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IN THE NINETEEN SEVENTIES, business baiting, no less virulent than in the past, has become more subtle and sophisticated. It consists of efforts to equate technology with utter disregard for ecology. The new attack is sometimes launched in a flood of tears for consumers. Behind the new cry for national economic backsliding is the runaway expansion of the welfare state which exalts leaners at the expense of producers. The new politics denigrates the system for cultivating progress through rewards and incentives. Theorists and their youthful adherents repudiate concepts of development and plump for a zero growth in population and material well-being. They stigmatize the use

of electricity in labor-aiding tools of production as antisocial pollution, and blithely advocate the replacement of mechanically driven equipment with the primitive "sweat and groan" of human muscle power.

Such academic naivete brings to mind a conversation years ago with an economic minister in India. As we discussed the low level of living in that sub-continent, I asked what steps native leaders were taking to supplement the efforts of the human muscle with advanced machinery. In a patronizing manner, he called my attention to India's surplus of workers, as though it were self-evident that India, in the circumstances, had no use for "labor saving" capital goods. But what the Minister did not seem to grasp was the fact

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that continuance of crude techniques for using men as dray horses necessarily condemned Indian workers to low productivity and a meager living.

### **Conditions Change**

Critics of business fall into the booby trap of assuming that everything is static. More than four decades ago, oil authorities were forecasting that in eight years the supply would run out. They proved to be astigmatic, perceiving only the then known reserves. They overlooked the fact that, with incentives, wildcatters would ferret out new sources of supply. And when, if, and as we consume all the known supplies of fossil fuel, the creative side of man will find substitutes in such newer technologies as atomic and solar energy. And in the process, they doubtless will achieve a measure of pollution control.

The new enthusiasts in ecology carry a good cause to unreasonable excesses. They ascribe utter irresponsibility to businessmen. They assume that corporate executives are solely concerned with "the bottom line" on the profit-and-loss statement, and the devil take the hindmost. They lack the imagination to sense the opportunities for improvement within the system. Earlier in the century, there was in some aspects of

farming, for instance, and in the indiscriminate cutting down of trees in the forests, a seeming lack of concern for the future. But protests were heard; there has been measurable progress in the development of scientific agriculture in place of the primitive "mining of the soil." And in Oregon and elsewhere pioneer efforts were undertaken to avoid the denuding of forests with the new concept of tree farms with new plantings to replace cuttings.

In the American system, the guiding motto should be the line from the poet Louis Untermeyer, who wrote: "From sleek contentment, keep me free." Progress is never enough, and the operating principle of topflight business management is: "Let's seek to do better tomorrow what we appear to be doing well today." The continuing vigor of the American competitive system depends on the knowledge and courage of the elite who understand its functioning and have the means of communicating the benefits to others.

### **Fear of Technology**

What we see today is a recurrence of the simplistic revolt in the nineteenth century of men like Samuel Butler, who decried the Industrial Revolution. In his *Erewhon* in 1872, Butler appeared as the enemy of the machine.

In this new era ecologists are decrying technology as a polluter, ignoring the capability of technology to develop methods to minimize pollution. The alarm ringers assume that they alone want a world of pure air and pure water. They jump to the conclusion that the profit motive is the enemy of Nature. Perceptible gains will come when there is mature recognition that technology is a human tool and can be devoted to man's ends. If, by way of illustration, existing methods of burning coal or using gasoline in automobile engines pollute, then it makes sense to accelerate research and development to find ways of achieving the benefits while controlling the adverse effects. Instead of viewing the problem in the naive spirit of setting the good guys against the bad guys, it is time to recognize that leaving the environment in the form that men find it is consistent with good business. If consumers desire less pollution, they will need to understand that devices to avoid pollution are a cost of producing goods and services.

Thomas Robert Malthus, the economist, warned in 1798 of oncoming unavoidable poverty and distress on grounds that population increases by geometric ratio and the means of subsistence only by arithmetical ratio. However,

his prophecy has been unfulfilled. Methods of cultivating land have not remained static. Creative minds in science, invention and engineering have developed new and better means of production, and in advanced economies a spectacularly smaller ratio of the total population than in earlier times is producing vastly more abundant quantities of food and fibers.

In light of the contemporary organized efforts to put a ceiling on economic progress, it doesn't make sense for investors, financiers and managing directors of great companies to ignore the impact of the new-style business baiting. Perhaps I can do no better than to repeat here what I said in 1938 in my pamphlet "Sell the Business as Well as the Product":

Improving the climate of popular opinion would help to remove the barriers to a free circulation of goods and services from makers to users. . . . Misstatements and misconceptions about business have been so widely propagated that dissemination of the truth by business would be enormously helpful. Business would not have to gild the lily, for truth is much more favorable than current rumor.

The country needs to escape from the tyranny of obscure, weasel words and from doctrinaire ideology. Simple arithmetic, in double-entry form, as understandable as the family budget, can be used to photograph for

the lay mind the essential processes of business. Such new style "candid camera" shots which give glimpses behind the scenes in the business world will help to promote friendly cooperation among government, business and labor. It can make crystal clear that the unwarranted sniping at business is directed at the vital interests of millions of life insurance policy holders, owners of savings accounts, . . . and of tens of millions of individual owners of shares of American corporations.

These comments made thirty-four years ago are a reminder that business baiting is not a new phenomenon in 1972. Only the rhetoric has changed.

In the intervening years, great strides have been made in humanizing corporate reports, and today some alert companies, such as Standard Oil (N.J.), U.S. Steel and others, have used TV commercials creatively to depict the social usefulness of their enterprises. James M. Roche, who recently retired as chief executive of General Motors, has in recent months taken leadership in urging greater attention to the attacks on the premises on which free enterprise rests.

### ***The Brave New World***

Basic in this approach is objective understanding of the significance of the revolt of some

articulate young people. Since they will in due course inherit the earth, their views, including their misconceptions, should not be ignored. No one questions the right to dissent, but it is important also to develop a sense of responsibility in discussing matters relating to the well-being of the people. Certainly, the "brave new world" won't be ushered in by escapists. Youths who indiscriminately reject the mature as hypocrites have little insight into the history of man. In downgrading their parents as insincere because their conduct doesn't always square with their professed code of ethics, the young tend to overlook that through the ages man has been caught in the conflict between his animal instincts and his standards of civilized procedure. It would, of course, be millenary if everyone invariably lived up to his code; but the remedy for human frailty certainly is not the rejection of standards.


Much of the venom against the Establishment springs from an emotional distaste for the competitive system, which calls upon individuals to stand up and be measured. Much loose talk glorifying the "underprivileged" and the "disadvantaged" is really quarreling with the Lord for creating man with an infinite variety of differences in aptitude, skill, moti-

vation, and I.Q. The demagogic struggle to level down is an effort to replace divine patterns with man-made molds making all persons identical.

Much of the business baiting results from an emotional bias against competition. It takes character to be willing to be measured, and to face the grim fact that not all of us are topnotchers in every skill. And it would be a dull world indeed if we were all cast in precisely the same mold. Instead of letting destructive emotions become dominant, there should be not only a renaissance of respect for the work ethic, but also new approval for self-supporting individuals who achieve up to their own optimum in all categories of talent. The diligent hewers of wood and drawers of water deserve respect, which should not be reserved exclusively for glamorous creative artists, publicists, professional men, and chairmen of corporate boards.

The threat to economic and other achievement does not come

primarily from overseas competitors, but from ill-conceived, misguided theories developed at home. No investments in growth are attractive if the "wave of the future" is for home-grown communes in place of competitive effort. Prosperity will rest on a slender reed indeed if those who vote and ratify public policy don't understand the factors that make for better living.

Slogans against the Establishment should be examined minutely to determine whether they hide rejection of self-discipline, thrift and industry. In a free society, no one is forced to work for a higher standard of living than he desires, but none who undermines the system by circulating misconceptions should go unanswered. Just as a free man is entitled to express his views, his neighbor should have the freedom to audit and appraise the other fellow's opinions. Then the validity of concepts can be tested in the unrestrained market place for ideas. 

### *A Precarious Life*

IDEAS ON



LIBERTY

ANY COMMUNITY which depends for its economic growth upon the whims of succeeding Congresses is in economic jeopardy. Someday, the taxpayers might say "no," and then where is the life of that region which has become wholly dependent upon federal help?

From an address in 1955 by CLARENCE A. DAVIS  
Under Secretary of the Interior

# BLOOD from TURNIPS

TERRILL I. ELNIFF

*Notes toward an  
understanding of John Law's  
economic errors*

ACTION is preceded by thinking. Thinking is to deliberate beforehand over future action and to reflect afterwards upon past action. Thinking and acting are inseparable. Every action is always based on a definite idea about causal relations. He who thinks a causal relation thinks a theorem. Action without thinking, practice without theory are unimaginable. The reasoning may be faulty and the theory incorrect; but thinking and theorizing are not lacking in any action. On the other hand thinking is always thinking of a potential action. Even he who thinks of a pure theory assumes that the theory is correct, i.e., that action complying with its content would result in an effect to be expected from its teachings. It is of no relevance for logic whether such action is feasible or not.

— Ludwig von Mises<sup>1</sup>

HERE LIES that celebrated Scotsman, that peerless mathematician who, by the rules of algebra, sent France to the Poor-house.

— *Mercure de France* on  
the death of John Law<sup>2</sup>

WHEN JOHN LAW arrived in France in 1716, he found France on the edge of bankruptcy. The government debt amounted to 2.4 billion livres plus another 590 million livres worth of *billets d'état* — outstanding royal promissory notes which were worth about one third of their face value. The deficit in the government accounts for 1715 was 78 million livres — a deficit of nine million livres more than the total revenues for that year.<sup>3</sup> The people were overtaxed and starving, and commerce was at a standstill.<sup>4</sup>

Law received a charter for his Banque Générale in 1716. It was a private operation, handling all the normal functions of a bank. It was also authorized to issue banknotes called “bank crowns,” which were to be redeemable “in money of the weight and denomination of the day of issue.”<sup>5</sup> This was sound banking policy, even though Law's

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