

tach "value" to his hole in the earth comparable to the time and effort spent in drilling it, whereas actually it can have "value" only if somebody believes it will have worth to him in some way or another.

THE MOST important thing to keep in mind in refuting the labor (objective) theory of value is that value is subjective. *Value originates with the consumer's opinion — his desire for the articles concerned.* I know that after thinking in terms of the work that goes into an article, this sounds like thinking backwards. But the laws of economics and the operations of the market can be explained only by recognizing that all values are purely subjective. The source of the price of anything on the market, as well as the price of all the goods and materials that go into its production, is the subjective thinking of the final consumer.

The chapters in Mises' book, *Human Action*, which deal with "The Market" and "Prices" show how in the final analysis, the consumer, each with his own individual preferences, controls production and prices. I hope this brief explanation helps to point up the ideas that Dr. Mises writes about in much more technical language in his weighty volume. BETTINA BIEN

Bettina Bien is a member of the staff of the Foundation for Economic Education.

A Federal Failure

Dear Mr. S:

You are so right in concluding that we have government controls of the "Agrarian Reform" type, instead of a free market, simply because a majority prefers, or at least sanctions, that arrangement. The political power of a majority is a tremendous fact, whether or not there is factual support for the views of the majority. Though I personally believe that the depressed farm prices, farm mortgage foreclosures, and general conditions of poverty of the early Thirties were the direct consequence of government controls, the fact remains that many persons are fully persuaded that the free market caused all the trouble.

You and I know that World War I was not a free market operation in any sense of the term. Deficit financing of government spending was not a free market operation. Tariff and exchange controls and other governmental barriers to international trade were not free market operations. Arbitrary governmental manipulation of interest rates was not a free market operation. Government stockpiling in the name of the old Farm Board was not a free market operation. Government threats of reprisal against business management for compet-

itive pricing practices of any kind, long before the days of the National Industrial Recovery Administration, were not a free market operation. And we could go on listing the governmental interventions of the Twenties, and earlier, which were designed to contradict and destroy the free market guide to economic human action. Yet, we have allowed some clever and unscrupulous politicians to throw most of the blame for their own actions upon the economic system which they were systematically wrecking.

IT SEEMS to me that the foregoing is a fairly accurate summation of the situation which inevitably culminated in a disastrous disruption of trade. If the free market is to be condemned, I think the only fair criticism must be that it is vulnerable to destruction by political processes. The free market is not an all-powerful governmental institution — it is an alternative, available only to those who will voluntarily trust themselves and one another to the human relationships of open competition and mutually advantageous trade. If men fail to understand and use this highly desirable institution, that hardly justifies the conclusion that the institution of the free market has failed. I should hasten to add that man's abuse of political powers is

not necessarily a condemnation of the governmental process. However, I do feel that the temptation to abuse political power is more or less inherent in any philosophy of government control, however limited the scope of that government originally was supposed to have been.

Now, I think your letter really raises this question: How do we best help bring these facts and this free market philosophy to the attention of others with whom we wish to trade and live in peace? And you are well aware that I have not found a sure-fire answer. I only know for sure that we cannot compel others to believe in freedom. We can only invite them, by our actions and with explanations as clear and patient and tolerant as we can produce. There is always a danger in pointing to a specific application of the failure of controls, as in the *Agrarian Reform* pamphlet* dealing with the wheat price support program, that someone will say, "He's blaming everything on farmers!"

If I were wise enough, I'd know how to avoid leaving such a false impression. In the attached Clipping, *More Than the Traffic Will Bear*,* I tried to list several examples of compulsory intervention, hoping thus to show that no single

**Agrarian Reform* pamphlet and Clipping of Note #69 available upon request.

faction is wholly guilty, or guiltless, either. I suppose the only answer is to keep trying, hoping that each new attempt may encourage a few others to try their hands at the extension of the freedom philosophy.

You have so clearly stated one of the major problems we face that I suspect you may be working on an effective answer, an answer we surely need. That is the problem of the farmer who believes he needs and is entitled to special benefits because labor groups and others are "getting theirs." There must be some way to demonstrate with conviction the idea that virtue is its own reward; that the process of compulsion is a hindrance to the

master as well as to the slave. There is a vicious fallacy, if we only knew how to expose it, in the implication that freedom can't work unless the other fellow initiates it — that I couldn't gain by free trade until everyone else in the world has stopped trying to use compulsion. I think it's up to each of us to practice the freedom he has, if he wants to preserve and expand it, even though a majority of others might seem to favor some system of collective controls.

I'm most grateful for your help in pointing up our problem.

PAUL L. POIROT

Dr. Poirot is a member of the staff of the Foundation for Economic Education.

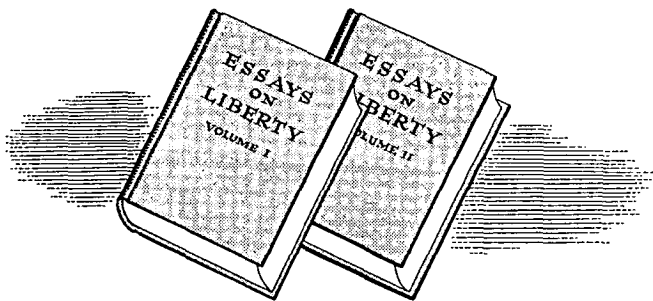
The Eighth Commandment

Suppose that, in an isolated valley, there are three men, each working for himself on his own farm. One is very diligent, and, when winter arrives, has accumulated a large store of foodstuffs, and has on hand ample feed for his horses, cows, and poultry. The others, having taken life easy during the summer, find that, long before spring, they are short of provisions. If, then, they combine forces, set upon their neighbor, and seize his possessions, both capitalists and collectivists will agree that the two lazy farmers have violated the Eighth Commandment — in other words, have stolen the diligent farmer's goods.

But, suppose instead, that the two insist upon establishing a democratic government for the valley. They hold a "town meeting," and, by a vote of two to one, adopt a statute requiring that all share equally in the summer's produce. Is this a perfectly legitimate action, falling outside the scope of the Eighth Commandment? If not, just how many persons does it take to establish a government and make the procedure ethical?

WILLFORD I. KING, economist, Committee for Constitutional Government

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Irvington-on-Hudson, New York

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