



World in the Grip of an Idea

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18. The United States: A Republic and Gradualism

If saying so made it so the United States would today be the stronghold of capitalism and the citadel of free enterprise. Many intellectuals who deplore this state of affairs nonetheless proclaim it to be so. The notion crops up frequently in writings about America by Europeans. There are even Americans who say they favor free enterprise and who declare that the United States is the prime example of it in the world. They may be right in their judg-

ment, but if they are it should give more than a little pause as to the state of freedom of enterprise in the world.

There should be no doubt that the United States was long considered as and was in fact a land of opportunity. Immigrants poured into America from other lands in increasing numbers after the first third of the nineteenth century. They came, in part at least, because they hoped for and often found greater opportunity than in the lands from which they came. There are still opportunities in the United States today. Many of the oppressed peoples from around the world still

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.

try to gain entry to this country. They are oppressed as a result of the idea that has the world in its grip. But they must surely discover when they arrive here that the idea has its grip on the vaunted land of opportunity as well as on other lands.

How free is enterprise in the United States? No one has, to my knowledge, devised a means for making the kind of measurements which would give a precise answer to the question. Computers have now been made that can provide swift, almost instantaneous, answers to all sorts of questions, but the most sophisticated computer would be unable to tell us how free enterprise is. This is the case mainly because there is no way to quantify the obstacles that government puts in the way of enterprise, but there is also no way to take into account the ways human ingenuity will discover for overcoming or getting around these obstacles. Even so, the question can be answered with sufficient exactitude to show that enterprise is being stifled, choked, throttled, limited, and restrained in America, and that there is a well established trend in this direction. And government restriction is in some way a limitation on enterprise, and restrictions abound today.

Perhaps the best way to test how free enterprise is in America would be to survey the obstacles that stand in the way of someone contemplat-

ing going into business today. No brief survey can hope to cover all the obstacles; indeed, they may now be so numerous that a lifetime would be too short to learn them. Some of the obstacles are of such complexity that anyone contemplating going into business in a particular locale would need expert legal advice from those familiar with the local situation. But a survey of the obstacles can show the character of many of the limitations and the trend toward increasing them.

The Need for Capital

The first need of anyone going into business will almost certainly be some capital reserves, since virtually all undertakings require capital of greater or lesser amount. To get capital it is usually necessary either to save it oneself, borrow it from others, or get them to invest in the enterprise. The greatest obstacle to individual saving today is inflation, and inflation is a direct consequence of government monopoly of the money supply and continual increase of it. Inflation discourages saving: it even introduces doubt as to the merits of it. Inflation reduces the value of money saved because as the money supply is increased prices rise. This means that the saver could have bought more with the money at the time that he first received it than he could at a later date, if the inflation continues over

a long period of time. Inflation has been almost continual in the United States since the early 1930's and shows no signs of abatement.

The graduated income tax is another deterrent to capital accumulation. Not only does the United States government have such a tax but so also do most states. The more one makes the larger proportion of it is taken by governments. Proponents of the graduated income tax often talk about it is as if it were a means of taking from the "haves." It is better understood in its most devastating effects as taking from those who are "getting," for the "haves" can sometimes avoid it entirely. At any rate, progressive taxation limits and obstructs enterprise by making it difficult to accumulate investment capital.

Social Security payments are another inhibiting tax on those who would save to start an enterprise, and this tax has mounted precipitously in recent years. Social Security payments might be conceived as a system of forced saving, but they hardly qualify as savings at all. All that is paid into it is forfeited by the individual, forfeited as far as any control over it is concerned. He cannot draw the money out in order to make investments. He cannot use it to take advantage of greater opportunities as they come along. In short, so far as saving for starting an enterprise is concerned, Social Secu-

rity payments are just so much money lost to taxation.

Borrowing offers hardly more freedom from obstruction by government than does saving for the would-be enterpriser. Banks are the most readily available sources of loans, but they are also probably the most severely regulated undertakings in America today. National banks are chartered by the United States government, and state banks by the states, thus limiting the number and variety of such institutions.

Bank Regulation

The federal government regulates the activities of all national banks and all those which are members of the Federal Deposit Insurance Corporation, which is to say virtually all of them. State laws regulate all banks within their bounds as to such matters as branch banking and interest rates. Most states have usury laws which place limits on the percentage of interest to be charged. This latter restriction is particularly obstructive to new enterprisers, for all enterprises are risky and new ones especially so. Banks are loath to take such risks when they can charge maximum interest on insured and government guaranteed loans. Moreover, state and federal regulations discourage or prohibit certain types of long term loans, and government comp-

trollers look carefully at the type of collateral pledged to secure loans.

Then, too, federal, state, and local governments are competitors with private individuals for the money that is available for lending, and they enjoy some decided advantages in this competition. The federal government requires and/or encourages the banks to have some proportion of their investments in government securities. Municipal bond proceeds are exempt from federal taxes. Banks are much more likely to be able to help a new enterpriser by discounting any paper he holds from his customers than they are to put money directly into the enterprise.

The frustrated enterpriser may look hopefully toward incorporation and the selling of shares in his projected business. But he will discover quickly enough that if he decides to go "public" with his offering governments have erected obstacles here as well. The Securities and Exchange Commission keeps a wary eye on stock offerings, and the more recently set up consumer protection agencies may be no less alert to what he is doing. The SEC is more than a little dubious as to the validity of any claims that might be made about the future prospects of the business. Should the shareholders lose for one reason or another, the new enterpriser may find himself the object of civil, or criminal, suits by various government agencies.

An Array of Obstacles

People somehow manage sometimes to overcome the great variety of obstacles in the way of it and get together sufficient capital to go into business. But in trying to decide what business to go into they encounter another impressive array of obstacles. In contemplating the possibilities, anyone will discover, if he did not know already, that many sorts of enterprise are very nearly or entirely closed to him. The coining or issuing of money has been a monopoly of the United States government for so long that hardly anyone would conceive of it as a potential field for enterprise.

The other most general monopoly of the United States government of a possible business undertaking is that over the carrying of mail, especially first class mail. In earlier times, even with the government occupying the dominant position, there were many opportunities for entrepreneurs to engage in mail transport and even, sometimes, delivery. Star routes, as they were called, were serviced by individuals and private companies; trains, boats, and busses transported mail. Now, most of those opportunities have been foreclosed. The United States Postal Service maintains its own fleet of trucks; and privately owned airlines are the only remaining private domestic transporters of mail of any consequence.

There are other monopolies by the federal government, but they are not so extensive in scope. There is the monopoly of merchandising on military posts by the Post Exchanges. There is the monopoly of the generating and sale of electricity in some regions such as the Tennessee Valley.

The Panama Canal Zone has long been the most thoroughgoing monopoly of the United States government. "Private parties are not allowed to own any land in the Zone and private businesses do not operate there. Therefore, the many other businesses in the Zone other than the Panama Canal are maintained and operated by the Panama Canal Company. These businesses include a steamship line between New York and the Isthmus of Panama; a railroad across the Isthmus, the cargo docks and piers and harbor terminal facilities on the Isthmus; a coaling plant for ships; an oil-handling plant; commissary stores . . . ; a printing plant; restaurants, theaters, bowling alleys," and so forth.¹ If Communists do take over the Canal Zone they will find their basic work has already been done.

The federal government now virtually monopolizes intercity rail passenger transport by way of AMTRAK and is extending its sway into freight hauling by way of CONRAIL.

State governments have also es-

tablished various monopolies. The most dramatic of these may well be that over the sale of liquor and certain other alcoholic beverages. About one-third of the states have a monopoly of the sale of at least some of the alcoholic beverages. Where there are state liquor stores, those who are considering going into some legal business must put this area of potential opportunity out of mind. But even where states do not own and operate the stores, there are usually strenuous restrictions upon entry into such undertakings.

Although neither the federal nor state governments monopolize the manufacture of spiritous liquors, their laws and prohibitions are such that in effect they secure a monopoly to a select few domestic and foreign manufacturers. During much of American history no single undertaking, besides farming, had so many entrepreneurs as distilling, and many farmers supplemented their income with the product from their "stills." These distillers have now become an endangered species as a result of decades of relentless search for and pursuit of them by "Revenuers."

States generally have a variety of monopolies. For example:

The state of New York has long maintained a system of barge canals 525 miles in length, which it operates at public expense, charging no tolls. The Commonwealth of Massachusetts, since

1918, has operated the transit system of Boston and neighboring cities and towns. Harbor facilities at ocean ports—wharves, docks, warehouses and the like—are usually owned by state governments. At New Orleans a State Board of Port Commissioners, formed in 1896, operates grain elevators, coffee terminals, banana conveyors, cranes, derricks, a belt line railway, a canal, and a free trade zone. . . .²

Local governments generally have several monopolies which exclude private enterprise. Municipalities frequently monopolize trash and garbage collection, water distribution, sale of electricity, distribution of natural gas, and bus or other street and subway systems. At one time, virtually all local transportation systems were privately owned and operated, but price and service restrictions became such a handicap that cities took them over.

Indeed, the whole field of transportation is now very nearly closed to enterprisers. Railroadng was so regulated by the Interstate Commerce Commission that it ceased to be a growth business. Nowadays, a would-be enterpriser would be as likely to think of building a railroad as he would to go into manufacturing buggies. City transport is not a viable opportunity, and it is being made less so by massive government grants for the building of rail systems. It is possible to go into truck-

ing, but the obstacles to doing so are such that only the most intrepid enterpriser would venture into the field. Taxis are so regulated in most cities, and the privilege of operating one so restricted that opportunity in this field is limited. Entry into the air transport business is hampered by the Civil Aeronautics Board, and it sometimes takes years for established carriers to get authorization to provide new service to some city or locale.

Government Schools

The field of education has never been a particularly good arena for private enterprisers, and it is generally becoming less so today. Laws requiring school attendance for young people have taken that facet of education out of the realm of economic goods, that plus the fact that "free" public schools are provided. Such private schools and colleges as exist are usually subsidized by gifts and tax-free contributions, hence making it difficult for anyone to enter the field in the hope of profit. On the fringes of education, e.g., teaching various skills such as auto repairing or barbering, there used to be considerable opportunity for enterprisers to found and operate schools. These are being hard pressed today, however, by vocational courses in the public high schools and by the vocational emphasis in many government funded trade

schools and community colleges. Governments are well on their way to monopolizing education by using their taxing powers to exclude competitors.

Many hospitals were once privately owned and operated, but such hospitals are rare today. The Hill-Burton Act brought large doses of federal money to hospital building and gave encouragement to government owned and operated hospitals. It would be exceedingly difficult today to raise the capital necessary to provide the expensive equipment necessary to compete with government owned hospitals.

Governments at all levels are vigorous competitors in providing recreation facilities. This is particularly true for parks, zoos, golf courses, swimming pools, lakes, and waterways. Many buildings in which recreation activities take place—e.g., auditoriums, ball parks, civic centers—are now being built with tax funds. Not only does the prospective enterpriser find his potential savings taken away in taxes to support such undertakings but also his entry into such enterprises made difficult by government competition.

Research and Information

The federal government is in the research and information business in a big way. The Government Printing Office is enormous, and

keeps busy printing numerous pamphlets, making available research reports, publishing agricultural treatises, and providing information for businessmen. A United States Senator pointed out a while back that the Commerce Department gathers around 100,000 research and development reports each year, and that the government spends approximately \$10 billion each year on research.³ Although governments have not pre-empted the information field, they have made great inroads into it.

There are, of course, enterprises that can be started in which there is little direct competition from government, but there are obstacles to be overcome in going into any of these. A minimum requirement in almost any locale is to get a license. Beyond that, many undertakings require a charter or franchise from some one or more governments. Many kinds of undertaking have special training or knowledge or moral requirements. For example, barbers may have had to have spent a specified length of time in training in a state recognized school, nurses to have undergone a particular regimen, teachers to have taken certain education courses in order to be certified, real estate salesmen to have passed a written examination, plumbers to have served an apprenticeship, saloon-keepers to have conformed to certain moral standards,

and so on. Lawyers usually have to pass the bar examination in the states in which they wish to practice.

It may be instructive in getting some idea of how far this goes to look at this partial list, in one state, of those agencies charged with overseeing certain undertakings: State Board of Accountancy, State Board for Examination, Qualification and Registration of Architects, Commission for Auctioneers, State Board of Examiners for Speech Pathology and Audiology, State Board of Barbers, Board of Chiropractic Examiners, State Board of Cosmetology, State Board of Dentistry, State Board of Electrical Contractors, State Board of Engineers and Land Surveyors, State Board of Registration for Foresters, State Board of Funeral Service, State Board of Registration for Professional Geologists, State Board of Hearing Aid Dealers and Dispensers, Board of Landscape Architects, Board of Physical Therapy, State Board of Private Detective and Private Security Agencies, State Board of Examiners for Sanitarians, Commission of Structural Pest Control, Board for Registration of Used Car Dealers, State Board of Registration for Used Motor Vehicle Parts Dealers, Motor Vehicle Dismantlers, and Motor Vehicle Rebuilders. The list is not complete by any means, but the point perhaps emerges.

Anyone going into business has to have some place from which to operate, i.e., land, buildings, or offices. If he needs land, he will find himself in competition—though that hardly seems to be the right word—with federal, state, and local governments for the dwindling supply of land. Governments were once the great sellers of land in America, but they have now reversed the field and become major buyers—perhaps “condemners” would be more descriptive—for military installations, for parks and forests, for highways, for urban renewal projects, for hospitals, for lakes and dams, for schools, and so forth. As one writer puts it, the federal government “is the biggest landlord on earth, aside from the communist countries.”⁴

Restrictions on Land Use and Building

Of course, the land and building will have to be selected with care if one is going into business. There are increasing restrictions on land use in the United States. Zoning laws have been around since the 1920's, though they get ever stricter, and they are now being supplemented with land use laws in many states for rural areas. But lately the United States government has gone into comprehensive land use control, or very nearly that, under the auspices of the Environmental Protec-

tion Agency. The government has asserted its sovereignty over land use to protect water, air, endangered species, and what have you. Anyone thinking in terms of operating a factory or manufacturing establishment must undertake the difficult task of assuring state and federal agencies, by way of surveys and tests, that he will not significantly harm the environment within which he locates.

Although the above are only a partial listing of the obstacles which a would-be enterpriser must overcome, let us suppose now that our enterpriser has managed to set himself up in business. However improbable it may seem, however much of at least a minor miracle it surely is, some men are actually able to begin new enterprises in the United States. They manage to accumulate the savings necessary despite the inflationary thrust, the progressive income taxes and the burden of Social Security or manage to borrow the money despite restrictions that make this difficult, or even succeed in selling stock in a corporation so as not to arouse the ire of the SEC. They select an undertaking that is not monopolized by government or that government competition has not effectively foreclosed. They get franchised, certified, licensed, authorized, permitted, qualified or whatever, find some land on which to locate in which their kind of un-

dertaking is allowed, and satisfy the authorities that they will live in harmony with the environment.

A Senior Partner

Such an enterpriser is by no means out of the woods, however, simply because he has managed to open his doors for business. Indeed, it would be more correct to say that many of his troubles have just begun. The man who enters business discovers rather soon, if he did not know it already, that he has a Senior Partner—government. More precisely, he has a committee of Senior Partners, composed of federal, state, county, and, depending upon the locale, township and municipal authorities. These Partners may have thrown any number of obstacles in the way of his going into business in the first place; they may be in competition with him; they may have made low interest loans to his competitors or even granted them special privileges which he does not enjoy. They will rarely have invested anything in the business themselves. Yet once he opens his doors these Partners join the firm, so to speak.

In the first place, the Senior Partners require the businessman to be a tax collector. If he sells to consumers, he will generally be expected to collect federal excise taxes and state and local sales taxes. If he employs other people he will be ex-

pected to withhold federal and probably state and local income taxes from their wages. Under most conditions, he must collect the workers' Social Security taxes by way of payroll deductions. Some cities have employment taxes which he may have to collect.

No matter how small his business may be, the Senior Partners will require that the businessman keep extensive and precise records of his various transactions. He will need records, of course, of the taxes he has collected from others, and records for his own income and Social Security taxes.

The Senior Partners are not particularly mollified by getting the first fruits from any income and having the businessman collect taxes for them. They take an active role in determining how the business should be run. If he sells to consumers, various federal and state consumer agencies may take the side of his customers against him and haul him into court on their behalf or because he has not complied with one or more of the multitude of laws governing these relationships. In like manner, the Senior Partners stand ready to intrude in a great variety of ways on behalf of his employees against the businessman employer. They have, of course, generally specified that he cannot employ those who have not attained a certain age. They pre-

scribe minimum wages, maximum hours, time and a half for overtime, and have long been solicitous of female employees.

Of late, federal and state governments have exerted themselves to see that employers do not discriminate in hiring because of race, sex, age, color, religion, or country of national origin, among other things. In order to prove that he does not do so, an employer is often bidden to take Affirmative Action to assure that he has the proper "mix" of minorities amongst his workers and be diligent in promoting such of these as he has assembled to the better positions he has available.

If his employees should decide to organize themselves into a labor union, the National Labor Relations Board has laid down all sorts of rules to which the businessman employer must comply. Should he be judged to have failed to comply he may well find himself saddled with back wages to pay and employees on his payroll whom he would prefer to do without.

Safety and Health

The Senior Partners concern themselves, too, with the safety and health of the businessman's employees. To that end, OSHA, a federal agency, promulgates all sorts of rules and standards for safeguarding the health of employees. Should an employer fail to comply with

these standards he is subject to potentially heavy penalties.

Particular industries are subject to their own kinds of regulation. For example, the powers of the Federal Power Commission over producers and sellers of electric power show the extent to which the interference of a Senior Partner may go. It exercises the following powers:

Prescribes and enforces a uniform system of accounts for privately owned public utilities engaged in the transmission, or sale or wholesale of electric power in interstate commerce; determines the original cost and accrued depreciation of facilities for the generation and transmission of such energy; investigates and regulates the rates, charges and services for such energy; passes upon application of such utilities for authority to issue securities, to dispose of, merge or consolidate facilities, to interconnect facilities, or to acquire securities of other public utilities; passes upon applications of persons seeking authority to hold interlocking positions; evaluates applications for and, when in the public interest, issues permits for the construction, operation, maintenance or connection of facilities at the borders of the United States for the exportation or importation of electric energy; passes upon applications for authority to export electric energy for the United States.⁵

The Senior Partners are also potential customers of the businessman. The federal government is today the largest purchaser of goods and services in the country. When it

is joined by states and local governments, the role of government as purchaser is an immense one indeed. Needless to say, these governments extend additional authority over anyone from whom they buy goods or services. A seller does not just offer his custom in the market to government; government uses the leverage of a buyer to further control the businessman's business.

The above only scratches the surface of government intervention in the economy today, but perhaps enough has been told to warrant a conclusion. Enterprise is not free in the United States today. It is hampered, obstructed, restrained, constrained, restricted, limited, compelled, and otherwise confined by a multitude of regulations, requirements, and government competition. And there is a well established tendency to increase the intervention more and more over the years. Occasional "deregulation" is overmatched by restrictions introduced from other directions. For example, farm crops are not controlled as much now as they were twenty years ago, but land use restrictions are being introduced into rural areas.

Gradual Intrusions

Thirty or forty years ago there was considerable debate over whether the United States should have a planned economy or not. The

issue was not resolved by the debate, but it has been largely resolved in practice by step by step intrusions into the economy. By government's regulatory powers, control over the money supply and hence over credit and banking, over education, over the communications industries, over transportation, over labor, over the environment, and so forth, planning is widely established today. In most of the United States today, no structure can be erected without permits, inspections, compliance with setback ordinances, zoning laws, and other such restrictions. Government subsidies to cities and regions determine the character and direction of developments in those areas.

A broader conclusion is warranted, too. The United States is under the sway of the idea that has the world in its grip. Whatever the merits or demerits of any or all of the government interventions discussed, one assumption underlies and powers them all: namely, individuals and voluntary associations of men cannot be trusted to provide for themselves and others by pursuing their own self-interest. They must be directed and controlled in their activities by an interest that is outside of and above them as individuals. Self-interest of individuals must be contained, restrained, and redirected—ultimately rooted out—and for it must be substituted what is supposedly in the common inter-

est. The instrument for imposing this common interest is government. That is the idea.

Under the sway of the idea, government has asserted its power into virtually every area of American life. Government has grown mighty and the individual weak and limited. How did this state of affairs come about? It is certainly a reversal of the idea on which these United States were founded. The United States was founded as a republic. Both the United States and the state governments operate under the auspices of written constitutions. The idea that informed these constitutions was that governments should be limited in order that individuals might be freed—freed to pursue their own interests in order to fulfill themselves as best they could and according to their own lights.

Keeping the Peace

It is, of course, the end of government that those within its jurisdiction shall be protected in their life, liberty, and property from harmful intrusions by others. To that end, governments were empowered to legislate, to use force, and to resolve disputes which threatened the peace in order that men might go about their affairs undisturbed by malefactors.

But beyond the granting of powers believed necessary to maintain governments which could keep the

peace, put down domestic insurrection, and repel foreign invaders, the main efforts of the constitutions were to limit the governments they authorized. It was for this purpose that bills of rights were incorporated in them. It was to this end that the powers of government were separated into three branches. The listing of powers granted was supposed to constitute an inherent limit upon government. Even the dispersion of power into federal and state jurisdictions was thought to act to limit the exercise of power. If this was not the aim and purpose of the United States Constitution then those who successfully argued for its adoption were themselves either deceived or engaged in deceiving others.

Among the opponents of ratification of the Constitution of 1787 (the United States Constitution), not one could be found who did so because the government lacked power. On the contrary, it was the fear that it would become powerful and oppressive that animated them. A goodly number of men in that day took the time and made the effort to study the history of governments. One conclusion stood out among all the others that they drew: All governments tend to become oppressive. Few would have dared to rise in the conventions in those days, amidst the displays of historical erudition, to proclaim that men vested with the power of government have been

so transformed that they could be trusted with determining what is for the well-being of those in their jurisdiction. On the contrary, it was settled opinion that those who govern will pursue power to the detriment of the well-being of their fellows if they are not deflected from the course. Limited constitutional government offered the best means they could conceive for delaying, if not ultimately preventing, the appearance of the oppressive tendency of government.

How It Happened

How, then, did this reversal take place? How were many of the confines on government removed and did government begin to confine the individual more and more? A portion of the answer is not difficult to find. It came about gradually, and step by step. Probably, none envisioned that when national banks were given a monopoly of the issue of bank notes in the 1860's by placing a prohibitive tax on state bank notes that in the 1960's virtually all concrete limitations on the money supply would be removed and that such powers as remained over the money supply would be under the control of the federal government. Yet the stage was being set for this course of events, not with malice aforethought but by a process of accretion of power.

Another point can be asserted

here; it has been written about and documented elsewhere, and the present theme precludes discussion of it in detail. The point is this, Americans, or a significant portion of them, came under the sway of the idea that has the world in its grip.⁶ That is, they came to believe that when individuals pursue their self-interest it is detrimental to the general welfare, that the supports to the individual should be removed and the individual confined, and that government was the proper instrument to perform these undertakings. Although the idea generally goes by the name of socialism, most Americans never consciously became socialists and, of those who did, few avowed it. The attack upon the American system and the intrusion of government was done piecemeal. Yet when the development is viewed whole, it makes sense only in terms of the prevalence of the socialist idea.

It is important, however, to delve somewhat into the methods by

which government power has been concentrated and unloosed. The dispersion of power by which these United States began had to be overcome and evaded. How this was accomplished needs now to be told. ☉

Next: 19. *The United States: The Concentration of Power.*

—FOOTNOTES—

¹Harold Koontz and Richard W. Gable, *Public Control of Economic Enterprise* (New York: McGraw Hill, 1956), pp. 684-85.

²Clair Wilcox, *Public Policies Toward Business* (Homewood, Illinois: Richard D. Irwin, 1960), pp. 805-06.

³William Proxmire, *Can Small Business Survive?* (Chicago: Henry Regnery, 1964), pp. 99-101.

⁴Koontz and Gable, *op. cit.*, p. 695.

⁵Cornelius P. Cotter, *Government and Private Enterprise* (New York: Holt, Rinehart and Winston, 1960), pp. 227-28.

⁶The present writer has discussed this in detail in *The Fateful Turn* (Irvington, New York: Foundation for Economic Education, 1963) and *The Flight from Reality* (Irvington, New York: Foundation for Economic Education, 1969).

Moral Sickness

IDEAS ON



LIBERTY

A SWELLING is one of the infallible signs of a sickness underneath, and the swelling of government in America today merely evidences the moral sickness of the people under it. Big government is for little people. The better the people, the less necessity there is for government. This simple, vicarious relationship between the citizen and his government is obscured today in the fog of our confused political councils.

CLARENCE MANION, "Cause of Corrupt Government"

WHO KILLED COCK ROBIN?



THE community was in shock. Its largest employer, a steel company, had announced the closing of a plant and a permanent reduction of five thousand jobs. This would also mean cutbacks at numerous supporting businesses in the community.

Steel company officials tried to explain that obsolete equipment, costly wage rates and fringe benefits, and prohibitive ecological requirements of government agencies had forced their unhappy decision. But many people were angry. Their villain was a large corporation, and the victims were thousands of hourly workers and their families—a “cause” made to order for politicians, union leaders,

and even clergymen, with their various schemes to save jobs but with little appreciation for the process of job-creation and, thus, little understanding of events that had led to the demise of job opportunities at this closed plant.

A job, in the economic or market sense of the term, is an opportunity to serve customers who are willing to buy products or services at a satisfactory price level. There are many factors involved in creating a job. A steel mill job, for instance, requires a vast accumulation of capital—savings in the form of plant and equipment—as well as the managerial initiative and ingenuity to combine scarce and valuable resources in a way that customers will approve. The price customers are willing to pay for steel determines whether the

Mr. Sparks, now chairman of the Board of Trustees of The Foundation for Economic Education, is an executive of an Ohio manufacturing company.