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The Blindness of MACRO-ECONOMICS

THERE IS a charming little allegory of Hans Christian Anderson which fits very well the efforts of macro-economists and others who have directed public policy in recent years. In *The Emperor's New Clothes*, a group of self-styled magic weavers undertook to weave clothes for the emperor which would make him invisible. When the invisible clothes were finished, they went through the motions of dressing the ruler and he strolled out among his subjects to check the result. Like any "silent majority," the people were loath to speak out questioning their government. However, one little child broke the spell by crying: "The emperor is naked!" Like the emperor's new clothes, the impressive weaving of our political economists has had a denuding effect on the exchequer. The childlike simplicity of individualism is called for to show them up.

Mr. LaDow, of San Diego, recently retired as a teacher of social studies in high school.

No less charming was a talk of William James to teachers and students: "On a Certain Blindness in Human Beings." James demonstrated, including an example of his own lack of perception, how impossible it is to plumb another individual's motives (what makes him tick). Let anyone who questions the universality of this blindness read this essay in William James' little book: *Talks to Teachers*. Indeed, macro-economists are aware of this shortcoming in their trade. They are commonly fond of proclaiming their modesty by suggesting: "Let the political philosophers tell us what kind of an economy they want and we will produce the model." However, this shrugging of responsibility provides us with an empty alternative when most of our political philosophers are, themselves, tied up in analytical generalities which ignore the realities of individual existence. Somehow, classes, races, sexes,

and other kinds of groups are all that remain within the brackets of their consideration. The individual exception is filtered out—something with which they are unprepared to deal. Since each of us is an individual exception, by definition as well as in reality, these macro-sociologists are poorly equipped to manage the realities of human existence.

**Not Even Governments Can
Long Flout Public Opinion**

While man is a gregarious animal whose very existence depends upon political organization, the viability of any political organization is dependent upon the voluntary support of its individual members. There have never been enough jails and concentration camps in any tyrannous state to hold all its dissidents. Custom is the accretion of individual compromises found necessary to essentially different beings in order to survive living together. (Current violence in our society is a warning.) Law can be successful only when it complements such long-standing customs and adopts new rules only when they are clearly in accord with a previous development of custom. In other words, effective reform can come about only from within society, by the voluntary consent of individuals, and cannot be successfully brought

about by government decree, or the judgment of a court.

A case in point is the current hiatus in improved race relations in this nation. Following World War II, one could see remarkable voluntary improvement in race relations; but massive government intervention has precipitated strife and has hopelessly muddled its progress, splintering what might have become a genuine consensus. There is scarcely a facet of our governments' recent operations which does not bear this onus. "Giving government back to the people" is more than a political slogan. It is a practical necessity if we wish to avert social chaos.

Since the overriding bugaboo of our ruling macro-economists has been unemployment, it is incumbent upon us to show how its evils may be avoided. They have seen nothing better to do than to proliferate publicly funded programs to ameliorate the unemployment which their unwise policies created in the first place. By granting monopoly rights to the minority of unionized labor and raising minimum pay laws, they have disemployed marginal workers and taxed the consumer with higher prices, which fall hardest on the poor. Escalation of public relief has created a real option of unemployment to many who might other-

wise find employment. Even in a period of rising unemployment, many positions stand unfilled. These policies must revert to the free, competitive market before we can achieve full employment. Figures on unemployment are meaningless in the current mix created by public policy.

No consideration appears to be given to the truth that, while many individuals are unemployed, by choice or necessity, just as many individuals are over-employed. The wartime necessity of "moonlighting" has become a family habit for many. To pay increasing taxes and meet family goals, working wives have become the rule rather than the exception, while the hiring of household help, once a haven for the unskilled, is outside the budget of most of the middle class. Working wives and husbands must face household chores when they get home. Whole industries have risen catering to the do-it-yourselfer. While plumbers, painters, and carpenters are claiming outrageous prices for their services, the average man is doing more and more of this work for himself. That this massive effort is not, and cannot be, counted in the GNP assures us that its impact on unemployment is never counted. The Keynesian inflation fathered by the macro-economists and their profligate spending of the people's

money has guaranteed that all the willing horses shall be overworked to support their programs. After all, the bulk of the tax load falls on this over-employed middle class.

Work to be Done

There is no need to bring in statistics to show that the official concern over unemployment is a red herring. All that is needed is to look around you. There is plenty of work to be done. Only two requirements exist for putting everyone to work: 1. The money to hire their services and 2. Their individual willingness to go to work at what the market offers.

1. Let us consider first what is necessary to provide the funds to hire the work done. In order to accomplish this, all that needs to be done is to abolish all government funding of so-called anti-poverty programs and unemployment relief. The resultant possibility of lowering taxes by at least fifty per cent should leave enough money in the hands of individuals and firms, the productive factors in the economy, to take up any slack in employment and allow people to get the work done that they need instead of what government decides to do for them. This should even take care of displaced civil servants and appointed personnel and would put them into

productive work, providing a much-needed boost to our lagging GNP. Also, the reduced bookkeeping and red tape suffered by businesses should boost their productivity and provide a boon to the consumer in lowered prices, which are universally raised by the fixed costs of government meddling.

2. While there are some individuals who would work even if there were no necessity to do so, it may be generally agreed that the urge to work is directly proportional to the need for making the effort. Otherwise, there would be few labor-saving devices and much less enthusiasm for vacations. So, if we remove the various governmental programs which encourage people to get along without working, or to join some nonproductive bureaucracy, we are likely to see a renaissance of the work ethic. After all, the reign of this virtue among our ancestry was more due to the raw necessities incidental to taming a continent than to an industriousness peculiar to their genes. We honor them for their courage in facing hunger, thirst, and many hardships unknown to even the poorest of us. Should we deny to any of our contemporaries the honor due to the courage of facing necessity? After all, if we deny it to them in the productive workaday world, they will seek it

in daredevilry, violence, and crime, as is now being demonstrated. If you look at individuals, rather than sociologists' evanescent groups, you will have to admit that most of them would go to work at whatever the market offers their talents — if they had to. In a universe fraught with dangers, the most sincere and useful tutor is necessity. To remove it from a person is to disarm him in the midst of war.

Why the Great Depression?

At this point, we anticipate the cries of those who revert to the "Great Depression" and a memory of people "selling apples on the street" and saying that we can't have that happen again. To begin with, honest economists are agreed that the great slump was caused by inept manipulations of government itself, most particularly those of the Federal Reserve Board which allowed the banking system to become paralyzed. Following that, Federal controls were applied to hamstring enterprise, which has had to learn to live with its hamstrings ever since. That is why people were selling apples on the street. But, even at that, what is wrong with selling apples, if that is the best thing you can think of to occupy yourself? Isn't that a better scene than the punks today ripping off old ladies' purses

in broad daylight, or smoking pot on a tenement step while collecting relief? Governments which appropriate, in one way or another, 40 per cent of their productive citizens' earnings are poor moral examples, either to the industrious or to the idle. We need not be surprised that the former favor us with endless strikes, while the latter do it with riot and crime.

But, some will say that removal of government crutches would bring wages down to a starvation level — the old socialist argument. Well, two factors contribute to rising wages: inflation and technological advance. The inflationary factor is controlled by government by means of taxation and the money supply. Technological advance is altogether provided by industry, although it is aggravated by the selective inflationary intrusion of government, such as the mandating of smog devices, seat belt interlocks, space engineering, public transport, and others too numerous to mention. (That some of these intrusions may be legitimate does not erase the probability that most of them are not.)

Henry Ford was the first to raise wages to five dollars minimum per 8-hour day. This was a revolutionary, totally voluntary, step up at that time, made feasible by technological advance and wise merchandising in the pure free

market sense. True, Mr. Ford was a benevolent despot who fought labor unions with his own police; but he was way ahead of the unions in an honest wage raise which still left his product, the Model T, cheapest and best to the consumer. The labor unions are the first to protest that their wages never keep up to inflation; but they lead in efforts to support inflationary government policies, which leads to a questioning of the intelligence and knowledge of their leaders and members.

Real Wages at Stake

It can be positively stated that wages and prices are inextricably related; for, as all economists agree, all we have to split up is what we produce. Whether the laborer gets the 40 cents per hour of the 1920s, or the \$5.00 per hour of today, and whatever his "fair share" may be considered to be, it must still be diminished in the proportion appropriated by government by taxation and inflation. We may be sure that such advances in his standard of living as have occurred in the past four decades are solely due to the technological advances in the private sector under the vast handicaps of political intervention and legalized seizure by the public sector. Whatever dollar wages may be in a free market, real wages will be

increased in the degree to which government withdraws its interventions and taxes. The individual will always claim the highest wages available to his personal capacities in a competitive market, because firms and households are literally helpless without help.

The most that unions and government can do is to enforce equal splitting of the income pie — an outcome no one really wants. Any general rate of wages for a particular class of work has always been, and will always be, established by the market; so forceful intervention in the process is fruitless in the first place. At some price, there is work for everybody; but there is no form of government short of slavery which can force people to hire workers at over the market price. There is always the option of closing shop or doing the work oneself. Nobody should deny the right of any individual to hold out for the highest price for his services. Neither can anyone deny the right of all other individuals to refuse to hire him.

Perhaps unions perform some service to firms in removing their need to bargain individually with workers. Bossed labor crews have long provided such services, as in field labor; but such arrangements have never been considered particularly favorable to individual

workers. This writer worked in military construction during World War II. A union shop steward was overheard suggesting to an officer that raised military pay was due to union efforts. The officer replied: "Without our war, you wouldn't have such high pay." This illustrates the inexorable effect of supply and demand on general salaries and wages. Those who claim credit for increases must look to their arguments.

Macro-Metaphysics

Macro-economics is a metaphysical art providing an ideal vehicle for such brilliant expositions as those of Professor Paul A. Samuelson, author of the textbook bible in the field. A sample occurred in *The Morgan Guaranty Survey*, for June, 1974, adapted from a memorandum to the West German Council of Economic Advisers. One cannot help admiring Dr. Samuelson's breezy style and broad-brush technique in painting the generalities of the world economic situation. Coining the term "stagflation," he correctly discerns that the current worldwide state of economic stagnation combined with inflation is not to be described with one simple formula, but is an extremely complex situation, which he describes very well. He suggests, in closing, that a domestic cooling off might be in

order, but questions that the political climate would allow that. In a scholar, such disinterestedness is academically virtuous; but it fails to point out that the descriptive technique of macro-economics, when applied to practical affairs, is largely responsible for the public paralysis which grips us.

At the close of Ernest A. Moody's book, *The Logic of William of Ockham*, there is a summation of Ockham's work which is germane to this discussion: "Problems, as Aristotle indicates in the *Topics*, are propositions; hence existence, and our awareness of what exists, are not problems to be solved, but means of solving our problems." While one would not go so far as to suggest that Professor Samuelson was attempting to enunciate a problem in the above considered analysis, it is illustrative of that certain blindness here attributed to macro-analysis. What we need is problems to solve. Perhaps he has given us the means of solving such problems as we are capable of bringing up; but it is a shame to see all that intelligence used only to show us the bad news that exists. It reminds one of Demosthenes' *Third Philippic*, where he challenged the Athenians to offer a motion to do something to protect themselves against the advances of Philip of Macedon, in-

stead of paltering with one another. There must be a motion leading to some action, or there is no problem. All the analysis of the general "isness" of the universe leads us nowhere until some problem is clearly stated.

Sociological Legislation

The obligation of government to protect us from one another's aggressions, and even from destroying our mutual environment, is generally accepted as established custom. The laws on fraud and crime, when evenly enforced, are as effective as might be expected in an imperfect world. With the law on torts, they provide for reasonable protection and redress for individuals. However, the tortuous decisions of courts, in recent years, often invaded by ambiguous sociological considerations, are long overdue for an overhaul to fit a society made up of individuals.

As for the laws to prevent us from ruining our general environment, fines charging us, within reason, for any harm we do would be more effective than the piecemeal, and often conflicting, regulations which have harassed us in this era of macro-decisions. If we look to land use, government itself already controls the largest area in the nation. If government would perform the rules of conservation in lands and installations under its

control, which it would enforce upon the rest of us, any abuse which we might apply to our own private property would certainly not be so considerable as to call for draconian controls, or bribes to comply. Improper use of one's own property creates its own penalty; and damaged neighbors may, and do, sue.

Macro-economists' prevailing view of pollution and waste of natural resources is another case of astigmatism. Fractional reserves allowed by the Federal Reserve with the resulting multiplier effect on credit and the monetization of debt have provided artificial stimulation of consumption. Long term inflation has made certain that people will turn money into goods and commodities as rapidly as possible. These are the policies which have reigned under the advice of the macro-economists and over which firms and individuals have no control, except at the ballot box. If over-consumption be desirable, then pollution and waste must be accepted as a necessary cost.

What is the sense in belaboring citizens and firms for conditions solely due to public policy? Make it easy to borrow, constantly cheapen the people's money; then blame them as a bunch of wastrels! It doesn't make sense. All that is required to bring pollution

and waste under control is to hold each bank fully responsible to depositors and halt the governmental creation of inconvertible currency. One is not sure that banks, with branches on every corner, or a lot of multiplying enterprises and conglomerates, would like this prospect very well; but they might prefer it to an eventual credit collapse, with resultant bankruptcy. If the emperor isn't naked, he is certainly doing a strip-tease.

Let Us Try Freedom

Micro-economics has a proposition to offer: We move that we accept the reality of the free market and deny politicians the option to control it. While it may be true, as Macaulay suggested in 1824, that "Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopular," still Americans have enjoyed its blessings more than most and they have a tradition of its support among their great men, from Thomas Jefferson on down, so they are far better equipped to understand its options than most nations of men. The advocates of a "mixed economy" need to be reminded of Lincoln's aphorism: "I believe this government cannot endure permanently half slave and half free." Although this was applied to physical servitude, it is certainly

equally applicable to economics where our civil rights as persons are usurped by government, placing over a third of our productive efforts in bondage to the state (a form of part-time slavery).

While we have never enjoyed a truly free market in the United States, in recent decades we have been moving away from that desirable policy with increasing acceleration. A real opportunity for statesmanship is clearly before our politicians and voters. Keynesianism has had its chance. Its programs are failures in every department and are bleeding our economy slowly to death. Let us remove our blinders.

All of this world's problems are created and solved by individuals doing their own thing, making macro-analysis an impossible maze. Give the individual a chance. Admittedly, such a drastic change in policy cannot be accomplished in a day; but, if we know where we are headed, we can get there sooner than anyone suspects. Just as means can be found to adjust a household budget to a sudden crisis, a nation can put its house in order to meet a new set of priorities. We will all be happier when we have exchanged the welfare state for the personal liberty guaranteed by our original Constitution. ☸

Power Corrupts Leaders

POWER ACQUIRED by force and subject to no continuing functional check is bound to corrupt. Corporate managements are kept in line by the right of stockholders to move their equities when they are dissatisfied and by the right of consumers and other purchasers to take their patronage elsewhere without let or hindrance when price or quality are poor. If the house of labor is to be clean, the same general principles must be applied there, with the workmen of the nation in the position of stockholders and consumers.

It is as absurd to expect good clean unionism in conditions of extensive compulsory unionism, as it would be to expect good government in a society where the divine right of kings or the dictatorship of the proletariat was the central political principle.

SYLVESTER PETRO, "Can Labor Clean Its Own House?"

IDEAS ON



LIBERTY

Who Owns the Job



CECIL V. GROVE

THAT QUESTION has generated all manner of controversy and frictions over the years.

Labor bosses, presuming to speak for all union members, maintain that jobs are owned by the workers. Although the claim is seldom made in such plain terms, when unions go out on strike, making use of threat and violence to prevent anyone else from doing the jobs they have just refused to perform, it is evident that both union leaders and members consider jobs to be the property of the unions.

Management, on the other hand, tends to argue just the reverse. Pointing out that it is the company or corporation which does the employing and furnishes the necessary capital involved, manage-

ment contends that the job belongs to the company or corporation.

Government, of course, goes them all one better. Regulating both employes and employers and taking its "cut" off the top in taxes, government acts on the assumption that it owns, not only the job, but the human beings involved, as well.

What is the truth of the matter? Who, indeed, *does* own the job?

Well, as usual, when you ask the wrong question, you are likely to get the wrong answer.

In truth, no one owns a job. A job is something to be *done*, not something to be owned. A job is not property. And only property can be owned.

And that, we believe, puts the entire question into its proper perspective.

We can now ask, not who owns the job, but who owns the property

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