove all arbitrary interferences with natural distributive tendencies.²³ But even without noncontroversial measures for making perpetuation of private power more difficult, there is a natural process of disintegration that tends to liquidate it. A trust fund may guard the income of a prodigal son, but cannot keep him from wasting inherited substance in a manner injurious primarily to himself. And one of the most able and inveterate foes of corporate bigness has pointed out that:

When . . . you increase your business to a very great extent, and the multitude of problems increases with its growth, you will find, in the first place, that the man at the head has a diminishing knowledge of the facts and, in the second place, a diminishing opportunity of exercising a careful judgment upon them. Furthermore . . . there develops a centrifugal force greater than the centripetal force. Demoralization sets in; a condition of lessened efficiency presents itself. . . . These are disadvantages that attend bigness.²⁴

In this passage Justice Brandeis suggests the essential difference between private and State enterprise. In the former, at one point or another, decentralizing forces outweigh those of centralization. The point at which concentration is dispersed comes later in finance and industry than in agriculture, but if competition is preserved concentration eventually breaks down of its own weight. As the most superficial study of American business will show, the change in its pattern is continuous. Under State controls, however, exactly the opposite is true. The very nature of the State demands an ever-increasing centralization. The State monopoly outlaws competition. The centrifugal tendency is crushed. And every aspect of life becomes centripetal. Indeed, this is apparent even before the stage of State monopoly is reached. For governmental regulation always tends to weigh more heavily on small than on big business, and in consequence actually forces business mergers and consolidations.²⁵

²³ An interesting development of this point is worked out by Fred I. Raymond, in *The Limitist*.

²⁴ Quoted by Alpheus T. Mason, *Brandeis and the Modern State*, p. 58.

²⁵ Cf. Federal Trade Commission, "A Summary Report" on *The Merger Movement*, 1948.

Enlargement of the area of State authority therefore does not enlarge, but definitely contracts, the condition of economic freedom. Since freedom is indivisible, this contraction of a part also contracts the whole. Since the spiritual urge of liberty demands the physical condition of freedom in order to be effective, contraction of freedom is at best debilitating—and will eventually prove fatal—to liberty itself. The loss of liberty is the more probable because, once the State has assumed a function, the deprivation suffered by Society is likely to be permanent. A relative immortality has been bestowed upon the State. So the advantage of this false god over every form of social organism is enormous and devastating.

The situation is evil in itself. It is obviously evil in Russia, where the cult of Bigness, through State domination, has achieved complete mastery. It is evil in those other countries where the liberal tradition still struggles feebly against Socialist encroachment. But in America the evil of centralization under governmental control is actually greater than anywhere else. For here more is at stake. Here this malignant growth has jeopardized the only political experiment that was ever consciously directed to the end of securing the blessings of liberty for the people as a whole.

X

We are now ready to look more closely at that beautiful but much-abused phrase "free enterprise"; to consider what it means—and what it implies.

As shown by the etymology of the word, an enterprise is not so much an *under* taking as a *between* taking, for the noun is compounded of *entre* and *prendre*. It comes to us from medieval France and something of the original flavor of chivalry still lingers. An enterprise is less humdrum than an undertaking and less exciting than an adventure. The word implies something arduous, requiring initiative, resource, and energy to carry it through. In an adventure these characteristics are suddenly demanded by some external circumstance. In an enterprise they are more sustained; exerted not to meet an objective emergency but

to achieve a subjective purpose. Beyond tenacity, moreover, there is a spiritual quality to enterprise, which explains its close association with liberty. Enterprise is needed to give substance to liberty. Liberty is needed to animate enterprise.

It is natural that enterprise has come to have a particularly commercial connotation. The entrepreneur, whether miller, shoemaker, or smith, was the man who in some capacity bridged the gap *between* producer and consumer. The prevalence of family names like those just cited is suggestive. They point up the relatively primitive nature of early enterprise. In the telephone directory one does not find the names "Accountant," "Controller," or "Basingpointer." But the Bakers, Carpenters, Stablers, and so on by their very names are reminders that the development of the free market is the reason why most of us are alive today. Even if the evidence on the connection between free enterprise and population growth were not abundant it could be surmised from the number of occupation names, in every European language.

Moreover, the spirit of enterprise, as distinct from that of adventure, could not take hold until the Industrial Revolution had made an intricate division of labor possible. And to make headway even then it was necessary to have a political system in which the enterpriser would not be held back by the superior authority of vested interests or estates. The circumstances have been well summarized by John A. Hobson:

The warrior-noble, the sportsman, the churchman, the landed-gentleman, who gave example and direction to the feelings, thoughts, and activities of our ancestors in the Middle Ages, had no feeling for "profit", and gave no regular accumulative impulse to the production of wealth. The mental and moral equipment of the *entrepreneur*, required for the conduct of modern capitalist industry, demands a special valuation and outlook upon life, possible to very few even in the more developed industrial cities of the Fourteenth and Fifteenth Centuries. Not until the Eighteenth Century was his character sufficiently evolved to enable him to take full advantage of the new industrial conditions.²⁶

In America, both the timing and the circumstances were right for the entrepreneur. Nowhere else has it ever been so easy "to

²⁶ *The Evolution of Modern Capitalism*, p. 23.

take full advantage" of conditions that were naturally favorable and made more so by the character of our federal government. But in exploiting their advantages Americans have tended to forget that gain in one direction is loss in another. Energy spent in material progress is energy taken from other forms of advancement—unless the increased leisure that accompanies material progress is used to good advantage.

And good advantage, it may be emphasized, means literally God's advantage. Americans are entitled to boast of their inventive and organizing skills. In conjunction with the democratic character of our Society and the restraints placed upon our State, these skills are responsible for the prodigality of American material production. But this form of wealth is offset by an intellectual and spiritual poverty that causes the more anxiety because it reflects retrogression from earlier standards. There is a paucity in the American contribution, outside the field of commodities. Over a century ago de Tocqueville was disturbed to find that "hardly anyone in the United States devotes himself to the essentially theoretical and abstract portion of human knowledge."²⁷ Relative to the enormous increase in material wealth, this national deficiency is even more pronounced today.

We must assume that the Creator is pleased by creativity. The Universe, so far as we can understand it, is replete with dead matter and empty space. But this tiny fragment of Earth that Man inhabits is filled with extraordinary subtleties of movement and color, rhythm and pulsation, change and stability, growth and decay. Since Man, alone of all the animals, is interested in all those subtleties it must be concluded that the Creator wishes him to explore them. The exploration of earth's resources is not the same thing as their exploitation.

For spiritual exploration, as well as for material exploitation, free enterprise is essential. It must be so, for while political government can easily repress all kinds of creative thought, no official has ever been able to decree its accomplishment. At the same time, free enterprise must really be enterprise. That is, it must be

²⁷ *Op. cit.*, Vol. II, p. 42.

co-operatively exerted—*between* people—to the end that there is a general understanding of its purpose as well as a general sharing of its fruits.

Over a space of years, or even decades, free enterprise can be constrained to the base of material advancement. Indeed for a time it must concentrate on such limited objectives as the housing, feeding, and clothing of men, for without such elementary facilities there can be no advance in more significant matters. But disaster looms when a people who are permitted free enterprise see in it—as seems to have happened in ancient Rome—only an efficient device for the development of personal adornment, luxury, and display. Enterprise is a function of liberty and liberty was not given to Man merely for the enlargement of his ego. If free enterprise is directed only to physical satisfactions, discounting the service that the created owes to his Creator, then doom is certain. “Economy alone could destroy, it could not create a nation.”

XI

Here is the weakness in the case for free enterprise as commonly presented. It is of course true that the absence of governmental restraints encourages productivity. The theoretical case for the free market, and for competitive price fixing through the relationship of supply and demand, is indisputable. One should not require personal experience with ration cards and queues and bureaucratic bungling to appreciate the practical superiority of the free enterprise system over any form of State-directed economic planning. The defenders of free enterprise, however, have made a dual mistake. On the one hand they have often failed to realize that freedom is indivisible and that freedom cannot be expected by the employer unless he is willing to have this condition apply equally to his employees. On the other hand many businessmen have preached free enterprise as though the words concerned only commercial operations. This modification of a general principle has resulted in a distortion of that principle in behalf of selfish personal interest.

The evidence of this distortion is spread wide on the pages of

American history. Time and again, those who argued for competition have, in practice, leaned toward monopolistic operations. Advocates of the free market have worked openly and surreptitiously for high tariffs and other governmental favors. During the period of the National Industrial Recovery Act, businessmen, with honorable exceptions, indorsed and supported controls of production and prices that completely invalidated the tenets of free enterprise, even in the narrow commercial sense of the phrase. As defenders of a philosophy of liberty, the record of many captains of American industry is uninspiring.

In *Economics in One Lesson*, Henry Hazlitt points out that: "Everything is produced at the expense of foregoing something else." He is not talking in strictly material terms. "Costs of production themselves," says Mr. Hazlitt, "might be defined as the things that are given up (the leisure and pleasures, the raw materials with alternative potential uses) in order to create the thing that is made."²⁸

This thought merits deep consideration. The tremendous accomplishment of the American people has brought great rewards, in comfortable, easy, and often luxurious living. But it is equally true that the accomplishment represents great sacrifice. Precisely because our energies have been so concentrated on physical production, they have necessarily been directed away from spiritual production. In the United States the material conditions of men have been so improved that, compared with other lands and other times, we live like princes. That means responsibility, for each and every beneficiary of free enterprise, to efface abuses degrading to humanity.

Among European Socialists, confused and baffled by the well-being of the average American worker, it has been habitual to argue that the United States lags far behind in social legislation. The European background of servitude to the State obscures the fact that social legislation is a sign of retrogression, not progress. It should be obvious that there has been widespread individual failure if humanitarianism has to be enforced by disciplinary gov-

²⁸ P. 114.

ernmental action. The inevitability with which a planned economy leads on to the police State is now widely recognized in this Republic.²⁹ What must be recognized more clearly is that the American system, because it has relied on individual decency rather than State compulsion for its moral direction, is ethically far more advanced than English or European practice.

The major reasons for the inroads that feudalistic European thinking has made upon the more advanced American social philosophy are not obscure. In part they trace to the excesses of the free enterprise system. On the one hand the very exuberance of its operation has countenanced a "boom or bust" psychology. The restraints upon it have not been those of intelligence, but rather the enforced contractions resulting from gross overexpansion.

This absence of self-control has itself led to the illogical conclusion that there is something inherently desirable in the State controls made inevitable in Europe by the historically entrenched position of vested interests. And that conclusion has been assisted by the deterioration of philosophical thinking in the United States. The curious failure of Americans to appreciate, or even to understand, the significance of their institutions further explains the widespread surrender to European ideas that are not properly applicable to American civilization.

Decay in American political thinking has been forwarded by the very fact that the original American political thought was so brilliant. This thought was embodied in a political instrumentality—the federal Constitution—so well wrought, so firm, and yet so flexible that it has served the people whom it governs for over a century and a half of dramatic change and almost incredible development. But precisely because the organic law was so well drafted the thought behind it has ceased to have any real significance for many of us.

²⁹ Two books of European authorship have greatly helped to forward this recognition: *The Road to Serfdom*, by Professor F. A. Hayek; and *Ordeal by Planning*, by Professor John Jewkes. The latter tells us (p. 207) that in England, in 1947, inspections of private homes—the Englishman's castle—were authorized by seventeen Ministries and carried on, without search warrants, by 10,916 officials.

Nobody has ever given a better reasoned consideration to this phenomenon of doctrinal decay than did John Stuart Mill in the essay *On Liberty*. If an opinion is not held with conviction, he points out, it soon loses vitality. It must be constantly tested and re-examined, in the light of changing circumstance, in order to preserve its power:

. . . not only the grounds of the opinion are forgotten in the absence of discussion, but too often the meaning of the opinion itself. The words which convey it cease to suggest ideas, or suggest only a small portion of those they were originally employed to communicate. Instead of a vivid conception and a living belief, there remain only a few phrases retained by rote; or, if any part, the shell and husk only of the meaning is retained, the finer essence being lost. The great chapter in human history which this fact occupies and fills, cannot be too earnestly studied and meditated on.³⁰

The American system of government is based on principles that are eternal. But failure to review and reconsider those principles constantly has played into the hands of men who would identify them with the "horse and buggy" era. It goes unnoticed—until too late—that "streamlining" the "horse and buggy" ends by taking Man back to the era of the chariot. And the ease with which the accomplished demagogue can practice deception is due not so much to the lure of his oratory as to the shocking lack of any critical faculty among the electorate.

A part of the blame for this situation must go to the narrow conception of free enterprise that has been allowed to dominate. It is not enough that this system has shown unprecedented capacity for producing material goods. If free enterprise cannot balance this flood of production with an equally impressive moral output, then it and the Republic designed to promote enterprise on the part of free men will go down together.

³⁰ Ch. 2.