

Ronald Reagan Presidential Library

Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Governor's Office, 1967-1975: Files
Folder Title: Health and Welfare - Background
from Ronald Reagan Files (2)
Box: GO180

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

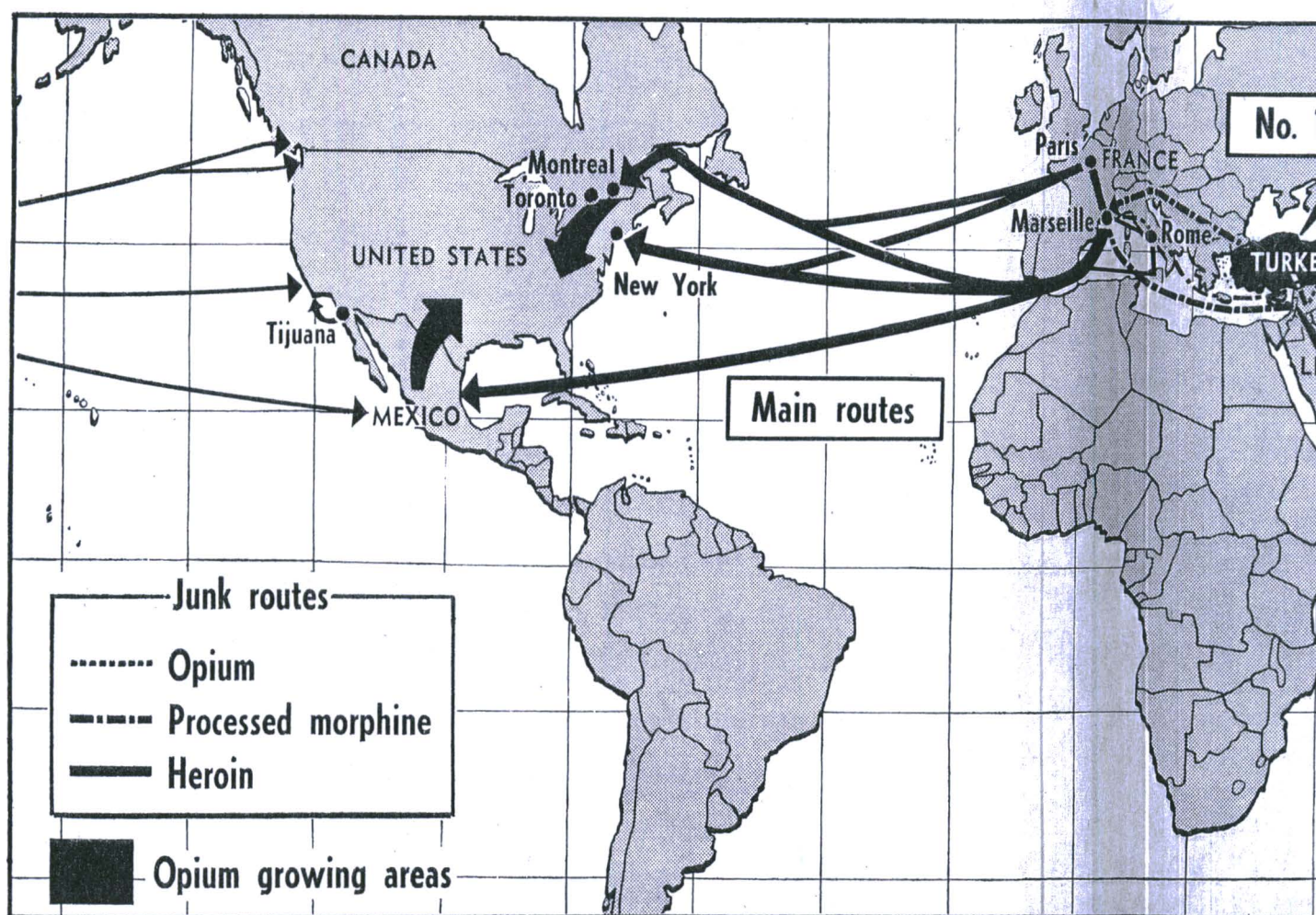
To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>



World 'junk' traffic

Historical File

'We're dealing with a

During the past few months enough heroin has been smuggled into the United States to supply 150 million individual shots for addicts. In other words, enough for all the young people in the U.S. between the ages of 15 and 24 to have at least four 'fixes.' Staff correspondent John Hughes has followed the narcotics trails round the world. In the first of 10 reports he spells out the international drug situation.

©1970 The Christian Science Publishing Society. All rights reserved

Beirut, Lebanon

A FIVE-MONTH INVESTIGATION BY THIS newspaper into the international narcotics traffic reveals that illicit drugs are swirling like a floodtide down the clandestine channels that lead to the addict user.

To the United States, the principal consuming country, the flow is massive, and increasing.

True, seizures are up. Heroin seizures by American customs agents have increased 1,200 percent over the past five years.

The Nixon administration is devoting major effort to disrupting the traffic. At home and abroad, American narcotics agents are doing a yeoman job. Whether shooting it out with opium traffickers in Turkey, or penetrating the heroin factories of Marseille, France, they are often men of remarkable courage, working undercover for long periods at

Last year a startled London housewife found two stands of it growing 6 feet high in her back garden. In New Orleans, agents picked up a college professor and his wife found growing 260 marijuana plants. Across the Mexican border alone, authorities believe, some 1,000 tons of marijuana flow into the United States each year.

For the past several months I have been exploring the pipelines down which this illegal traffic flows and the men who control them. In the course of a round-the-world trip I found that with no especial entrée to underworld circles it was possible, with time and money, to buy every major illegal drug.

In Afghanistan, Pakistan, and Thailand, I came easily to the point of purchase for opium. In Laos I could have bought it by the small planeload.

Sometimes there were difficulties when sellers suspected me of being an undercover narcotics agent or

shop around M purchasers.

As for hashish this as easily as much of Asia, the In Afghanistan, advertising the policemen offer Nepal, hashish of stan, a police of told me he had s for his son's bir

Children accos

For the new s the barbiturate started no farth home in Hong to proposition A tional school ne Thailand, and similar problem.

One finding o tion to the traffi upsurge in the neered in the particular across

A leading Ita young people b some kind of dr Sweden that the front of a camp: trols. Deaths fr "Even the Sov of narcotic dru The Soviets say in their country are quietly conc

individual shots for addicts. In other words, enough for all the young people in the U.S. between the ages of 15 and 24 to have at least four 'fixes.' Staff correspondent John Hughes has followed the narcotics trails round the world. In the first of 10 reports he spells out the international drug situation.

©1970 The Christian Science Publishing Society. All rights reserved

Beirut, Lebanon

A FIVE-MONTH INVESTIGATION BY THIS newspaper into the international narcotics traffic reveals that illicit drugs are swirling like a floodtide down the clandestine channels that lead to the addict user.

To the United States, the principal consuming country, the flow is massive, and increasing.

True, seizures are up. Heroin seizures by American customs agents have increased 1,200 percent over the past five years.

The Nixon administration is devoting major effort to disrupting the traffic. At home and abroad, American narcotics agents are doing a yeoman job. Whether shooting it out with opium traffickers in Turkey, or penetrating the heroin factories of Marseille, France, they are often men of remarkable courage, working undercover for long periods at considerable risk.

But the market for narcotics has expanded phenomenally, too. Some believe it has doubled in the past six months. It now caters to 11- and 12-year-olds. President Nixon says 180,000 Americans are addicted to heroin. Each requires several "fixes" a day of the white powder that has brought death to hundreds and so-called "living death" to thousands more.

So far as "soft" drugs are concerned, more than 6 million Americans are using marijuana, according to a United States congressional committee of inquiry.

Flow increased

Ironically, increased governmental attention to the drug traffic has boosted the current flow. Traffickers fear that traditional sources and channels may be sealed off. So they have been moving large consignments while they can.

Narcotics agents believe 3,500 kilos of heroin have been hastily funneled down the pipeline from Turkey to the United States in the past few months. When diluted, that is enough to supply more than 150 million individual shots of heroin to addicts.

Turkey is the largest grower of illegal opium. France is the major converter of opium into heroin. The process is dominated by a tough Corsican underworld ring operating in Marseille. From these two countries originates 80 percent of the heroin used in the United States. Much of the balance comes from Mexico. Two other countries with booming opium production — Iran and Afghanistan — are likely to cause trouble.

But even if production could be wiped out overnight, enough has been stockpiled to meet world demand for several years. Buried in remote areas of Turkey are several hundred tons of opium. It is guarded by fierce hill folk for whom defiance of authority is practically a point of honor. They can dispose of their caches at leisure. Neither opium, nor morphine (its next stage), nor heroin (the end product) deteriorates with age.

The United Nations says the drug traffic is snowballing and that it is "imperatively urgent" to find ways to cope with it.

A top American narcotics agent puts it more bluntly. "We're dealing," he says, "with an epidemic."

The United Nations estimates illegal production of opium at 1,200 tons a year. Many experts find that calculation conservative. As for marijuana, it grows untended like a weed in dozens of countries.

Last year a startled London housewife found two stands of it growing 6 feet high in her back garden. In New Orleans, agents picked up a college professor and his wife found growing 260 marijuana plants. Across the Mexican border alone, authorities believe, some 1,000 tons of marijuana flow into the United States each year.

For the past several months I have been exploring the pipelines down which this illegal traffic flows and the men who control them. In the course of a round-the-world trip I found that with no especial entrée to underworld circles it was possible, with time and money, to buy every major illegal drug.

In Afghanistan, Pakistan, and Thailand, I came easily to the point of purchase for opium. In Laos I could have bought it by the small plane load.

Sometimes there were difficulties when sellers suspected me of being an undercover narcotics agent or a police officer. But with only a little more effort, I could have bought opium in India, Turkey, and Mexico. In Hong Kong I need walk but a few steps from my office to get the distinctive scent of smoking opium from the neighborhood vendor.

In Beirut a Western diplomat offered me introductions to cocaine sellers in a number of nightclubs.

Second-grade heroin in small doses was easily obtainable in Mexico and Hong Kong. But in Marseille I could have bought top-grade heroin by the kilo (2.2 pounds). It would have taken an advance payment of \$3,000 and several days isolation in a hotel room while the sellers checked me out. If they were satisfied, I could have been reasonably sure of emerging with a kilo of pure heroin. So skillful and careful are the traffickers, however, that the transaction would have been completed without my ever meeting the deliverer.

The movement of heroin from southern France to the United States was once dominated by the American Mafia. But now the Corsican heroin manufacturers have so much to sell that they meet all the Mafia's requirements and have plenty to spare. So in addition, they sell to Cuban, American Negro, and Puerto Rican buying rings who have newly set up

Historical File

International 'merchan

Narcotics

Opium, which when processed becomes morphine, and finally heroin ("junk," "H," "horse").

From cannabis comes marijuana ("pot," "grass," "weed") and its stronger strain, hashish. Though pharmacologically a hallucinogenic drug, marijuana is regulated in the same way as a narcotic.

Similarly cocaine, though technically a stimulant, is considered for law-enforcement purposes a narcotic.

Amphetamines

Stimulants, usually pills, also known as "bennies" and "pep pills."

Children accos

For the new sy the barbiturates started no farth home in Hong K to proposition A tional school nea Thailand, and A similar problems

One finding of tion to the traffic upsurge in the neered in the U particular across

A leading Ital: young people be some kind of dru Sweden that the front of a campai trols. Deaths fro

Even the Sovie of narcotic drug: The Soviets say in their country. are quietly conce drugs from the V

Pep pills are in youths. The Prag tion in the capita Some addicts hav tract stolen from

There may be o governments, wh service to drug a take it more serie

Though it is r cotics, smuggling and particularly more hazardous k

In countries li cotics seller is o upon small-time made the sale, h he gets immunit; is picked up.

In some count to arrest foreigne foreigners, not lo narcotics traffic.

Several hundr

Taken to st iness. Also energy and

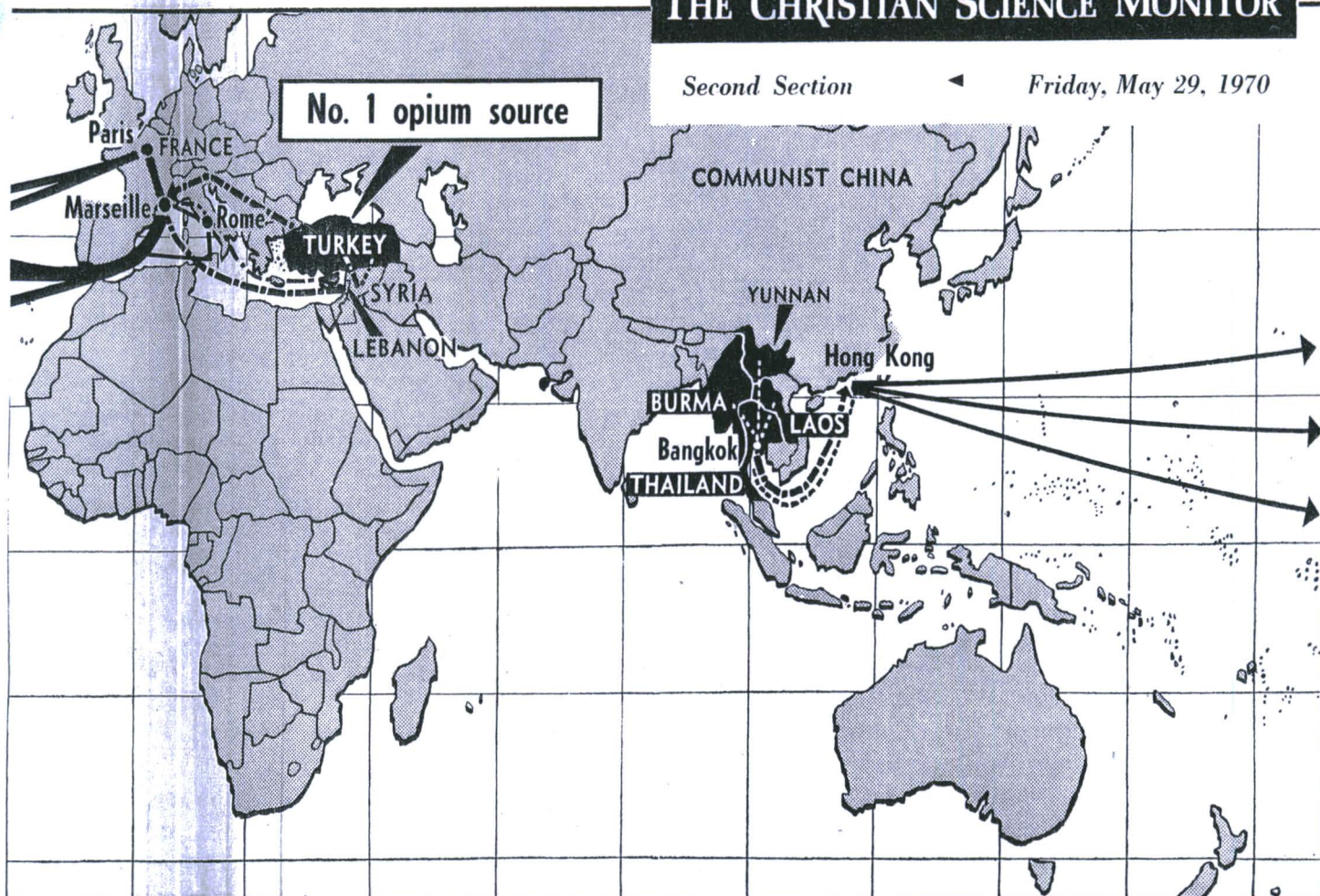
Barbiturates

Sedatives medical pra quilize, an known as " One of the agents for world.

Hallucinoge

Usually I synthetic d and peyote cybin (from

apt. 205 The only



Historical File

with an epidemic'

shop around Marseille, as well as to "independent" purchasers.

As for hashish and marijuana, I could have bought this as easily as toothpaste or candy throughout much of Asia, the Middle East, and parts of Mexico. In Afghanistan, hashish sellers distribute pamphlets advertising their own special brands. Hospitable policemen offer foreign hippies a puff of "hash." In Nepal, hashish comes cheaper than tobacco. In Pakistan, a police officer opposed to the narcotics traffic told me he had sold a kilo of hashish to make money for his son's birthday present.

Children accosted

For the new synthetic drugs — the amphetamines, the barbiturates, the hallucinogens — the trail started no farther than the beach in front of my home in Hong Kong. There the pushers are trying to proposition American children from the international school nearby. American schools in Bangkok, Thailand, and Ankara, Turkey, have encountered similar problems.

One finding of this Monitor survey is that in addition to the traffic in cultivated drugs, there is a sharp upsurge in the movement of the synthetics. Pioneered in the United States, they are flowing in particular across the borders of Western Europe.

A leading Italian psychologist says 30 percent of young people between 14 and 22 in Rome are using some kind of drug. Use of stimulants is so serious in Sweden that the Swedish Government is in the forefront of a campaign for strict new international controls. Deaths from heroin use have startled France.

Even the Soviet Union has admitted some "thefts of narcotic drugs from pharmacies and hospitals." The Soviets say illicit traffic poses "no problems" in their country. Other sources say Soviet officials are quietly concerned about the smuggled inflow of drugs from the West.

personal experience of this. They are serving long sentences for narcotics offenses in such hellholes as Sands prison, just outside Beirut.

Crammed 40 to 50 in a cell, the prisoners have one hole in the floor for a toilet, one faucet for a shower. Many have suffered the humiliation of violent homosexual assault. A fortunate few have bribed their way into mental institutions, where treatment is better.

Despite the hazards, the profits from drug smuggling are immense. If transported successfully to the United States and "cut" into 45,000 packets for individual users, a kilo of heroin that costs a few thousands dollars in Marseille sells for more than a quarter of a million dollars.

With this kind of money to be made, involvement in the narcotics traffic extends into the most pseudo-



The junk merchants:
International narcotics traffic - 1

respectable circles and into the highest ranks of a number of governments.

In Lebanon, a leading politician is one of the largest owners of hashish-producing land.

The uncle of one Middle Eastern monarch reputedly controls the transportation of narcotics through his country.

The sister of another head of state is persistently linked to the operation of a morphine-producing factory.

much of Asia, the Middle East, and parts of Mexico. In Afghanistan, hashish sellers distribute pamphlets advertising their own special brands. Hospitable policemen offer foreign hippies a puff of "hash." In Nepal, hashish comes cheaper than tobacco. In Pakistan, a police officer opposed to the narcotics traffic told me he had sold a kilo of hashish to make money for his son's birthday present.

Children accosted

For the new synthetic drugs — the amphetamines, the barbiturates, the hallucinogens — the trail started no farther than the beach in front of my home in Hong Kong. There the pushers are trying to proposition American children from the international school nearby. American schools in Bangkok, Thailand, and Ankara, Turkey, have encountered similar problems.

One finding of this Monitor survey is that in addition to the traffic in cultivated drugs, there is a sharp upsurge in the movement of the synthetics. Pioneered in the United States, they are flowing in particular across the borders of Western Europe.

A leading Italian psychologist says 30 percent of young people between 14 and 22 in Rome are using some kind of drug. Use of stimulants is so serious in Sweden that the Swedish Government is in the forefront of a campaign for strict new international controls. Deaths from heroin use have startled France.

Even the Soviet Union has admitted some "thefts of narcotic drugs from pharmacies and hospitals." The Soviets say illicit traffic poses "no problems" in their country. Other sources say Soviet officials are quietly concerned about the smuggled inflow of drugs from the West.

Pep pills are in vogue with some Czechoslovakian youths. The Prague weekly Kvetý says drug addiction in the capital is reaching alarming proportions. Some addicts have been getting high on cactus extract stolen from Prague's botanical gardens.

There may be one positive aspect to this. European governments, which until now have paid only lip service to drug abuse and traffic, are beginning to take it more seriously.

Though it is relatively easy to buy illegal narcotics, smuggling them across international borders, and particularly into the United States, is a much more hazardous business.

In countries like Turkey and Lebanon, the narcotics seller is often an informer, too, particularly upon small-time or amateur traffickers. Having made the sale, he tells the police. For this service, he gets immunity from prosecution. But the buyer is picked up.

In some countries, the police go out of their way to arrest foreigners. This helps build their case that foreigners, not local citizens, are responsible for the narcotics traffic.

Several hundred Americans have had tormented

hole in the floor for a toilet, one faucet for a shower. Many have suffered the humiliation of violent homosexual assault. A fortunate few have bribed their way into mental institutions, where treatment is better.

Despite the hazards, the profits from drug smuggling are immense. If transported successfully to the United States and "cut" into 45,000 packets for individual users, a kilo of heroin that costs a few thousands dollars in Marseille sells for more than a quarter of a million dollars.

With this kind of money to be made, involvement in the narcotics traffic extends into the most pseudo-



respectable circles and into the highest ranks of a number of governments.

In Lebanon, a leading politician is one of the largest owners of hashish-producing land.

The uncle of one Middle Eastern monarch reputedly controls the transportation of narcotics through his country.

The sister of another head of state is persistently linked to the operation of a morphine-producing factory.

In one Asian country, an American diplomat told me:

"We want the drug traffic out of here stopped. But we have a problem. If American narcotics agents start nosing around here too closely, they're going to uncover some links to pretty high places."

In Laos the Army is involved in the opium business, and Lao Air Force planes transport opium.

In Thailand the massive outflow of narcotics could hardly take place without collaboration at fairly high levels. In the past, involvement in the drug traffic has extended into the Cabinet. It may still today.

Ambassador arrested

The diplomatic bag, immune from customs scrutiny, is an ideal vehicle for narcotics traffic. A number of Latin-American diplomats have been caught moving narcotics, including ambassadors from Mexico, Guatemala, and Uruguay.

This year Italian police arrested a Pakistani ambassador on narcotics charges. Other diplomats are being watched. Personnel of a number of international agencies with diplomatic privileges, particularly in Southeast Asia, are under suspicion.

In Lebanon, the traveler in trouble with the law who needs new documents can visit the ambassador of one Central-American country. No questions are asked. The fee for a brand-new passport of that country is \$1,000 in cash. One recent purchaser was an LSD chemist on the run from British police. He used his new passport to travel to North America.

Money, however, is not always the reason for involvement in the drug traffic. Sometimes the motive is political or ideological.

Western agents, for instance, believe the Israeli intelligence service permits Arab smugglers to move shipments of narcotics across Israeli-held territory. The smugglers are Bedouin tribesmen. In return for the transit route, they give the Israelis military information about Arab positions.

There is also narcotics-smuggling across the Arab-Israeli border for straight gain. The hashish that visiting Jewish hippies buy in Israel comes from Lebanon.

In Laos, some of the main growers of illegal opium are tough mountain tribesmen upon whom the American Central Intelligence Agency (CIA) relies heavily in the campaign against the Communists. Opium is the principal cash crop in the non-

★ Please turn to next page

Historical File

onal 'merchandise':

Taken to stave off fatigue and sleepiness. Also by teen-agers to boost energy and "nerve."

Barbiturates

Sedatives, usually prescribed by medical practitioners to calm, tranquilize, and induce sleep. Also known as "goof balls" and "barbs." One of the most frequently used agents for suicide in the Western world.

Hallucinogens

Usually LSD ("acid") or similar synthetic drugs, but also mescaline and peyote (from cactus) and psilocybin (from mushrooms).

The only answer is a generation of young people who will say "no."

★ 'We're dealing with an epidemic

Continued from preceding page

Communist part of the country. Clearly, the CIA is cognizant of, if not party to, the extensive movement of opium out of Laos.

One charter pilot told me that "friendly" opium shipments get special CIA clearance and monitoring on their flights southward out of the country. The same source alleged two or three flights without this "protection" crashed under mysterious circumstances.

Communist intelligence agents are similarly involved with the use and transportation of narcotics.

Soviet agents posing as newsmen in India are known to have made use of narcotics in the course of their intelligence work. In the no-holds-barred world of espionage, it is a logical instrument.

The Soviets accuse the Chinese Communists of manufacturing narcotics and unloading them on the world market with political design. The Chinese undoubtedly do manufacture drugs. But there is no evidence that they are employing them abroad on such a massive scale, for instance, as did the Japanese prior to their invasion of China in the 1930's. Before their military onslaught, the Japanese poured in opium to sap Chinese resistance.

Sanctuaries provided

For drug smugglers from Turkey and the Middle East, Communist countries on the road route to Western Europe are a sanctuary. Opium shipments are stored there, road trailers dropped off or switched, and truck registration papers and license plates changed.

A café in Sofia, Bulgaria, is the known haunt of Arab smugglers. Yet rarely do the Communists interfere with narcotics shipments from Middle Eastern countries for whose friendship they are anxious.

Whatever their motivation, the merchants engaged in this multimillion-dollar "junk," or narcotics, business resort to the most bizarre, the most extreme, the most ingenious methods to get their wares through.

Along the Turkish-Syrian border, the authorities have strung barbed wire and planted minefields. But the smugglers mov-

ing convoys of raw opium snip the wire and drive herds of goats ahead of them to explode the mines.

Camels carry opium in metal cylinders in their stomachs. One cheerful Afghan showed me how to slit the skin of a sheep, slip a wad of opium in, and sew the skin up again before herding the shaggy animal across the border into Iran.

From Laos, charter pilots air-drop opium in watertight bags in the Gulf of Siam. Deep-sea fishing boats from Thailand pick it up, sail to Hong Kong, then sink it in shallow water off the coast. Chinese fishing junks trawl for it later and quietly run it ashore.

Hiding places are many

Narcotics are smuggled in hollowed-out books, in scuba tanks, and molded into chessboards. They are disguised as lemons, and hidden in pierced watermelons, and sealed in cans of peaches, coffee, and olive oil. They are carried in dolls, and toy horses, and even in babies' diapers.

Women couriers conceal them in girdles and brassieres. California customs agents caught one "pregnant" woman coming off a President liner with 40 pounds of narcotics in a false stomach. In Turkey, police found a "hunchback" with nine pounds of narcotics in his "hump."

From Colombia, one smuggler tried to ship 95 pounds of marijuana into the United States in a crate full of boa constrictors.

Others have tried molding narcotics as rosary beads.

But still favorite hiding places for traffickers are the false-bottomed suitcase and the concealed compartment in a truck or automobile. A surprisingly large amount of narcotics travels through the international mail labeled as innocent gifts. In one big haul in Hong Kong, narcotics were packed as insulation in the walls of a shipment of refrigerators.

One more interesting fact about the major criminals behind the narcotics traffic: Rarely do they use drugs themselves. They know better.

First of 10 reports. Next: "The trail through Turkey" appears Tuesday June 2.



Hong Kong Government

Narcotics haul

Ohio GOP unity threatened

Doubts raised as to whether candidates

By Joseph Rice

Special to The Christian Science Monitor

Columbus, Ohio

Integrity was a key issue in Rep. Robert Taft Jr.'s 3,100-vote win over Gov. James A. Rhodes in the May 5 Republican Senate primary.

Many observers attribute the Governor's loss to Life magazine's charges he misused campaign funds and had underworld connections. While the image of Mr. Rhodes was tarnished, backers portrayed Mr. Taft as a man of integrity, untouched by scandal.

Now the corruption issue has been raised once again, casting doubts on the integrity of two Republican candidates for state office, shattering most hopes for party unity, and raising grave doubts whether the Republican state ticket can survive the scandal.

The key figures involved are State Treasurer John D. Herbert, son of a former governor and the party's nominee for at-

torney general; State Senator Robin T. Turner, GOP nominee for state treasurer, and Gerald A. Donahue, a former state tax commissioner and politically well-connected Columbus lawyer.

Mr. Donahue is connected with Crofters, Inc., a firm that arranges for firms to obtain loans from the state treasury. Mr. Herbert's office reportedly approved loans exceeding the \$50 million permitted by law. Mr. Donahue reportedly received lucrative "finders fees" for \$22 million in loans.

Contributions disclosed

An aide to Mr. Herbert has disclosed that the latter received a \$15,000 campaign contribution from Mr. Donahue. Mr. Herbert was unopposed in the primary. Mr. Turner has admitted receiving a \$7,500 contribution from someone representing Mr. Donahue. Mr. Herbert states he was unaware of Mr. Donahue's contribution.

The big question now is how far the issue

might spread. Mr. Donahue told friends paid for a newspaper ad lauding Mr. Rhodes and his achievements the day the Governor announced his Senate candidacy last November. The Governor denies receiving any campaign contributions from Mr. Donahue.

Attorney General Paul W. Brown, who was an unsuccessful candidate for the GO gubernatorial nomination, also has admitted Mr. Donahue contributed to his campaign.

State Auditor Roger Cloud, winner of the GOP nomination for governor, has called for both Mr. Herbert and Senator Turner to get off the ticket. Both have refused.

Party pressure develops

"I should get off for telling the truth," Senator Turner exclaimed at a news conference May 21. He disclosed Mr. Donahue's contribution against the advice of a well-known Columbus lobbyist, Senator Turner said.

Mr. Herbert, whom Mr. Cloud asked

Lunar rock dated 4.6 billion years

Beyond 'Leaf-Raking': WPA's Lasting Legacy

*The nation's largest job-creation program,
though much maligned, put millions to work and made
permanent contributions to American life, from farm-to-market roads
to masterworks of modern art.*

When community-service employment is debated today, it is not unusual to hear put-down references to the Works Progress Administration and "leaf-raking." Recognizing that the times are different, as are the needs of the potential applicants for community-service jobs, it's still worthwhile to recall the reality of WPA's enormous contribution not only to the preservation but also to the enrichment of American society.

In the chaos of deprivation and despair of the early 1930s, the federal government relied on direct relief aid, the dole, to ease the plight of millions of unemployed workers. By 1936 the federal government was out of the dole business and into the business of work-relief. Fortune magazine observed admiringly that the government, through the WPA, had become so deeply involved in the relief of the unemployed that it was not only keeping them alive but was also giving them an opportunity to work; and not only giving them an opportunity to work but giving them an opportunity to work at the jobs for which they were peculiarly fitted; and not only giving them an opportunity to work at the jobs for which they were peculiarly fitted but creating for them jobs of an interest and usefulness which they could not have expected to find in private employment."

When WPA was established by Executive order on May 6, 1935, nearly five million workers were on relief and 11 percent of these were white collar and concentrated in urban areas. At the head of the new agency was Harry L. Hopkins who would be alternately praised and damned as would be his new agency. Images of "leaf-raking" and "leaning on hovels" would haunt the WPA even in the years beyond its official demise in 1943. At the end of each fiscal year of its existence, its administrators faced an unsympathetic Congress that did not quite dare to destroy it, although not above harassing it with periodic investigations.

Whatever the misunderstandings of its critics, then and now, the main purpose of America's first large-scale federal public employment program was clear in its authorization and to its administrator. Addressing his staff in June, 1935, Hopkins stated: "What is more important, that the fellow who has

been kicked around now for years and given a lot of relief, some of it pretty miserable and uncertain, be given a job, or that some great bridge be built and he not get a job? . . . Never forget that the objective of this whole program as laid down by the President . . . is the objective of taking 3,500,000 people off relief and putting them to work, and the secondary objective is to put them to work on the best possible projects we can, but don't ever forget that first objective, and don't let me hear any of you apologizing for it because it is nothing to be ashamed of."

At its peak WPA employed 3,335,000 persons. In the life of WPA, 18,805,000,000 hours of work were performed and a total of \$8,990,597,000 was paid in wages to workers employed on WPA projects. Eight and a half million different persons, with 30,000,000 dependents, worked for the WPA during its eight-year history. Project workers were a constantly changing group indicating the different attitude from private industry toward the problem of turnover. While private industry aimed to retain employees, WPA aimed to assist its employees in securing private employment.

Beyond numbers, the effect on the morale of the nation of putting to work the employable unemployed was incalculable. No cost-benefit analysis could be meaningfully applied to an experiment so heavily weighted by human factors. Certainly the WPA experience demonstrated what economist Garth Mangum would point out decades later to a Congressional committee: "Useful jobs can be created commensurate with the abilities of almost anyone simply by the expenditure of public funds to purchase their services." The question remains whether administrators can use free labor wisely. Looking back on the work-relief era, Robert Moses, New York's fabled public building czar, decried the ridicule of WPA, pointing out "a dozen recreation centers in New York City built during the WPA period, estimated to have cost \$1.1 million each, not so much higher than a low bid of \$850,000 from a responsible contractor. These centers are alive with kids today, and they certainly don't represent boondoggling or make out Harry Hopkins to have been a mere male social worker."

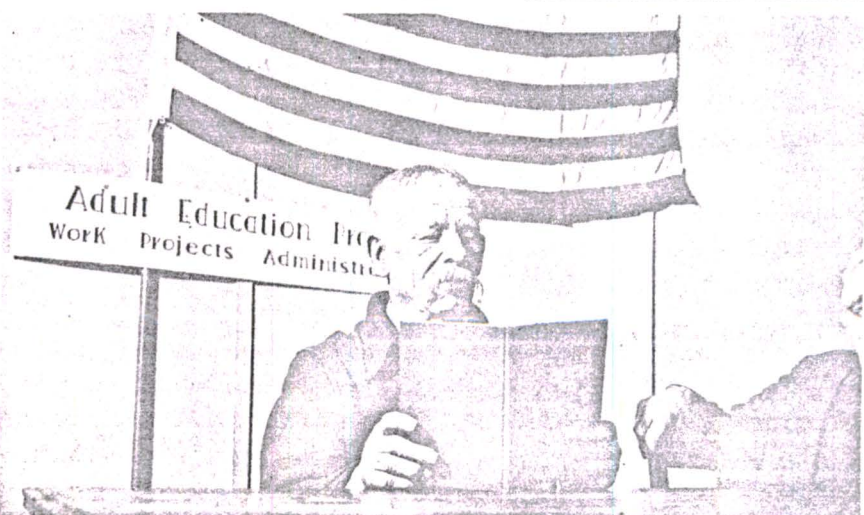
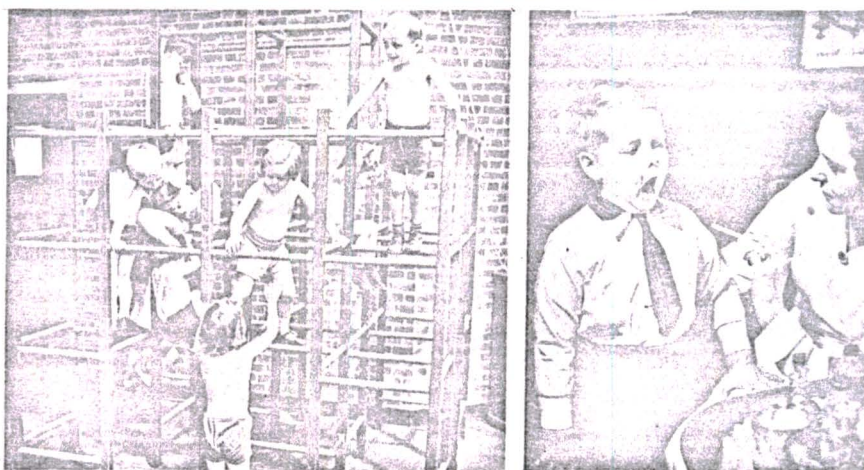
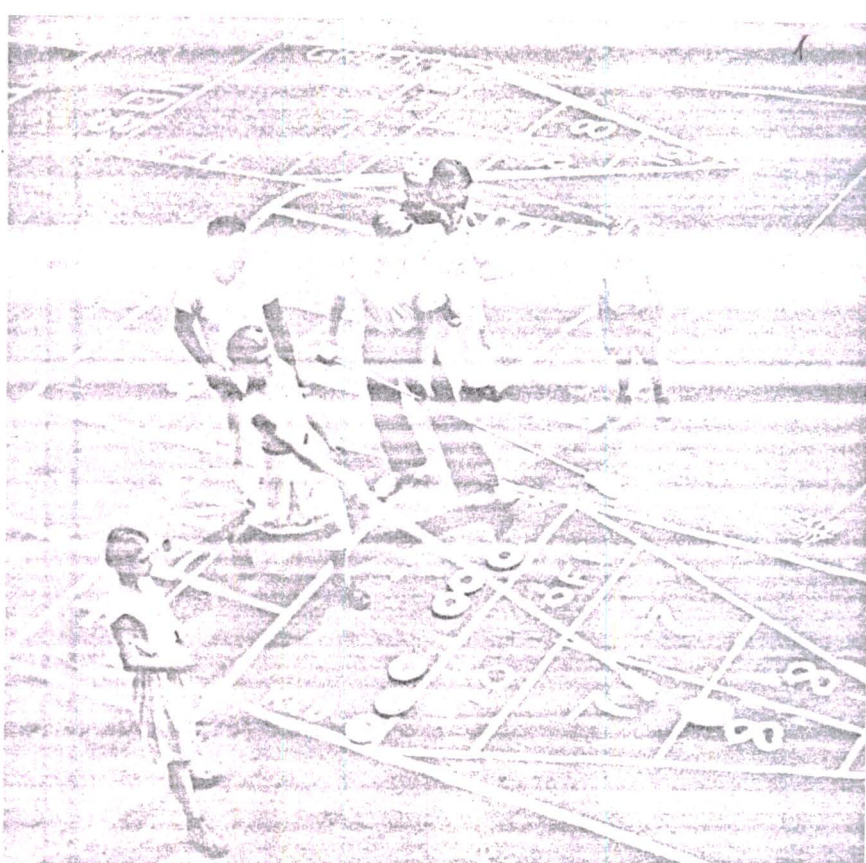
Wide-ranging WPA efforts in community services have been largely forgotten. But WPA programs in recreation, education, health, and welfare were combined with local resources to meet locally defined needs. Major contributions were also made by the WPA to the arts in recording a turbulent era of social change, in conserving and developing native talent, and in producing important works such as the Stuart Davis painting at left.

Originally WPA was envisioned as primarily a construction program for unskilled labor that should employ people then on relief as quickly as possible. Appropriations dollars were stretched by requiring contributing funds and materials from local government agencies. Indeed, the great majority of the projects were planned and initiated by local agencies. Taking into account the number of eligible workers in a community, their skills, and the kinds of projects desired by the community, administrators managed to adapt legislation written for construction projects and an organization structured for handling unskilled labor to devise community work-relief programs in education, recreation, and welfare services. Projects eventually embraced everything from the originally contemplated construction through easel painting, archaeological digs, malaria control, school lunches, and housing inventories. Under an administrative umbrella known as Federal Project No. 1, the WPA coordinated in a national program work in music, art, writing, theater, and historical records.

Whatever the waste inherent in haste and relief work, WPA left behind an immense heritage of useful work. In physical properties alone, the results were impressive—and 75 per cent of WPA projects were in construction. A final report of the WPA summarizes: “the construction or repair of 650,000 miles of highways, roads, and streets, including farm-to-market roads . . . the construction of nearly 40,000 new public buildings and the repair or improvement of more than 85,000 existing buildings; the construction or improvement of thousands of parks, playgrounds, and other recreational facilities; the installation or improvement of public utilities service and sanitation facilities; the extension of flood and erosion control, irrigation, and conservation; the construction or improvement of thousands of airports and airways facilities. . . .” Today Americans enjoy the use of facilities whose WPA origins have been forgotten: New York’s Central Park Zoo, San Francisco’s Aquatic Park, San Antonio’s and Chicago’s well-planned waterfronts, the Philadelphia Art Museum, as well as innumerable libraries, zoos, airports, parks, hospitals, swimming pools, schools, municipal buildings. An extensive program of historic preservation saved and returned to use buildings in varying stages of disrepair, among them Independence Hall in Philadelphia and Faneuil Hall in Boston.

Administrator Hopkins was criticized as “an Indian rajah on a toot” and a “professional almoner,” but he often bought farsighted results with his wealth of available labor. The nation is richer both for the conservation of some of its buildings and history and for the conservation of its human resources.

Understandably, a lot of mediocre artists produced a lot of mediocre art in a program that produced 18,000 pieces of



PHOTOS FROM NATIONAL ARCHIVES



Americans continue to enjoy the public facilities constructed by the WPA without ever realizing their origins. The Philadelphia Art Museum, Chicago's well-planned lakefront, and New York's Central Park Zoo lead an endless inventory of libraries, airports, parks, schools, hospitals, municipal buildings, bridges, and dams. A network of farm-to-market roads was part of the vast highway and road-building program. WPA preservation work rescued many of the nation's until-then neglected historic buildings.

photographs, and 2,500 murals. But many good artists were kept at work on their "thing," and some were sustained to go on to become the creative giants of a later era. Despite some of the degrading requirements of the relief system, painter Louis Block recalls, "The greatest advantage to the producing artists on the projects was the opportunity for continued work without any economic pressures. For those with more than average ability, this opportunity was a choice avenue for growth and development. This is abundantly demonstrated in the subsequent careers of many project painters and sculptors."

From the millions of anonymous WPA workers emerged Jackson Pollock, Adolph Gottlieb, Willem de Kooning, Arshile Gorky, Stuart Davis, Mark Rothko, Philip Guston, David Smith, Conrad Aiken, Richard Wright, Orson Welles. It could be argued that the personal bonds formed in times of hardship contributed to a community of later endeavor that could generate the development of a movement like abstract expressionism.

The emphasis on American content in the cultural efforts helped break the grip of traditionalism and Europeanism on the nation's arts. The theater project performed the works of native playwrights and experimented with new dramatic forms like the "Living Newspapers" which translated social problems into dramas. Across the country, 158 theatrical companies played to more than 25,000,000 people in conventional and makeshift theaters and in theater caravans on wheels.

The music project gave American composers and soloists heretofore undreamed-of exposure. WPA orchestras gave performances before an estimated 150,000,000 persons, many of whom had never heard live music before. In WPA community centers, more than eight million people participated in free art and music classes, attended lectures, and enjoyed WPA traveling exhibits. Today's famed Walker Art Center in Minneapolis grew out of the community art programs.

To compile an Index of American Design, nearly 1,000 artists searched attics, shops, museums to make 22,000 faithful reproductions of objects that illustrated the evolution of native arts and crafts. A treasure trove of folk music as well was discovered and preserved for future Americans. Never before had any government been so committed to the cultural life of its citizens.

Unable to indulge the luxury of hiring only destitute genius, program administrators made a virtue of the necessity of work-relief and brought to millions of Americans a consciousness of their history and culture which was in part responsible for today's cultural boom.

Not only did the arts projects accumulate invaluable American material but they also prepared an American audience.

Holger Cahill, director of the Federal Arts Project of the WPA expressed this in an introduction to a catalog of an exhibition of WPA painting: "The organization of the project has proceeded on the principle that it is not the solitary genius but a sound general movement which maintains art as a vital functioning part of any cultural scheme. Art is not a matter of rare occasional masterpieces. The emphasis upon masterpieces is a 19th-century phenomenon. It is primarily a collector's idea and has little relation to an art movement . . . in a genuine art movement a great reservoir of art is created in many forms both major and minor."

Similarly, the writers' project preserved, expanded, stimulated an interest in the American scene. Guidebooks for each state and territory, the now-famous American Guides, were prepared as well as local guides to cities and regions, schoolbooks that utilized information gathered on local history, and studies of racial groups and folklore.

In the research and records program, surveys were made relating to traffic, land use and housing, local social and economic conditions, climatology, topography, and natural resources. Clerical projects reorganized files, indexed records, archaeological findings, vital statistics, and sent workers into public nooks and crannies where mice had been the curators for records of which historians had had no knowledge.

Also of historical value was the survey of old buildings which made available photographs and drawings of representative types of American buildings to be preserved, as many of the buildings were not in the Historic American Buildings Survey. Of inventories covering more than eight million dwelling units housing about 45 per cent of all U. S. urban families, Architectural Forum commented in 1936 that "no single WPA achievement has meant as much to building as its latest — compilation and publication in book form of the findings of real-property inventories in 203 urban communities, rightly prefaced as 'the most detailed body of statistical information now available on the physical characteristics of housing in the United States.'"

More useful work. Today's observer can lament the dearth of community services: the garbage not collected, the mail infrequently delivered, the medical and dental services not available to people who cannot afford them. In contrast, through its community-services projects WPA workers gave assistance to public health agencies in the operation of clinics; prepared more than 1,237,000,000 hot lunches served to school children using the supply of millions of quarts of fruits and vegetables canned from food produced on WPA gardening projects; produced on sewing projects 383,000,000 garments for distribution to the needy; repaired and salvaged toys for distribution through toy lending libraries; operated libraries and bookmobiles and during the eight years of WPA repaired more than 94,700,000 books. Maps, slides, models, and other visual education devices were prepared for use in the public schools. Housekeeping aides made 32,000,000 visits to needy homes. At its peak, monthly attendance in WPA nursery schools was 40,000 and in adult literacy and naturalization classes was 293,000. Arkansas reported in 1938 a 40-per-cent reduction in the state's illiteracy rate

WPA arts programs started the nation's first boom in mass culture, stimulating renewed interest in the work of American artists, writers, and musicians. The "Living Newspapers" (bottom far left) combined stage and screen techniques to dramatize social issues, and caravans took live theater to new audiences (bottom left). Projects such as the Index of American Design (top left) reminded the nation of its own cultural heritage.

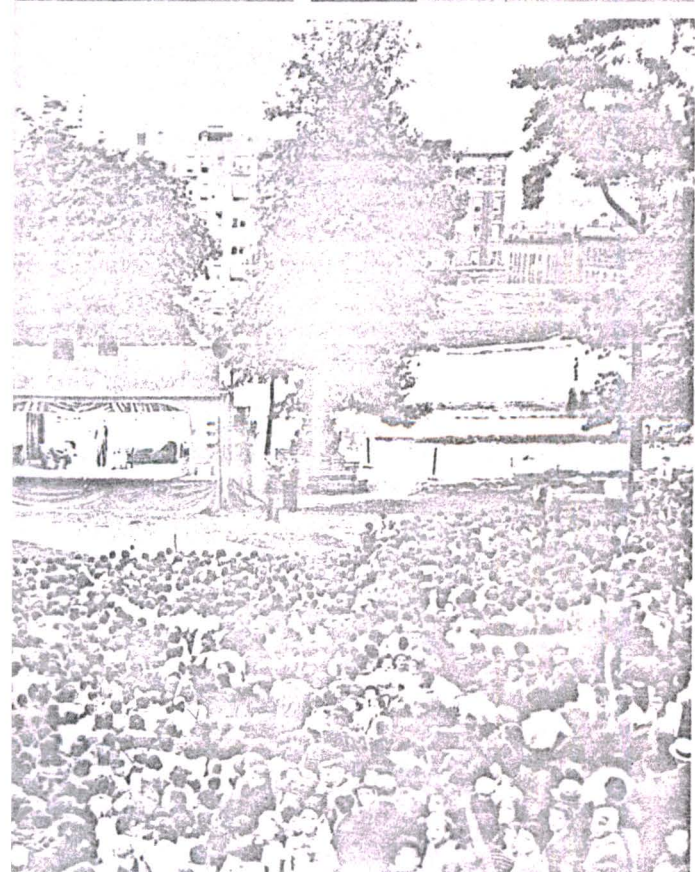
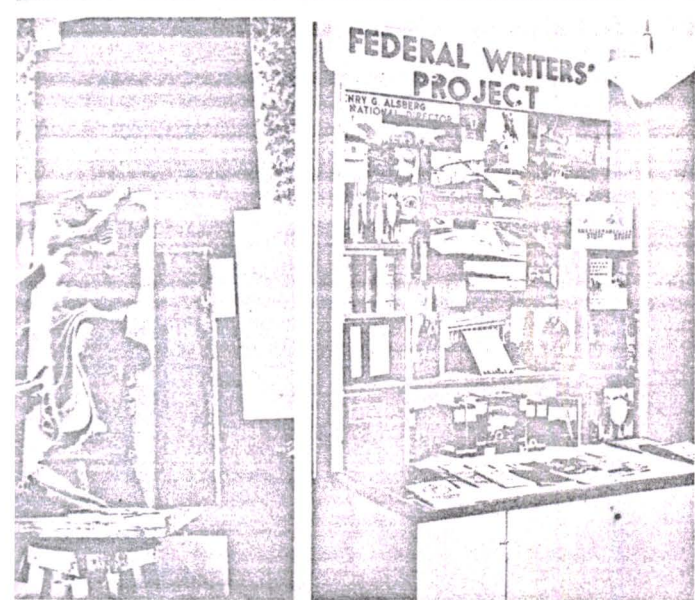
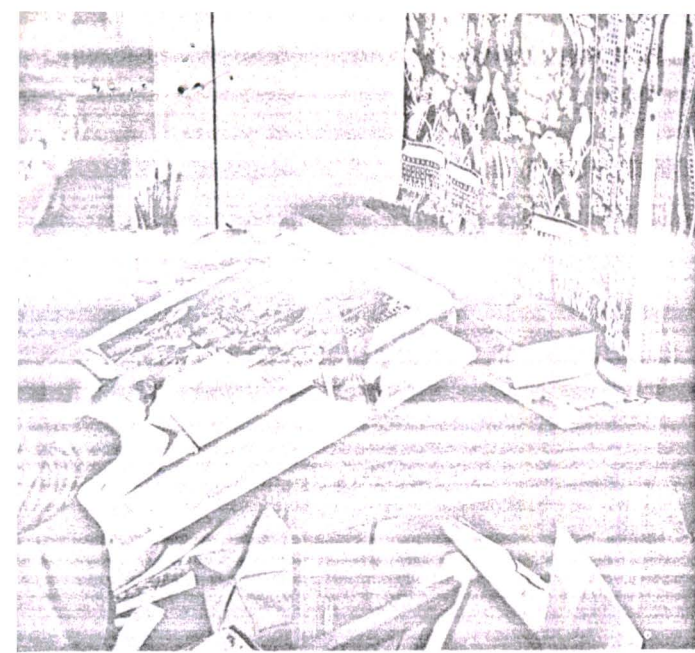
effected by WPA classes. In Pennsylvania by 1938, WPA classes had reduced the total number of illiterates by one-fifth.

The variety of projects was endless. A random look into the voluminous archives of the WPA produces in succession: in Idaho in 1939 a Predatory Animal and Rodent Control Project killed 2 mountain lions, 328 bobcats, 33 bears, 7,263 coyotes, and treated 471,299 acres for rodent extermination; in the Illinois Craft Project, co-sponsored by Eliel and Eero Saarinen, production facilities in workshops under master craftsmen stimulated interest in American craft work and developed and trained workers for jobs in private industry — producing furniture, fabrics, office, library, and school room equipment for public buildings and playgrounds; in Indiana, WPA workers demolished slum housing and erected on leased sites minimal, portable, prefabricated houses designed for relief workers' use with no rise in rent.

And from the spirit of community endeavor came a sense of community that seems elusive in our more affluent times. Fortune described one such effort: "In Albuquerque, N.M., the Community Playhouse was engineered by WPA workers, the draperies were woven by WPA women in colonial Mexican designs, the furniture was made by WPA craftsmen after furniture of the colonial period, Mexican tinwork was used for the indirect-lighting system by WPA artisans, and murals of New Mexico scenes were painted by WPA artists. Nor is such cooperation unusual. Throughout the country WPA art workers assigned to the galleries hang around after closing time tinkering, painting, fixing things up. The galleries become part of the lives of the towns, part of the profound education of the community." A photo of simple, handsome pottery produced on a WPA project in Missouri notes that these dishes were actually used in a WPA nursery project.

Records also reveal that haste and poor planning gave some basis for the leaf-raking reputation which plagues an assessment of WPA even today, although as Garth Mangum admonishes, "It is difficult to find fault with leaf-raking if there are leaves to be raked." A project administrator in Nebraska wrote the national office in 1938: ". . . I have found the workers willing and anxious to give honest labor. Nowhere have I seen 'leaning on shovels,' except where the local agency had not made full plans and preparations. . . . Those who criticize Works Progress Administration's method of relief have only one alternative suggestion and that is the dole. . . . The quality of workmanship, which is being done on these projects, is not 2 per cent below that which would be done under normal conditions, and the great expansion of the work more than compensates for this slight decrease in quality. . . ."

And Franklin Delano Roosevelt commented: "Better the occasional faults of a government that lives in a spirit of charity than the consistent omissions of a government frozen in the ice of its own indifference." By Lois Craig.



PHOTOS FROM NATIONAL ARCHIVES

the Freeman

Ideas on Liberty

MARCH 1971

Malone

25TH

Order **THE FREEMAN** in Bulk!

Perhaps you'd like to share these ideas on liberty with friends. Place a standing order for each new issue as it comes off the press.

Here's what some others are doing with orders ranging from 3 to 500 copies a month:

- a doctor keeps a supply in his waiting room.
- a motel operator places a copy in each room.
- a businessman supplies copies to his favorite customers.
- another distributes them to key employees.
- a college business office orders in bulk for staff members.
- teachers use them in class.

Delivered prices for bulk shipments of current issues of **The Freeman**:

3 copies for \$1.00

10 copies for 2.50

25 copies for 5.00

17 cents each for advance orders of 100 or more copies a month

• Also, we have extras of many back issues. We'd like to recover mailing and handling costs on those, but for bulk shipments of back issues, if available, you may practically set your own price.

Send your order or inquiry to
THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533 • Phone (914) 591-7230

the Freeman

VOL. 21, NO. 3 • MARCH 1971

The Kingdom on Earth Reflections on "the problem" and progress toward solution, on FEE's 25th Anniversary.	Leonard E. Read	131
The Poor Laws of England Four hundred years of welfare-state programs suggest that political cures for poverty may be futile.	Henry Hazlitt	137
Radical Economics, Old and New How the "new economics" is related to pollution as cause and consequence.	Hans F. Sennholz	147
Subsidizing a Crisis: The Teacher Glut, 1971 A case history of interfering with the market in education to create a surplus of teachers.	Gary North	154
Thomas Cooper: Early Libertarian A skilled economic theoretician — often ahead of his time.	Oscar W. Cooley	168
Antitrust History: The American Tobacco Case of 1911 An economic review of one of the historic cases in antitrust law.	D. T. Armentano	173
So Who Are You, Young Man? A poetic appeal for understanding and tolerance of traditional values.	Julian Chase	187
Book Review: "The Silent Revolution: The Industrial Revolution in England as a Source of Social Change" by John W. Osborne.		189

Anyone wishing to communicate with authors may send first-class mail in care of **THE FREEMAN** for forwarding.

the Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

LEONARD E. READ *President, Foundation for
Economic Education*

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a non-political, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

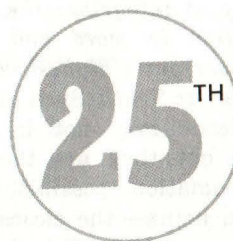
Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average \$12.00 a year per person on the mailing list. Donations are invited in any amount—\$5.00 to \$10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1971, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for \$1.00; 10 for \$2.50; 25 or more, 20 cents each.

Articles from this journal are abstracted and indexed in **Historical Abstracts** and/or **America: History and Life**. THE FREEMAN also is available on microfilm, Xerox University Microfilms, Ann Arbor, Michigan 48106. Permission granted to reprint any article from this issue, with appropriate credit, except "The Poor Laws of England," and "Anti-trust History: The American Tobacco Case of 1911."



The Kingdom on Earth



TH ANNIVERSARY OF FEE

LEONARD E. READ

MARCH 1971—the 25th Anniversary of The Foundation for Economic Education!

"Well, what on earth have you accomplished in a quarter century?"

That is a valid question which, alas, cannot be answered with a Victory salute. Indeed, surface appearances point to nothing but losses, the broad social practice of freedom having steadily waned through the years since FEE began. In the light of such evidence, why keep trying?

There is reason aplenty for persistent effort, not only on our part but on yours, whoever you are.

The private ownership, free exchange, limited government way of life, more stumbled upon than brought about by any precise design, has no long-range survival value except as a supporting ra-

tionalism comes to the rescue.¹ This remarkable politico-economic arrangement cannot last without intellectual, moral, and spiritual underpinnings, many of which have yet to be discovered, understood, explained. In the absence of understanding, coercive collectivism—statism—spills in to occupy the vacuum. Witness what's happening!

In a sense, then, these 25 years have been a period of probing beneath our waywardness to solid foundations upon which to erect and refine a rationale that will make a free society possible.

Do our troubles stem from economic illiteracy? We thought so in the beginning. Without discount-

¹ For a development of this point, see "A Role for Rationality" in my *Let Freedom Reign* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, 1969), pp. 9-24.

ing the need for economic understanding, we no longer view it as the bedrock on which to build. For were everyone lacking in moral scruples, the mastery of economics would not make a whit of difference. Fundamentally, ours is a moral problem.

What Accounts for the Rises and Declines of Society?

All history attests to the rise and decline of nations, societies, civilizations. And any thoughtful person, when his own society appears to be on the wane, will try to get at the root of the matter. What is the unique strength of an emerging society or the peculiar weakness that leads toward social decline? What accentuates these ups and downs? Why this monotonous evolutionary-devolutionary sequence?

If there were a simple and obvious explanation, it long since would have been brought into the open for all to see and, hopefully, bent to our purpose.

I believe that this obscure force, or the lack of it, must be identified with the human psyche; it is a quality that develops or deteriorates in the minds of men. The cause of these ups and downs occurs within each individual. Contagious, yes, for like begets like; but this would be the only sense in which the force might be con-

strued as social. Unquestionably, this is a personal problem.

What, then, can it be? I suggest that it has to do with the rise and decline of integrity: *the accurate reflection in word and deed of whatever one's highest conscience dictates as Truth*. Such dictates of conscience may not in fact be Truth but they are the nearest approximation possible for any human being — the closest he can ever come to The Kingdom.

What is to be inferred from "The Kingdom"? If one posits, as I do, an Infinite Consciousness, an out-of-reach Ideal — Creation — then Infinite Truth is The Kingdom. And the eternal challenge to imperfect man is that he bring himself into as much possession of Truth as he can.

The key is familiar, though rarely understood as related to the ups and downs of societies: "Seek ye first the Kingdom of God and his Righteousness, and these things will be added unto you." This admonition is being ignored and thus lies in near obscurity.

In other words, if one will first and foremost seek Truth (The Kingdom) and Righteousness (integrity), then these things — a societal rise being one of "these things" — will be the dividend. But, seek first the dividend, thereby relegating Truth and Righteousness to an inferior position,

then the result surely will be a society in decline. In the words of C. S. Lewis, "Aim at Heaven and you get earth thrown in. Aim at earth and you will get neither."²

Truth Is Righteousness

Now to my point: Truth and Righteousness cannot be torn asunder without obliterating Truth; these are two sides of the same moral coin, that is, they are the inseparable components of The Kingdom on earth! To illustrate: It is a sin to feather my own nest at the expense of others. My highest conscience pronounces this as a Truth. For me to speak or write or act in a contrary manner is to indulge in dissimulation, to flout Righteousness, to live a lie, to deny the Truth that is within me.

With reference to the rise and decline of integrity, it is necessary, at the outset, to re-emphasize that whatever any individual's conscience dictates as Truth may not in fact be Truth but here, *and here alone*, reside such Truths as mankind possesses. One's highest conscience not only can but often does hold fallacies and errors to be Truths. No human being is or ever has been free from this flaw. Thus, even our most accurate reflections — integrity — pronounce fallacies

² See *Mere Christianity* by C. S. Lewis. (London: Geoffrey Bles, Ltd., 1953), p. 106.

and errors, perhaps more often than not.

Reflect on the millions of people who make perfectly honest pronouncements on subjects about which they know little, if anything at all. For instance, according to the tenets I hold to be Truths, Karl Marx expounded numerous errors. Yet, he was — at some points — a man of integrity and in 1848 proudly claimed this virtue for himself and his kind: "The communists disdain to conceal their views and aims." I like the young Marx for that!

And I admire integrity in everyone despite the fact that accurate reflection in word and deed projects an enormous amount of nonsense.

Consider those who speak or write or act contrary to what they believe to be Truth, those who practice dissimulation. Is nonsense thereby curbed? Indeed, it is not; it is multiplied. Were everyone to behave in this manner, Truth would have no way of coming to light — mankind confronted entirely with falsehood!

There are Truths and many are known, else we would not be here. But we must look upon man-perceived Truths as extreme rarities when compared to Infinite Truth. These rare and precious gems of Truth, like diamonds, are mined — brought to the surface — for

man's use in company with inordinate amounts of useless residue.

When integrity is the rule, fallacies and errors are brought honestly into the open, where they can be seen and discarded. Precisely as in mining, the waste is relegated to the slag pile!

"We are all dwarfs mounted upon the shoulders of giants."³ Who are the giants, the ones on whose shoulders all of us are mounted? *Exclusively* the ones who have, over the ages, combined Righteousness with such Truths as they apprehended — men of integrity! Civilization, indeed the very existence of mankind, rests on integrity! Civilizations can rise only as that virtue is practiced and held sacred; they must decline when dissimulation is the mood and the mode.

Wrong Procedures

What of those who seek first the dividends rather than the Kingdom? What are "these things"? One need not look into the behavior of others in order to find this reversal of emphasis. I can look into the mirror and there are plenty of examples. True, some of these desires for "things" have been overcome, disciplined out of practice, but the scars remain and the memories persist as tempta-

³ Fulbert of Chartres (Eleventh Century)

tions. However, they must be recognized for what they are — "these things" or dividends — if I am not to yield to them.

For instance, I wish to be favorably received by a certain scholar, affluent individual who believes in the essentially free society — except tariffs. Shall I conceal from him my belief in free exchange, thus trying to win his approbation, or shall I reveal what my conscience dictates as Truth, inviting his enmity? This is a considerable temptation. But if I were to yield, and everyone else did the same, freedom in transactions would be an unknown concept. To yield is dissimulation; not to yield is integrity.

Or, take the thesis I'm propounding here. Suppose "The Kingdom" were positively scorned by everyone else rather than simply ignored as it is today by those who proclaim that God is dead. Shall I reveal, or conceal, what my conscience dictates as Truth? One is tempted to "go along" with the crowd, rather than risk abuse and disgrace.

"I must be practical" is among the most forbidding obstacles to Righteousness. When socialism is rampant, as now, there is the temptation to weasel, to compromise or, at best, to counsel a cautious and gradual retreat, thus condoning by implication the so-

cialistic thesis. I once asked a distinguished economist why he inserted one socialistic chapter in an otherwise excellent book. He thought it would save him from excessive condemnation by the academic fraternity. There is the temptation not to stand alone with conscience; one fears being regarded as "a nut."

Fame, fortune, acclaim, popularity, and the like are "these things." And to seek them first is to risk a substitution of dissimulation for integrity. Seek Truth, then "these things" come along as the dividend.

Admittedly, this basic admonition calls for faith in something beyond the obvious. Why my faith?

Not Dangerous to Be Honest

Twenty-six years ago, I came to New York City as the Executive Vice-President of the National Industrial Conference Board. Shortly after arrival, I was invited to meet with a dozen top corporate executives, an ad hoc affair unrelated to the NICB. Following dinner, the purpose of the meeting was revealed: "We are here not to discuss the merits or demerits of the Full Employment Act; we are all opposed to it. The question is, what shall *we* do about it?" Immediately, I resolved to be a listener only. For how these men might

appraise the newcomer would have much to do with my career.

For two hours I listened: "We must not reveal our position; instead, we shall hire college professors to appear before the Congressional Committee and speak our piece." And so on.

Finally, one of them asked my views. The thoughts that raced through my mind! If I tell these men what I really think, I am a goner. Not to tell them is to live a lie, to seek approval before men rather than God. *I told them!* There was dead silence, my fate seemingly sealed. Then one of them exclaimed, "Read is right!"

As it turned out, their views were presented openly to the Congress by one of them. As for me, this was among the most rewarding and instructive experiences of my life. Every one of that group welcomed me as a friend, often seeking my counsel. Why? Each felt certain that I would tell him the truth as I saw it.

Experience tells me it is *not* dangerous to be honest, to practice integrity. Indeed, accurate reflection of what one believes to be Truth engenders respect, trust, friendliness — assuming, of course, that one is not argumentative, abusive, cantankerous. And why should one be? I have no call to compel anyone to accept my views; my moral obligation is to express

my thoughts honestly for whatever others may wish to make of them.

Truth for Its Own Sake

While it is true that integrity breeds respect, trust, friendliness, and other desiderata, it is well to keep in mind that these are only dividends. Therefore, it is not for these that one is righteous but for Truth's sake, and that alone. It is simply a matter of getting the priorities in proper order.

Finally, the individual who practices integrity is teachable for, by definition, he is a Truth seeker. The dissimulator, on the other hand is, at best, no more

than a dividend seeker. He has torn Truth and Righteousness apart and, thus, has alienated himself from such Truth as is within him. Until he reverses the priorities, he is not educable.

As one reflects on this subject, it becomes obvious that when dissimulation is widespread, as it seems to be now, nations, societies, civilizations suffer decline. To reverse the direction requires only that integrity become the way, the mode, the style. Then Truth will out—not all at once, never fully to any man or any generation or even during any century, but bit by bit to those who persist in the eternal search. ❊

To Reverse the Direction

ONE FREE MAN says frankly what he thinks and feels in the midst of thousands who by their actions and words maintain just the opposite. It might be supposed that the man who has frankly expressed his thought would remain isolated, yet in most cases it happens that all, or the majority, of the others have long thought and felt the same as he, only they have not expressed it. And what yesterday was the novel opinion of one man becomes to-day the general opinion of the majority. And as soon as this opinion is established, at once by imperceptible degrees but irresistibly, the conduct of mankind begins to alter.

LEO TOLSTOY, from the essay,
"Patriotism and Christianity" (1894)

IDEAS ON



LIBERTY

HENRY HAZLITT



(Bettmann Archive)

The Poor Laws of England

ONE WOULD GET the impression, reading most of the discussions in today's American newspapers and magazines, that no one had ever thought of doing anything for the poor until Franklin Roosevelt's New Deal in the 1930's, or even until President Johnson's "war on poverty" in the 1960's. Yet private charity is as old as mankind; and the history of governmental poor relief, even if we ignore the ancient world, can be traced back more than four centuries.

In England the first poor law was enacted in 1536. In 1547 the city of London levied compulsory taxes for the support of the poor. In 1572, under Elizabeth, a com-

pulsory rate was imposed on a national scale. In 1576 the compulsion was imposed on local authorities to provide raw materials to give work to the unemployed. The Statute of 1601 compelled the Overseers of the Poor in every parish to buy "a convenient stock of flax, hemp, wool, thread, iron and other stuff to set the poor to work."

It was not compassion alone, or perhaps even mainly, that led to these enactments. During the reign of Henry VIII, bands of "sturdy beggars" were robbing and terrorizing the countryside, and it was hoped that the relief or the provision of work would mitigate this evil.

Poor relief, once started, kept growing. According to the early statistician, Gregory King (1648-1712), toward the end of the sev-

Henry Hazlitt is well-known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

enteenth century over one million persons, nearly a fifth of the whole English nation, were in occasional receipt of alms, mostly in the form of public relief paid by the parish. The poor rate was a charge of nearly £800,000 a year on the country and rose to a million in the reign of Anne.

"There was seldom any shame felt in receiving outdoor relief, and it was said to be given with a mischievous profusion. Richard Dunning declared that in 1698 the parish dole was often three times as much as a common laborer, having to maintain a wife and three children, could afford to expend upon himself; and that persons once receiving outdoor relief refuse ever to work, and 'seldom drink other than the strongest ale-house beer, or eat any bread save what is made of the finest wheat flour.' The statement must be received with caution, but such was the nature of the complaint of some rate-payers and employers about the poor law."¹

Guaranteed Income

In 1795 a momentous step was taken that enormously aggravated the whole relief problem. The justices of Berkshire, meeting at Speenhamland, decided that wages below what they considered an ab-

solute minimum should be supplemented by the parish in accordance with the price of bread and the number of dependents a man had. Their decision received parliamentary confirmation the next year. In the succeeding 35 years this system (apparently the first "guaranteed minimum income") brought a train of evils.

The most obvious to the taxpayers was a geometric rise in the cost of relief. In 1785 the total cost of poor law administration was a little less than £2 million; by 1803 it had increased to a little more than £4 million; and by 1817 it had reached almost £8 million. This final figure was about one-sixth of total public expenditure. Some parishes were particularly hard hit. One Buckinghamshire village reported in 1832 that its expenditure on poor relief was eight times what it had been in 1795 and more than the rental of the whole parish had been in that year.² One village, Cholesbury, became bankrupt altogether, and others were within measurable distance of it.

But even the public expense was not the worst of the evil. Much greater was the increasing demoralization of labor, culminating in the riots and fires of 1830 and 1831.

It was in the face of this situation that the Whig government decided to intervene. In 1832 a royal commission was appointed to inquire into the whole system. It sat for two years. The report and recommendations it brought in became the basis of the reforms adopted in Parliament by a heavy majority (319 to 20 on the second reading) and embodied in the Poor Law Amendment Act of 1834.

The report was signed by the nine commissioners. The secretary was Edwin Chadwick; one of the commissioners was the eminent economist, Nassau W. Senior. The text of the report itself ran to 362 pages; together with its appendices it came to several bulky volumes. It was widely regarded as a "masterly example of a thorough, comprehensive, and unbiased inquiry." As late as 1906, one British writer, W. A. Bailward, described it as a "Blue-book which, as a study of social conditions, has become a classic."³

Repeating Ancient Errors

But today the report is just as if it had never existed. Schemes are being proposed on all sides, which their sponsors assume to be brilliantly original, but which would restore the very relief and

income-guarantee systems that failed so miserably in the late eighteenth and early nineteenth centuries, and which the report of 1834 so devastatingly analyzed.

The Speenhamland plan, and schemes like it, endeavored to insure that people were paid, not in accordance with the going rate of wages, or the market value of their services, but in accordance with their "needs," based on the size of their families. A married man was paid more than a single man, and paid still more on a scale upward in accordance with the number of his children. The government — i.e., the taxpayers — paid the difference between his market rate of wages and this scale of minimums.

One effect, of course, was to depress the market rate of wages, because the employer found he could reduce the wages he offered and let the taxpayers make up the deficiency. It made no difference to the worker himself who paid him how much of the fixed total that he got. Another effect was to demoralize the efficiency of labor, because a man was paid in accordance with the size of his family and not in accordance with the worth of his efforts. The average unskilled laborer had nothing to gain by improving his efforts and efficiency, and nothing to lose by relaxing them.

¹ G. M. Trevelyan. *English Social History* (David McKay, 1942), p. 278.

² *Encyclopaedia Britannica*, 1965. Article, "Poor Law." Vol. 18, p. 218.

³ J. St. Loe Strachey (ed.), *The Manufacture of Paupers* (London: John Murray, 1907), p. 108.

Conditions in 1834

But let us turn to the text of the Commission's report, and let the following excerpts speak for themselves. They are taken almost at random:

"The laborer under the existing system need not bestir himself to seek work; he need not study to please his master; he need not put any restraint upon his temper; he need not ask relief as a favor. He has all a slave's security for subsistence, without his liability to punishment. As a single man, indeed, his income does not exceed a bare subsistence; but he has only to marry, and it increases. Even then it is unequal to the support of a family; but it rises on the birth of each child. If his family is numerous, the parish becomes his principal paymaster; but small as the usual allowance of 2s. a head may be, yet when there are more than three children, it generally exceeds the average wages given in a pauperized district. A man with a wife and six children, entitled, according to the scale, to have his wages made up to 16s. a week, in a parish where the wages paid by individuals do not exceed 10s. or 12s., is almost an irresponsible being. All the other classes of society are exposed to the vicissitudes of hope and fear; he alone has nothing to lose or to gain. . . .

"The answer given by the mag-

istrates, when a man's conduct is urged by the overseer against his relief, is: 'We cannot help that; his wife and family are not to suffer because the man has done wrong.' . . .

"Too frequently petty thieving, drunkenness, or impertinence to a master, throw able-bodied laborers, perhaps with large families, on the parish funds, when relief is demanded as a right, and if refused, enforced by a magistrate's order, without reference to the cause which produced his distress, viz., his own misconduct, which remains as a barrier to his obtaining any fresh situation, and leaves him a dead weight upon the honesty and industry of his parish. . . .

"It appears to the pauper that the government has undertaken to repeal, in his favor, the ordinary laws of nature; to enact that the children shall not suffer from the misconduct of their parents — the wife for that of the husband, or the husband for that of the wife: that no one shall lose the means of comfortable subsistence, whatever be his indolence, prodigality, or vice: in short, that the penalty which, after all, must be paid by some one for idleness and improvidence, is to fall, not on the guilty person or on his family, but on the proprietors of the lands and houses encumbered by his settlement. . . .

"'In the rape of Hastings,' says Mr. Majendie, 'the assistant overseers are reluctant to make complaints for neglect of work, lest they should become marked men and their lives rendered uncomfortable or even unsafe. Farmers permit their laborers to receive relief, founded on a calculation of a rate of wages lower than that actually paid: they are unwilling to put themselves in collision with the laborers, and will not give an account of earnings, or if they do, beg that their names not be mentioned. . . . Farmers are afraid to express their opinions against a pauper who applies for relief, for fear their premises should be set fire to. . . .

"'In Brede, the rates continue at an enormous amount. The overseer says much of the relief is altogether unnecessary; but he is convinced that if an abatement was attempted, his life would not be safe.' . . . 'I found in Cambridgeshire,' says Mr. Power, 'that the apprehension of this dreadful and easily perpetrated mischief [fire] has very generally affected the minds of the rural parish officers of this country, making the power of the paupers over the funds provided for their relief almost absolute, as regards any discretion on the part of the overseer.' . . .

"Mr. Thorn, assistant overseer

of the parish of Saint Giles, Cripplegate, London, says —

"'The out-door relief [i. e., relief given outside of a poorhouse] in the city of London would require almost one man to look after every half dozen of able-bodied men, and then he would only succeed imperfectly in preventing fraud. They cheat us on all hands. . . .

"'By far the greater proportion of our new paupers are persons brought upon the parish by habits of intemperance. . . . After relief has been received at our board, a great portion of them proceed with the money to the palaces of gin-shops, which abound in the neighborhood. However diligent an assistant overseer, or an officer for inquiry, may be, there are numerous cases which will baffle his utmost diligence and sagacity. . . .

"'It is the study of bad paupers to deceive you all they can, and as they study their own cases more than any inquirer can study each of the whole mass of different cases which he has to inquire into, they are sure to be successful in a great many instances. The only protection for the parish is to make the parish the hardest taskmaster and the worst paymaster than can be applied to.'"

To economize space, my remaining quotations from the Commissioners' criticisms of the condi-

tions they found must be few and brief.

In many parishes, "the pressure of the poor-rate [i. e., taxes on property] has reduced the rent to half, or to less than half, of what it would have been if the land had been situated in an unpauperized district, and some in which it has been impossible for the owner to find a tenant. . . ."

"Says Mr. Cowell: 'The acquaintance I had with the practical operation of the Poor Laws led me to suppose that the pressure of the sum annually raised upon the rate-payers, and its progressive increase, constituted the main inconvenience of the Poor Law system. The experience of a few weeks served to convince me that this evil, however great, sinks into insignificance when compared with the dreadful effects which the system produces on the morals and happiness of the lower orders. . . .'"

The relief system was found to encourage "bastardy." "To the woman, a single illegitimate child is seldom any expense, and two or three are a source of positive profit. . . . The money she receives is more than sufficient to repay her for the loss her misconduct has occasioned her, and it really becomes a source of emolument. . . ."

"The sum allowed to the mother of a bastard is generally greater than that given to the mother of a

legitimate child; indeed the whole treatment of the former is a direct encouragement to vice. . . .

"Witness mentioned a case within his own personal cognizance, of a young woman of four-and-twenty, with four bastard children; she is receiving 1s. 6d. weekly for each of them. She told him herself, that *if she had one more she should be very comfortable*. Witness added, 'They don't in reality keep the children; they let them run wild, and enjoy themselves with the money.'"

Much Like Today

Given a modernization of phraseology and an appropriate change in the monetary amounts mentioned, this description of relief conditions and consequences in the early years of the nineteenth century could easily pass as a description of such conditions in, say, New York City in 1971.

What, then, in the face of these results of the prior Poor Law, were the recommendations of the commission? It desired to assure "that no one need perish from want"; but at the same time it suggested imposing conditions to prevent the abuse of this assurance.

"It may be assumed, that in the administration of relief, the public is warranted in imposing such conditions on the individual re-

lieved as are conducive to the benefit either of the individual himself, or of the country at large, at whose expense he is to be relieved.

"The first and most essential of all conditions . . . is that his situation on the whole shall not be made really or apparently so eligible [i. e., attractive] as the situation of the independent laborer of the lowest class. Throughout the evidence it is shown, that in proportion as the condition of any pauper class is elevated above the condition of independent laborers, the condition of the independent class is depressed; their industry is impaired, their employment becomes unsteady, and its remuneration in wages is diminished. Such persons, therefore, are under the strongest inducements to quit the less eligible class of laborers and enter the more eligible class of paupers. . . . Every penny bestowed, that tends to render the condition of the pauper more eligible than that of the independent laborer, is a bounty on indolence and vice. . . ."

"We do not believe that a country in which . . . every man, whatever his conduct or his character [is] ensured a comfortable subsistence, can retain its prosperity, or even its civilization.

"The main principle of a good Poor-Law administration [is] the restoration of the pauper to a po-

sition below that of the independent laborer."

The report then followed with its detailed recommendations, which involve many administrative complexities.

The Workhouse System

In 1841, seven years after the enactment of the new Poor Law, when a whole series of amendments were being proposed to it by various members of Parliament, Nassau Senior, in an anonymous pamphlet signed merely "A Guardian," came to the defense of the original act, and explained its rationale perhaps in some ways better than did the original report.

"In the first place," he wrote, "it was necessary to get rid of the allowance system — the system under which relief and wages were blended into one sum, the laborer was left without motive to industry, frugality, or good conduct, and the employer was forced, by the competition of those around him, to reduce the wages which came exclusively from his own pocket, and increase the allowance to which his neighbors contributed.

"Supposing this deep and widely extended evil to be extirpated, and the poorer classes to be divided into two marked portions — independent laborers supported by wages and paupers supported by

relief — there appeared to be only three modes by which the situation of the pauper could be rendered the less attractive.

"First, by giving to the pauper an inferior supply of the necessities of life, by giving him worse food, worse clothing, and worse lodging than he could have obtained from the average wages of his labor. . . .

"A second mode is to require from the applicant for relief, toil more severe or more irksome than that endured by the independent laborer. . . .

"The third mode is, to a certain degree, a combination of the two others, avoiding their defects. It is to require the man who demands to be supported by the industry and frugality of others to enter an abode provided for him by the public, where all the necessities of life are amply provided, but excitement and mere amusement are excluded — an abode where he is better lodged, better clothed, and more healthily fed than he would be in his own cottage, but is deprived of beer, tobacco, and spirits — is forced to submit to habits of order and cleanliness — is separated from his usual associates and his usual pastimes, and is subject to labor, monotonous and uninteresting. This is the workhouse system."

The Royal Commission, in de-

fending that system, had argued that even if "relief in a well-regulated workhouse" might be, "in some rare cases, a hardship, it appears from the evidence that it is a hardship to which the good of society requires the applicant to submit. The express or implied ground of his application is, that he is in danger of perishing from want. Requesting to be rescued from that danger out of the property of others, he must accept assistance on the terms, whatever they may be, which the common welfare requires. The bane of all pauper legislation has been the legislation for extreme cases. Every exception, every violation of the general rule to meet a real case of unusual hardship, lets in a whole class of fraudulent cases, by which that rule must in time be destroyed. Where cases of real hardship occur, the remedy must be applied by individual charity, a virtue for which no system of compulsory relief can be or ought to be a substitute."

Destroying the Beneficiary

To later generations the reforms introduced by the Poor Law Amendments of 1834 came to seem needlessly harsh and even heartless. But the Poor Law Commissioners did courageously try to face up to a two-sided problem that the generation before them

had ignored and many of the present generation seem once more to ignore — "the difficult problem" as Nassau Senior put it, "how to afford to the poorer classes adequate relief without material injury to their diligence or their providence." In his 1841 pamphlet we find him rebuking "the persons who would legislate for extreme cases — who would rather encourage any amount of debauchery, idleness, improvidence, or imposture, than suffer a single applicant to be relieved in a manner which they think harsh. . . . [They] would reward the laborer for throwing himself out of work, by giving him food better, and more abundant, than he obtained in independence. . . . They are governed by what they call their feelings, and those feelings are all on one side. Their pity for the pauper excludes any for the laborer, or for the rate-payer. They sympathize with idleness and improvidence, not with industry, frugality, and independence. . . . It is scarcely necessary to remind the reader of the well-known principle, that if relief be afforded on terms which do not render it less eligible than independent labor, the demand for it will increase, while there is a particle of property left to appease it."

However the Poor Law reform of 1834 may be considered by many

today, it proved sufficiently satisfactory to successive British governments to be retained with only minor changes until the end of the nineteenth century. But there was mounting sentiment against it as the years wore on. Much of this was stirred up by the novels of Charles Dickens and others, with their lurid pictures of conditions in the workhouses. Toward the end of the century the more stringent regulations were gradually relaxed. In 1891 supplies of toys and books were permitted in the workhouses. In 1892 tobacco and snuff could be provided. In 1900 a government circular recommended the grant of outdoor relief (i. e., relief outside of the workhouses) for the aged of good character.

A 1905 War on Poverty

A new Royal Commission on the Poor Laws was set up in 1905. (One member was Beatrice Webb.) It brought in a report in 1909, but as the report was not unanimous, the Government took no action on it. However, new "social legislation" continued to be enacted. An Old Age Pensions Act was passed in 1908. And in 1909 David Lloyd George, the radical chancellor of the exchequer, anticipating President Lyndon Johnson's "war on poverty" by more than half a century, exclaimed in

introducing his new budget: "This is a war budget for raising money to wage implacable warfare against poverty and squalidness."

Finally, the National Insurance Act of 1911, providing sickness and unemployment benefits on a contributory basis to a selected group of industrial workers, marked the birth of the modern Welfare State in England, which reached maturity with the enactment of the Beveridge reforms in 1944.

But the Poor Law Commissioners of 1834, and the Parliament that enacted their recommendations, had frankly recognized and faced a problem that their political successors seem, as I have said, almost systematically to ignore — "the difficult problem," to quote once more the words in which Nassau Senior stated it, "how to afford to the poorer classes adequate relief without material injury to their diligence or their providence."

How to Afford Relief Without Destroying Incentives

Is this problem soluble? Or does it present an inescapable dilemma? Can the state undertake to provide adequate relief to everybody who really needs and deserves it without finding itself supporting

the idle, the improvident, and the swindlers? And can it frame rigid rules that would adequately protect it against fraud and imposture without as a result denying help to some of those really in need? Can the state, again, provide really "adequate" relief for any extended period even to the originally "deserving" without undermining or destroying their incentives to industry, frugality, and self-support? If people can get an adequate living without working, why work? Can the state, finally, provide "adequate" relief to all the unemployed, or, even more, guaranteed incomes for all, without undermining by excessive taxation the incentives of the working population that is forced to provide this support? Can the state, in sum, provide "adequate" relief to all without gravely discouraging and inhibiting the production out of which all relief must come? — without letting loose a runaway inflation? — without going bankrupt?

This apparent dilemma may be surmountable. But no relief system or welfare-state system so far embarked upon has satisfactorily surmounted it; and the problem certainly cannot be solved until the alternatives it presents are candidly recognized and examined. ☉

HANS F. SENNHOLZ

RADICAL ECONOMICS OLD AND NEW

MOST modern economists openly profess disinterest in ideological and political matters. They go about their studies, proclaiming ethical neutrality and freedom from bias, to specialize in a great many details of economic phenomena. The profession is more and more divided into groups specializing in diverse kinds of research so that few members are able to understand the whole field or relate to it the work done in these specialties. The writing of comprehensive treatises on "principles of economics" has virtually ceased and few students are ever introduced to the eternal principles of human action.

Yet, these same economists who claim the scientific dignity of ethical neutrality readily pass judgment on social and political affairs. In fact, they are busily un-

dermining the classical economics that believed in the harmony of interests and social beneficence of the competitive private-property economy. Espousing the theory of "monopolistic competition," they condemn the structure and working of the market system and the power of private firms which are said to administer their outputs and selling prices and fix their payments to labor. The main body of the profession embraces "Keynesian" doctrines and theories, which have dealt a severe blow to the economics of individual enterprise and promoted radical government intervention. Keynesians are convinced that the market economy fails to attain and maintain an appropriate flow of money through the system, or "effective demand" for all products, that it lacks over-all stability or steady growth. The system's grave liability, they proclaim, is its failure to automatically correct its own mal-

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer for freedom.

adjustments which occur as depressions and inflations.

These modern developments of economic theory contributed to the growth of new attitudes among the electorate and clamor for new public policies. Hence, the ideological and political trends toward new-style liberalism and control-type socialism. And above all, a new radicalism bubbles through the profession.

The old radicalism consisted of a few Marxian professors who had the rare courage to openly confess allegiance to the concepts and doctrines of their master. But while there are few professed Marxians in the American economic profession, a great deal of Marxism has swayed the thinking of countless economists. Marxian surplus value theory, commonly called "exploitation theory," has been widely accepted in economic thought, in American legislation and labor policy. The Marxian theory of capital concentration and business monopoly is embraced by most Americans and is used as a guidepost by the Department of Justice in its antitrust activities. Finally, Lenin's doctrine of capitalist colonialism and imperialism is widely accepted as the explanation of foreign affairs, causing our government to help purge European colonialism from all corners of the world.

The new radicalism represented by an organization of younger economists in the Union for Radical Political Economics, with counterparts in most other social sciences, demands drastic domestic reforms and an end to the war in Vietnam.

The private-property-individual-enterprise order is summarily condemned in terms of Marxian analysis. In addition, it is criticized for its tendency to create such problems as inflation, urban decay, pollution, racial conflict, and many other ills of contemporary society.

Even economists schooled in the classical tradition are joining the chorus of vocal critics. The private enterprise system, they contend, does not lead to maximum welfare because many social costs are ignored in the calculation of welfare. Large blocs of *externalities*, which are social costs not included in private costs, are characteristic of the enterprise system. These externalities are destroying our physical environment and precipitating disaster for the human race.

Robert U. Ayres and Allen V. Kneese make such charges in an essay on "Production, Consumption and Externalities." (*American Economic Review*, June, 1969, pp. 282-297). Private businessmen are discharging wastes into the atmosphere and water courses

without cost to themselves. And consumers do not fully use up, through the act of economic consumption, the material elements that enter production. Almost 3 billion tons of residue are going back annually into our environment. This is becoming unbearable, especially in mass urban societies with growing populations and rising material output. Ad hoc taxes and government restrictions are not sufficient to cope with the growing problem. Central, or at least regional, control is needed; and above all, a new economics must be devised that considers waste disposal an integral part of the production and consumption process, and places it within the framework of general equilibrium analysis. "Under conditions of intensive economic and population development the environmental media which can receive and assimilate residual wastes are not free goods but natural resources of great value with respect to which voluntary exchange cannot operate because of their common property characteristics."

Such observations reflect an unbounded faith in the political and bureaucratic process. No matter what the grievance may be, the blame is always laid on private property and individual enterprise, and the solution is always more government!

Who is Polluting?

Even some of the facts are grossly misstated. The worst offenders are not private businessmen in their search for profits, but government itself rendering economic services in a primitive manner. Urban communities are polluted by an increasingly formidable cascade of solid waste, such as garbage and trash, rubbish and debris. According to a preliminary report made in 1968 by the Bureau of Solid Waste Management in the U. S. Public Health Service, only 64 per cent of the nation's people lived in communities that had refuse collection systems. About half of household wastes were collected by public agencies, and one-third by private collectors; the rest was disposed by householders themselves. Most commercial and industrial wastes were handled by private collectors. And most of the dumps and incinerators were operated by public authorities or licensed contractors working for public authorities.

These facts primarily indict government rather than profit-seeking enterprise for our environmental crisis.

Or take the pollution of our waterways. Who is discharging pollutants into streams and rivers, lakes and oceans? Lake Erie, the most polluted inland body of water, is an example. According to

independent surveys, the city of Cleveland is by far the worst offender, followed by Toledo and Buffalo and other cities. Numerous public sewer authorities discharge thousands of tons of waste into the lake every day. So filthy is Cleveland's Cuyahoga River that it catches fire occasionally and traps tugs and boats in its flames. Surely, Lake Erie would suffer no serious pollution were it not for sewer authorities established and operated by government.

Under common law, the beds of navigable bodies of water are government property. Can it be surprising then that government itself either is polluting the lakes and rivers or permits them to be polluted? To blame individual enterprise is an obvious distortion of facts.

It is true, public attitude toward government property usually differs from that toward private property. While the latter is generally respected and the owner protected in its use, government property is treated as a common good without an owner. Unless it is guarded by a host of inspectors and policemen, it is used and abused by the citizenry as if it were free. This common attitude can hardly be construed as recommendation for more government ownership or control over environmental resources.

The Air We Breathe

The third pollution that is often laid on the doorstep of profit-seeking enterprise is the contamination of the air we breathe. In a stinging criticism of the "conventional wisdom" of economics, E. J. Mishan of the London School of Economics and Political Science called the private automobile one of the great disasters of the human race. It pollutes the air, clogs city streets, and contributes to the destruction of natural beauty. The economic growth it represents conflicts with social welfare. ("Economic Priority: Growth or Welfare" in *Political Quarterly*, January, 1969).

Such a severe indictment of the automobile is tantamount to a rejection of one of the most splendid fruits of private enterprise. There are few, if any, private automobiles in collective economies, from Soviet Russia to Castro Cuba. The automobile means high standards of living, great individual mobility and productivity, and access to the countryside for recreation and enjoyment. In rural America it is the only means of transportation that assures employment and income. Without it, the countryside would surely be depopulated and our cities far more congested than now.

The air pollution in our cities, the smoke, haze, and smog, never-

theless present grave health hazards to millions of city dwellers. Is individual enterprise that manufactured those millions of automobiles not responsible for most of the city pollution?

Zoning and Other Intervention

Again, the blame for the intolerable pollution of city air rests mainly with government. In particular, three well-established political practices have contributed to the environmental dilemma. First, zoning has become a popular legislative method of government control over the use of land. Primarily applied in urban areas, zoning constitutes government planning along "orderly lines," to control congestion in houses and neighborhoods, height, size and appearance of buildings and their uses, density of population, and so on. Surely, zoning has shaped the growth of American cities ever since the 1920's when it became popular.

Take Los Angeles, for instance. Radical zoning ordinances made it the largest U.S. city in area, a vast sprawling metropolis of more than 455 square miles in which transportation is an absolute necessity. The resident of Los Angeles may travel a hundred miles every day to work, shop, eat, to attend school or church, or to seek recreation or entertainment. Pub-

lic transportation cannot possibly meet the millionfold needs of Los Angeles transportation; only the private automobile can.

Secondly, in nearly all American cities public transportation has deteriorated to disgraceful levels of inefficiency and discomfort. The private companies that first provided the service were regulated and taxed into losses, and finally replaced by public authorities. Under their control, mass transportation has generally deteriorated in quality and quantity while the costs have soared, as in the New York City subways, for example.

Public transport authorities are easy prey for militant unions. Politicians or their appointees cannot easily resist the demands of teamsters locals and their allies, despite the resultant inefficiency and high cost. The traveling public is frequently left stranded by organized work stoppages, slowdowns, and other union tactics. When public transportation is most urgently needed, in the vacation or holiday season, it is often struck by one of the unions.

The privately-owned mass transportation media are taxed by a host of government authorities until their services deteriorate or even sputter to a halt. The examples are legion. But the recent bankruptcy of the Penn Central

Railroad illustrates the point. Even in bankruptcy, public tax authorities are crowding the courts to force collection of their levies. While labor unions threaten nationwide walkouts, government tax collectors prey on railroad income and assets. And when a company finally petitions its regulatory authority to halt some loss-inflicting service, it may be denied the right to do so. If permission is granted, local courts may order the company to continue the service and bear the losses. Can it be surprising, then, that service reluctantly rendered is minimal and poor?

When public transportation is dismal, undependable and inefficient, neglected and uncomfortable, primitive and costly, people naturally provide their own transportation. And millions of private automobiles are clogging the city streets adding their exhaust fumes to the city air.

Finally, there is the tendency to treat road and highway investments, no matter how huge, as "free goods" that are available to anyone without charge. City governments endeavor to provide adequate approach roads for unrestricted use of the automobile, continually constructing new expressways on the city's fringes. It is true, a great number of highway taxes are levied on those who

use the highways. The Federal government collects taxes on gasoline, lubricating oil, new automobiles, tires and tubes. A highway trust fund established by the Highway Revenue Act of 1956 receives and expends the excise taxes, which are the sole source of funds for the Federal aid highway systems. But as soon as an expressway is completed it is overcrowded with countless automobiles speeding or crawling to the city. No matter how many millions of dollars were expended on its construction, it is "free" to the user who simply does not relate the tax on his gasoline or tire to a particular trip to the city. But even if he were mindful of the tax costs to him, the use value of the expressway, its convenience, speed and safety, may exceed by far the tax cost. Thus, millions of suburban automobiles are rushing to or from the cities on billion-dollar highways, adding their exhaust fumes to our environment dilemma.

Ignoring Property Rights

The problems of smoke, soot, noise, waste, and water pollution reveal unfortunate legal deficiencies in the protection of private property. The law has always been and continues to be inadequate in its treatment of property rights, in particular, the liability and in-

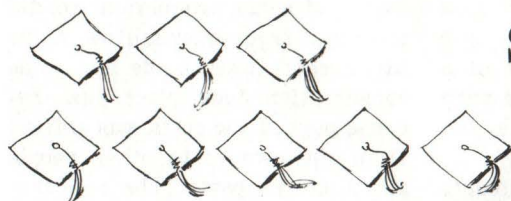
demnification for damages caused by the owner's use of property. Ideally, the right of property as a market phenomenon entitles the owner to all the advantages of a given good, and charges him with all the disadvantages which the good may entail.

Over the centuries governments have again and again restricted or even abolished the rights of private property. At other times the law, either by design or default, shielded the owner from some disadvantages of his property, and charged other people with some of the costs, the external costs. Obviously, if an owner does not reap all the benefits of his property, he will disregard such benefits in his actions; and if he is not charged with all its costs, he will ignore such costs.

During the nineteenth century, legislation and adjudication reflected enthusiasm for the rapid industrial and commercial development. Legislators and judges understood the great importance of capital investment for economic betterment. They favored investments in industry and transportation and the productive employment of property. Unfortunately, they decided to hasten the economic development through tariffs, subsidies, land grants, and relief

from some external costs. Thus, as the tariffs and subsidies encouraged some production, so did the relief from externalities. Some investments were made and some consumption took place just because part of the costs was shifted from the owners to other people and their property. The pollution of air and water was overlooked as a "public price" for economic progress, that is, some costs were shifted from one owner to another to encourage economic activity favored by government.

The growing awareness of environmental problems is laudable indeed. But the explanations given by "experts" today are taken straight from the armory of political and economic radicalism. The private property order is summarily condemned, and government is hailed as the only saviour from our self-destruction. More taxes and regulations, or better yet, comprehensive government planning and control, are to correct a deplorable situation. In reality, the no-man's-land of "public property" and government manipulation of private property constitute the pollution problem. Only sincere respect for private property and its unbiased protection by the law can alleviate a deplorable situation. ☉



SUBSIDIZING A CRISIS:

The shocked surprise in the spring of 1970, when the graduating class suddenly found out that they had to go out and look for jobs, may thus have been the first sign of a typical "inventory crisis" — which always takes everybody by surprise. Whatever the economic climate, the next few years will be years of sharp readjustment in the "careers market." The "career" boom of the 1960's is as much a thing of the past as the stock market boom in "takeovers," "conglomerates," and "growth ventures."

PETER F. DRUCKER

The Public Interest (Fall, 1970)

THE TEACHER GLUT, 1971

ADVOCATES of the free market as a tool for the efficient allocation of scarce resources have long been critical of the way in which education is financed in the United States. A host of studies are available that deal with the lowering of quality, the uncreative uniformity, and the spiraling costs of public education.¹ Only in recent months have communities even contemplated the possibility of a system like Milton Friedman's voucher program, in which the parent would receive the educational subsidy rather than the

local public school.² The obvious crises since 1965 in our public schools, coupled with the realization on the part of black militants that educational pluralism is advantageous, have led to at least some rethinking of the assumptions of American public education. With the realization that education is not neutral, some former advocates of racial, intellectual, and cultural integration have come to the conclusion that "democratic education" has pro-

¹ Cf. Benjamin A. Rogge, "Financing Higher Education in the United States," *New Individualist Review*, IV (Summer, 1965); available also from the Center for Independent Education, Wichita. E. G. West, *Education and the State* (London: Institute for Economic Affairs, 1967). Roger A. Freeman, "Crisis in American Education," *Christian Economics* (Sept., 1970).

Mr. North is Secretary of Chalcedon, Inc., a nonprofit Christian educational organization, and a Ph. D. candidate at the University of California, Riverside.

² Milton Friedman, *Capitalism and Freedom* (University of Chicago Press, 1962), ch. 6; Robert L. Cunningham, "Education: Free and Public," *New Individualist Review*, III (Summer, 1963). Governor Reagan of California mentioned the possibility of instituting a voucher system as an experiment; this, however, was in a campaign speech. The Center for the Study of Public Policy, located in Cambridge, Mass., has recommended the establishment of a 5-8 year experiment of 12,000 elementary students; the plan would cost \$6-8 million. This was the conclusion in the Office of Economic Opportunity-financed study, *Education Vouchers*.

duced a generation of uprooted graduates — drones and revolutionaries — who are not really very different from Dustin Hoffman's caricature.

This realization, however, has been a distinctly minority revelation. The message has not come to the institutions of higher learning in this country. They have gone on as before, tinkering occasionally with the curriculum, adding a handful of courses like Black Studies or Chicano Studies, but generally proceeding in a "business as usual" fashion. Nevertheless, the violation of supply and demand that is fundamental in any system of subsidized education has now resulted in something wholly unforeseen by the bulk of American educators: the perennial shortage of teachers came to an end, quite abruptly, in 1968. The shock waves of that event are only now registering on the bureaucratic structure of American higher education.

The Glut of the Degree Holders

For how many years were Americans subjected to the perpetual hand-wringing of professional educators over the teacher shortage? How many news releases from the National Education Association were printed, without any criticism, by the public news media? It was one of the favorite themes

of nearly everyone associated in any way with public educational institutions. Yet the myth was shattered in one academic year, 1968-69.³ The glut of teachers at all levels, from kindergarten to the graduate school, appeared almost overnight. The teacher-job "gap" simply was swallowed up in the outpouring of graduates in June of 1968; only in "special education" — the euphemism for the handicapped, the culturally deprived, and the retarded — is there a comparable gap, and the openings there are being depleted by falling school revenues.

This glut is not strictly an American phenomenon. It is as serious in the British Isles, perhaps worse. The British teaching certificate is just that, a license to teach; it is not easily transferred to any other occupation. The English have overbuilt their institutions of higher education, and the graduates are now reaping the whirlwind.

Previously sacrosanct fields like physics are now oversupplied. The post-Sputnik era saw a seemingly endless barrage of propaganda in favor of expanding our pool of available scientific talent. The

³ *Newsweek* (June 29, 1970) reports that the first year in which a surplus existed was 1967-68. This was not manifest at the time, however; it took a year for the glut to register as a permanent phenomenon.

"science fairs" in the high schools, the Federal scholarships, the televised miracles of space travel all combined to convince American students that the ticket to guaranteed security was the engineering degree and the Ph.D. in physics. Easy Street has once again turned into a dead end, as too many people crowded down its narrow path. Federal grants from such agencies as NASA have fallen dramatically; Federal loans to students have begun to dry up. Budget cutting has removed the fat from many Federal science programs, to the dismay of those scientists who have an ideological commitment to state-financed research.⁴

The extent of the glut in physics can be seen through a very specific case. Heidelberg College in Ohio last year had an opening for a teacher in physics. It received a total of 361 applications. Tiny Dayton High School, in Dayton, Texas, received applications from 15 Ph.D.'s in physics, yet the school has only 455 students, and it offers only a single course.⁵ Industry has been less and less willing to interview Ph.D.'s due

to the highly specialized, unflexible nature of Ph.D. training. The cut-backs in aerospace have hurt the market for these trained specialists. An astounding 40 per cent of the 1969 graduates in physics were on post-doctoral fellowships in 1970.⁶

In the Social Sciences

The situation in the humanities and social sciences is even worse. A fantastic 1,000 applicants applied for eight positions in the English Department of the University of Massachusetts.⁷ A total of 29,000 Ph.D.'s were turned out in 1969-70, perhaps double the number needed for college teaching posts. *The Chronicle of Higher Education*, a newspaper for college administrators, ran a series of articles on the crisis in late spring and early summer of 1970 dealing with the oversupply of teachers. It reported that the Cooperative College Registry, a nonprofit placement service for some 300 Protestant colleges, announced that in mid-May there were still 45 per cent of its 9,500 applicants without offers. Some 55 per cent of the applicants had the Ph.D.; prior to 1970, 45 per cent had been the maximum.

The extent of the crisis may be

⁴ Cf. Michael D. Reagan, *Science and the Federal Patron* (New York: Oxford University Press, 1969). Reagan favors such patronage, but he shows the problems inherent in such a relationship. He also provides considerable economic data on the extent of the aid.

⁵ *Time* (June 29, 1970).

⁶ *The Chronicle of Higher Education*, IV (June 8, 1970), p. 8.

⁷ *Time* (June 29, 1970).

estimated by the fact that the Cooperative College Register is the "last chance" employer registry. The colleges tend to be small, low-prestige schools that can afford only below-average salaries. This normally makes them more flexible, however, since pay scales are more responsive to the conditions of supply and demand. A glut here indicates a crisis unrivaled since the mid-1950's.

Causes of the Crisis

A standard explanation offered by the educational establishment is that there really is no oversupply of teachers, and there still is a shortage. However, the demand has dried up, a direct consequence of short-sighted legislators and angry citizens who keep rejecting bond issues.⁸ In other words, the failure of the educational market to clear itself of all prospective teachers is in no way related to the excessive zeal of academic departments in expanding course offerings and graduate fellowships; it is due to the tight-fisted taxpayers who refuse to spend additional billions on educational facilities, programs, and salaries.

⁸ Cf. statements by Cleo Craig and H. R. Rouse of the Wilson Scholarship Foundation (whose Ford Foundation funds were recently cut off): *Chronicle of Higher Education*, IV (May 25, 1970), p. 7.

This makes for good propaganda; economically, it skirts the real issue. Naturally, there is a limited supply of teachers. There is a limited supply of automobiles, televisions, diamonds, clean air, pure water, tortilla chips, and anything else that commands a price. We live in a world of scarcity. A scarce good, by definition, is one for which there is greater demand than supply at zero price. Imbalances in any market can be blamed on high or low demand, just as they can be blamed on high or low supply. The problem arises when prices are not flexible, thus creating permanent imbalances. If the phrase, "shortage of teachers," is to have any meaning at all, it must be qualified by the phrase, "at a particular wage level." There is no question about the fact that at present high wage levels, there is nothing resembling an undersupply of teachers. There is no question that there is an imbalance of supply and demand at present wage levels.

Educators need to ask themselves two crucial questions. First, why are wages so inflexible downward? Second, why were those whose task it is to forecast the needs in education so short-sighted? How did it happen, for example, that in 1963 the estimated need for new teachers at the college level in history was set

at 390 for 1969-70, whereas the actual need turned out to be 500, and the actual supply was 881?⁹ Why did so few graduate advisors take seriously the estimates presented by Clark Kerr, then President of the University of California (1966), that only two-thirds of the 1971 Ph.D.'s could be employed in the colleges?¹⁰

Minimum Wage Floors

About 75 per cent of those attending institutions of higher learning are in tax-supported public schools. By their very financing structure, these institutions are notoriously unresponsive to market conditions of supply and demand. For many decades, legislatures have met the basic budget demands of the colleges in the United States, and this has tended to insulate the schools and scholars from external economic realities. They are not paid to forecast market conditions in the future, and they do not concern themselves with such matters, at least not at the graduate advisory level. The private schools, supported by foundations and government research grants, are frequently as lax as

the public schools. They are, in every sense of the word, guilds.

Historically, guilds have resisted price and wage competition. They speak of themselves as "quality-oriented," which implies an elitist perspective, since it is price competition which has always characterized production for a mass market.¹¹ Educational institutions have been caught in a dilemma: they are supposed to maintain quality without compromise, yet supply the needs of mass education. Schools are to be simultaneously democratic (supported by tax funds) and elitist (preserving quality, ignoring "crass" economic affairs). Higher education in America is institutionally schizophrenic.

A competitive market institution would respond rapidly to new conditions of oversupply of a factor of production by bidding down the price of the good. That is what faculties should do in the face of the Ph.D. glut. They should drop salaries at the starting level. It would enable schools to hire more people, and it would make very plain to prospective Ph.D. students just what the economic facts are in the employment market. But that is not the response of faculties. Faculties

⁹ *Chronicle* (June 8, 1970), p. 1.

¹⁰ Kerr's estimate was revealed at a meeting of California Club, the student advisory body in the University of California. He was simply reporting the data gleaned in a study which apparently was available to all college administrators.

¹¹ Max Weber, *General Economic History* (New York: Collier, [1920] 1961), p. 230.

like high salaries for all those employed; it supposedly is a sign of institutional prestige to pay high wages, and thus prestigious to be employed by such institutions.

Faculties also have the ultimate job security: tenure. This protects those who have tenure from being fired. Thus, any drop in demand must be exercised at the level of the new professors, fresh out of graduate school. But if their salaries are lowered disproportionately, considerable institutional conflict may result. It may even lead to the decision by the administration to lower the salaries of those men whom it cannot dismiss. There is a built-in preference, therefore, for high wages and low competition on a semiclosed market. It is a guild-like attitude. Those outside the system have a hard time breaking in. Their chief economic weapon, namely, their willingness to take a lower wage, is not easily exercised.

This is especially true in state schools which have fixed wage floors set by the legislature or local junior college school district. The California junior colleges are the prime examples. Like the high schools from which they recruit their teachers, the junior colleges pay men in terms of formal educational achievement: so many units beyond the B.A. yields so

much extra pay. So much experience yields so much extra pay. The new Ph.D. has to be paid, in 1971, about \$13,000; there is no bargaining possible. Few districts want to pay that much to a man who (1) may quit and go to a four-year college, (2) may embarrass a local administrator who holds only an M.A. in education, (3) may not teach the junior college's substandard students as well as a man who has taught high school for ten years. The Ph.D. is effectively locked out of junior college employment (unless he started as an M.A. and earned his degree while employed). There is simply no wage flexibility. As a result, junior college districts are permitting an opportunity to "upgrade" their faculties at less cost than before to slip through their administrative fingers.

Tenure

Tenure supposedly protects the professor from being fired for expressing opinions abhorrent to administrators, legislators, or local citizens (including students). This was a keystone in Prussia, where state-supported higher education was pioneered in the nineteenth century. It makes very little sense today. As Robert Nisbet has argued in his iconoclastic and reasonable essay on our Per-

manent Professors, no one is fired for mental or moral incompetence any longer, the two chief ways of dismissing tenured men. The exceptional mobility of modern teachers removes any serious threat to academic freedom, since institutions are varied enough to let men find a platform to teach almost anything. The very guild structure promotes a basic uniformity of methodology today, insuring general agreement within most academic departments — or so we found until the mid-1960's. Finally, Nisbet argues, if academic freedom is really the issue, why limit it? Why not let junior members have it? "On what logical grounds, then, do we claim exemption for age and rank, in certain respects the most feudal of all feudal qualities?"¹²

Tenure, far from protecting men in their expression of controversial opinions, has enabled men to express no opinions at all. Teaching has become lethargic as men pursue their academic careers in the academic journals (100,000 in the world today¹³) and their annual meetings. Tenure

¹² Robert A. Nisbet, "The Permanent Professors: A Modest Proposal," (1965) in Nisbet, *Tradition and Revolt* (New York: Random House, 1968), p. 241.

¹³ M. King Hubbert, "Are We Retrogressing in Science," *Geological Society of America Bulletin*, LXXIV (1963), p. 366.

protects the man without the flair for teaching, the man who has no controversial opinions to distinguish his lectures, the man whose very blandness insures his protection from "academic witch-hunters," but who has never learned to compete in the world of student education. Tenure has turned the university over to the drone, the pedant, the writer of overfootnoted, mindless articles. It might even be true to say that the spirited junior teacher with controversial opinions has more to fear from his tenured, spineless, drab colleagues than from the outside public. And drones, it should be noted, are not known for their flexibility. Wage scales reflect this, especially when conditions dictate a downward revision. Institutional inflexibility rewards the inflexible. Nonmarket financing keeps the structures inflexible.

The Subsidized Product

The discussion above focused on the implications of the demand side of the equation. We must now turn to the supply side of the Ph.D. equation. Why are there so many of them being produced?

Many reasons exist. A primary factor was the existence, until 1968, of the graduate school military draft deferment. This functioned as an indirect subsidy to

graduate departments. "Canada" was as close as the nearest university. Another factor is the tendency of all bureaucracies to expand to the limits of their fiscal capabilities. For example, academic departments in most state schools are funded in terms of student enrollment; this figure establishes the so-called FTE rating: Full Time Employees. In California, a fixed formula is used. A 28-students-to-one-faculty-member ratio operates, with lower division students rated 1, upper division students at 1.5, Master's Degree candidates at 2.5, and Ph.D. candidates at the maximum weighting, 3.5. As David Breneman comments: "Note that each advanced doctoral student enrolled brings the campus $\frac{1}{8}$ FTE faculty position."¹⁴ He adds that no strict mechanical relationship exists at the departmental level, but faculty appointments relate closely to weighted student enrollments. Furthermore, once the number of faculty appointments is established, "other resources such as office space and nonacademic personnel can be functionally related to the faculty members."¹⁵ It pays

¹⁴ David W. Breneman, *An Economic Theory of Ph.D. Production: The Case at Berkeley*, mimeographed, June, 1970, a study sponsored by the Ford Foundation, p. 49.

¹⁵ *Ibid.*, p. 50.

a department to expand graduate programs.

This does not mean that it pays departments to actually award a large percentage of degrees. On the contrary, departments must limit such awards to those students who will produce the greatest prestige for the department in the academic community. Also, some science departments must provide access to sophisticated experimental equipment to Ph.D. students, so some attempt will be made to flunk out inferior students at an earlier stage. This is not true, however, in the humanities. Breneman's comments are illuminating:

From the perspective of the French faculty, then, the graduate student must be viewed as a very valuable member of the department's economy. Not only does the graduate student teach the dull introductory courses, but he is a source of student credit hours and demand for advanced instruction. Departmental technology is such that having graduate students in residence for several years is costless to the faculty, and not without certain advantages. . . . Consequently, in this type of department faculty members have no incentives to make rapid decisions to terminate Ph.D. aspirants.¹⁶

The taxpayers, of course, bear the major costs of this decision. The student may drop out for

¹⁶ *Ibid.*, pp. 67-68.

many reasons, but the longer he stays in, the closer he believes himself to be at the pay-off point, the granting of the degree. In the humanities, the degree is all-important, since it is the union card for college level teaching, and industry has little need for highly specialized humanities students. Thus, departments get bloated with graduate students, and while the percentage of those who are awarded the degree may stay low, the absolute number of awards increases. Jobs open up in other universities which are also expanding their graduate programs, thus creating demand for more Ph.D.'s. The entire structure is geared to the growth of graduate enrollments.

Colleges gain greater prestige by becoming full universities. If they do, they can gain access to Federal research funds, and these have expanded exponentially since 1950 (the cut-off came in 1968). Fellowships and teaching assistantships were multiplied, while loan programs at low interest were made available to those students who did not become part-time employees of departments. These loans, especially under the National Defense [the magic budgetary word in the mid-1950's] Education Act, could be canceled after five years of teaching of the recipient.

Graduate students in the hu-

manities do not generally understand economics. They are not so aware of the employment situation, and as Breneman shows, departments are often rewarded by keeping their students in the dark on this issue, thus encouraging them to stay in the program. Students without the Ph.D. have few college teaching employment opportunities, so the opportunity costs of staying in the program are lower than, say, an engineer who can take his M.A. and get a good job in industry (again, before 1968). So the main concern for the student in a state university is the size of his state-supported subsidy: the number of campus jobs, the size of tuition costs, the availability of loans.

Graduate education is costly. Obviously, in terms of faculty members employed, the Ph.D. student is around three times as costly, especially if he does not assume any teaching load as an assistant. There is simply no way of estimating the cost per student per year, or so I am told by the university budget department. French students cost less than physics students in applied physics, and possibly more than those in theoretical physics or mathematics. But it is possible to estimate in a crude fashion that it costs, at an average, \$3,500 per student in the University of California; graduate

students are more costly, though by how much it is difficult to say. But tuition, until 1970, covered at best less than 10 per cent of this, or \$300. For the graduate student, the subsidy would be even greater.

Subsidies Have Consequences

Subsidize the production of a scarce economic good, and there will be an oversupply of that good in terms of true market demand. That law is as applicable in the Ph.D. market as in that for surplus wheat or Army fatigues. This is the fundamental cause of the oversupply of Ph.D.'s: planning was not made in terms of an unhampered market but rather in terms of a government-subsidized market. Demand was cut off sharply by falling school budgets, but candidates for the Ph.D. degree are not rapidly responsive to this contraction: the other man may not be able to find a job, but each candidate believes that he will finish his dissertation and get the available position. A market geared to the dream of continual expansion has been cut short, and few persons within the structure are economically oriented enough to respond as rapidly as free market participants are forced to do. Like the civilized Eskimos who have forgotten how to build an igloo, those supplying Ph.D.'s have forgotten the hard realities of a

market characterized by uncertainty. The result has been the teacher glut.

Market Forces

This market, like all markets, will eventually respond to the conditions of supply and demand. Departments will cut back on enrollments, especially as budgets are trimmed during a time of inflation. Fellowships will shrink in number. Federal grants to the scientists will not increase exponentially any longer. In time, teaching loads will be increased in many universities; wage inflexibility downward will be compensated for through these increased teaching responsibilities. But it is unlikely that these changes will come overnight. It is likely that the glut will continue for some time. New graduates will find it very difficult to break into their first jobs; professors' mobility will drop, the inevitable result of wage inflexibility. One rigidity creates others. Inflation will continue to eat away at teachers' salaries, thus bringing real wages into line with the conditions of supply and demand, and the oversupply of available talent will thwart attempts to unionize the profession — attempts which are on the increase now, as the Ph.D., in and of itself, no longer functions as an effective barrier to entry into the guild.

What we are witnessing is a major transformation of the function of the Ph.D. degree itself. Once a prestige indicator and a monopolistic grant to the holder, today it is faltering in both capacities. In the long run, this development may be for the best. The mystique of the Ph.D. has for too long been unchallenged. It has degenerated into little more than an official certification of intellectual drudgery. As E. Alden Dunham of the Carnegie Corporation of New York has written:

Every ill besetting our colleges and universities is related in one way or another to the Ph.D. degree — student alienation, irrelevant curricula, uninspired teaching, ironclad adherence to what may be outmoded traditions, absentee professors, extravagantly high costs of research and graduate education. . . . [It is] inappropriate for most college teaching jobs in this country, especially at the lower division level. Yet it remains the only respectable degree for college teachers as we move into an era of mass higher education. The percentage of Ph.D.'s on the faculty continues to be the index of quality. Our system makes no sense.¹⁷

¹⁷ Dunham, quoted in *The Chronicle of Higher Education*, IV (March 16, 1970), pp. 1, 5. Edmund Wilson, in his devastating essay, *The Fruits of the M.L.A.* [Modern Language Association] (New York Review of Books Publication, 1969), writes that we missed our chance to abolish the Ph.D. as a "German atrocity" during World War I.

Pluralistic Education

For too long, to paraphrase a generally accepted slogan when it applies to the military, education has been in the hands of the educators. Monopoly grants continuing over long periods of time tend to degenerate into less efficient units of service or production. Yet the crisis of the teacher glut is only one aspect of a major crisis in education. It is essentially a crisis of faith; relativism has led to irrelevance on the campus. Few students — few bright students — are dazzled by the initials "Ph.D." after a name, at least not beyond the sophomore year. No one knows where the educational crisis will lead us by 1980, but this seems certain: any crisis in financing will produce radical changes in the operation of any bureaucracy, even the educational bureaucracy. Inflation will take its toll; so will the allocation problem with regard to the creation of Ph.D.'s. Radical students will strike the institution at a time of change, internal confusion, and financial contraction. Few schools that have been caught up in the race for academic prestige will escape the coming transformation.

There is cause for hope among people who have not clung to a philosophy of relativism as a means of academic salvation. If both public and private academic

institutions that have embraced relativism are now reaping the whirlwind, parents and students are going to be looking for alternative educational structures. Prospective teachers may not be able to compete in terms of price or academic degree on most academic markets, but they can compete in terms of both price and ideological commitment on those academic markets that are more openly committed to a particular view of the world. Pluralistic education has been stifled for almost a century by a philosophy of neutral education grounded in relativism and enforced by the various academic guilds. But the fruits of that view of education are exploding on those campuses that have been the formulators of the creed. Columbia, Harvard, Berkeley have all been hit precisely because the very bright students have seen through the myth of educational neutrality. Pluralistic education can conceivably be the ultimate beneficiary of the institutional crisis which we face.

Since the vast majority of the people holding the Ph.D. and other higher degrees are not really committed to anything beyond the latest fad among the professorial guild, the serious man who holds a degree but who also holds a systematic philosophy of life now is in a position to distinguish him-

self from the hordes of other applicants for jobs. The savings in search costs that the Ph.D. once offered ("no non-Ph.D.'s need apply") no longer works in a glutted market. There is an oversupply of degree-holders, but not an oversupply of free market advocates holding the degree. If the swing away from the intellectually castrated philosophy of neutral education (the only kind legally permitted by state-financed schools) continues, there should be a new demand for men and women committed to a consistent view. Only with such a view can serious education that is content-oriented rather than mere technique-oriented, i.e., liberal education in the traditional meaning, be maintained. Only value-oriented teaching can pick up the institutional pieces. This should be the hope of those behind private educational institutions.

The Effect of Controls

There is one last consideration. The imposition of price and wage controls becomes more and more of a possibility. These controls have disastrous effects in the long run, but initially certain zones of the economy are favored.¹⁸ One of

¹⁸ Gary North, "Price-Wage Controls: Effects and Counter-Effects," *Commercial and Financial Chronicle* (Aug. 21, 1969).

these, as Prof. Hans Sennholz has pointed out, is private education. As money continues to be printed by the state and the state's central bank, it seeks markets. Controlled markets within the economy dry up, as capital and labor shift to the uncontrolled zones — collectors' markets, luxury goods, entertainment, travel, and education. State-financed educational institutions are caught in the wage-price squeeze: legislatures and bond-voters are tight-fisted (as their purchasing power continues to decline). But the private schools reap at least an initial subsidy. State schools limit or close enrollments, but people have money to spend, and these funds find their way increasingly into educational outlets. We should expect to see the expansion of private education of all kinds: high schools, colleges, night schools, cultural institutions. A true opportunity for the establishment of truly universal, pluralistic education would make itself available. The shift away from the public educational mo-

nopoly that is already showing signs of life would be subsidized by the very imposition of statist controls.

In the last analysis, the educational system has become overly dependent upon the state and the necessary educational philosophy of all state-financed education, i.e., the philosophy of neutral education. Today we see the erosion of the monopolistic foundation of the professorial elite, as the overproduction of members continues — an overproduction financed through the taxation of the democratic masses. The masses are finally saying no with their funds. A glutted elite will feel the pinch, as only an elite which has never faced squarely the realities of supply and demand can feel an economic pinch. The facts of economic scarcity can no longer be avoided in the ivy-covered halls. And that very fact may herald a new day for the advocates of value-oriented education. Technocratic liberal arts departments are running out of funds. ☉

John F. Kennedy

IDEAS ON



LIBERTY

THE FREE MARKET is not only a more efficient decision maker than even the wisest central planning body, but even more important, the free market keeps economic power widely dispersed.

Quoted in the *Wall Street Journal*, October 3, 1962

Thomas Cooper:

EARLY LIBERTARIAN

OSCAR W. COOLEY



TWENTY YEARS before Frederic Bastiat wrote his parable of the broken window, Thomas Cooper was saying to his students at South Carolina College (now University of South Carolina):

"Suppose a tailor to get into a law suit and to pay a lawyer fifty dollars for successfully conducting his cause — or to break his leg and pay a surgeon fifty dollars for setting it; these payments are prudent, and the services rendered fully justify them; but is he the richer for these misfortunes? Even though the lawyer and the surgeon should lay out the fifty dollars with him for a suit of cloaths, it is no compensation, for he fur-

nishes the cloaths after having furnished also the money that pays for them. It is melancholy to think that these positions should require to be gravely argued, but the present state of public opinion requires it."

Born in London and educated at Oxford, Cooper emigrated to the United States in 1793. A man of strong opinions, he expressed himself freely on current public questions and was so critical of the Adams Administration that he was arrested and tried under the Sedition Act (the Alien and Sedition acts are usually bracketed together). Cooper believed the act was unconstitutional, and the court so held. He later wrote a book on freedom of speech.

Mr. Cooley is Associate Professor of Economics, Ohio Northern University.

Cooper practiced law in Pennsylvania and became a judge. On recommendation of Thomas Jefferson, he was appointed professor of natural science and law at the University of Virginia. From there he went to South Carolina College, where he taught chemistry and political economy. A man of parts, he was made president of the institution, a post he held for 12 years.

Champion of Free Trade

While head of South Carolina College, Cooper published his *Lectures on the Elements of Political Economy*, a comprehensive treatise expounding the classical economics in a forthright manner. With especial vehemence, he championed free trade. One can imagine this did not detract from his popularity in a state that put great store upon the export of cotton to Great Britain and the import therefrom of manufactured goods. Indeed, Cooper appears to have been hardly less influential than John C. Calhoun in egging on the South Carolinians to declare, in 1832, that the Federal tariff laws were null and void in their state. On the basis of the theory of state nullification, the doctrine of interposition has been put forward in recent years by Southerners who resented Washington's efforts to enforce racial integration.

For the most part, Cooper took his economics straight from Adam Smith. The private enterpriser knows best — far better than any government official — how to use his resources. Let self-interest reign. "If every man in the country trades beneficially for himself, he trades beneficially for the community, which does not exist independently of the individuals who compose it."¹

Governments should be kept small. "The dreadful evil of all governments (I wish I could except our own) is the evil of governing too much."

All laws, suggested Cooper, should be reconsidered every ten years and, if found unnecessary, repealed. This recalls Jefferson's proposal that the Constitution should be reconsidered and overhauled every 20 years.

Cooper warned especially of the "general welfare" clause of the Constitution: "There is no tyranny that it will not authorize."

But it is against government strictures on foreign trade that he waxed most eloquent. "Shallow politicians have . . . acted on the shop-keeping maxim that what one nation gains by commerce, some other loses. The fact is otherwise; each gets its wants supplied and both are gainers."

¹ This and all other quotations in this article are from the *Lectures* (1826).

He attacked the "infant industry" argument for protective tariffs, saying that this theory seeks to justify injuring consumers in the present for the hypothetical benefit of producers that might be employed by the protected industry in future.

Friedrich List, then sojourning in America, took critical notice of Cooper and his free trade opinions, implying that he was little less than an anarchist. List himself, it will be remembered, was an early promoter of the customs union which established free trade between the German states — but definitely not with the outside world.

Champion of Foreign Trade

Cooper felt that even Adam Smith had conceded too much to the protectionists. Smith had held that it might be advisable to protect an industry whose product promised to be of strategic importance in war. Cooper held that such products would not be wanting for they would be stockpiled by a provident government, and in any case, wars seldom if ever completely isolated a country from foreign sources of strategic goods.

The great service of the science of Political Economy, he said, was to teach the importance of free world trade. The following are hardly the words of an anarchist:

"If Political Economy had ren-

dered no other service to mankind than to make them just and reasonable in this respect (in respect to foreign trade), it would be of incalculable benefit. It has taught us that human improvement and national prosperity are not promoted in any particular nation by depressing every other but by aiding, encouraging, and promoting the welfare of every nation around us; that we are all in turn customers to each other, and that no man or nation can become wealthy by impoverishing his customers; (that) the richer other nations are, the more they are enabled to purchase, the cheaper they can afford to sell, the more improved they become in all the arts of living, in all intellectual acquirement, in everything desirable for other nations to imitate or improve upon; that if other nations become powerful by our assistance, we also of necessity become wealthy and powerful by our intercourse with them; and that peace and good neighborhoods are the means of mutual happiness among nations as among individuals. . . ."

In the *Lectures* Cooper ranged over the whole area of economic theory. On many facets of the subject, he was far ahead of his time. For example, cost of production, he said, does not determine value of a product. It must be in demand. "No purchaser cares a cent

what the prime cost of an article is; that is not his lookout. His only enquiry can be, is it worth to me the price asked for it?"

He admitted that the introduction of machines might create unemployment but it would be temporary. (He was, of course, assuming a free labor market). When printing presses were first put into operation in Paris, he said, 6,000 copyists lost their jobs, but "in Paris there are now 60,000 persons who live by printing."

He attacked the policy of endowing corporations with limited liability, holding that since the stockholders are allowed to enjoy unlimited profit, they should also endure whatever losses may be incurred.

Champion of Private Spending Rather Than Government Spending

There were rudiments of a welfare state even then, but Cooper would have none of it. "All relief to persons in this country able to work is absolutely indefensible and wrong," he said. "Even cases of disability should be left to private charity. . . ." To combat poverty, he urged the "modern remedy of Savings Banks," and suggested that the clergy teach people to save and accumulate deposits in such banks. He was, perhaps, aware that the first savings bank in the British Isles had been established


by a Scottish dominie and that the first such banks in the United States were founded, not for profit, but for a charitable purpose.

He condemned Sir Robert Peel's suggestion that a national debt might be a "national blessing" (Alexander Hamilton had averred as much) and argued that there was no merit in government spending as compared with private spending. To the extent that spending benefited the spender, it benefited society.

However, he was not averse to all public works. Whether government should undertake a public work or not, he held, depends on how great a public benefit it is and whether it is too costly for individuals. Then follows a statement which showed that he was quite familiar with the principle of cost-benefit analysis. "The guiding rule ought to be that an undertaking which is not likely at an early period of its completion to insure at least legal interest upon the capital expended after all deduction is not deserving of public encouragement. I think many of our canal schemes liable to this objection. Money can be laid out so as to produce this return. It is therefore misapplied when it does not. Wait until it will."

Lawyer, chemist, political philosopher, the versatile Cooper was pre-eminently an economist. He

saw the importance of "political economy" in determining the course of this country's history. Written at a time when texts in that subject were few, his *Lectures* must have made considerable impress on American thinking.

John Adams described him as "a learned, ingenious, scientific and talented madcap." Certainly he was outspoken. Unorthodox utterances regarding religion are said to have brought about an end to his career at South Carolina College. He died in 1839. 

Common Sense

IDEAS ON



LIBERTY

THE PERCENTAGE of correct decisions which individuals make is very high when they are risking their own money and their own future. The percentage of correct decisions is very low when made by politicians, so-called intellectuals, and others, regardless of their intelligence, who are not faced with the discipline of having to pay for their own mistakes with their own earnings.

This is a major reason for the success of free enterprise and the free market. The percentage of correct decisions made by individuals directly increases and is higher as they directly participate in the results of those decisions, whether good or bad. Individuals participating in this way quickly learn from their mistakes, and although they will make others, they will usually not make the same mistakes twice. This is common sense at work and only under the free enterprise system does common sense prevail.

A. W. STEWART

From the "President's Column"
of the Southern States Industrial
Council *Bulletin*, January 1, 1971

ANTITRUST HISTORY:

The American Tobacco Case of 1911

D. T. ARMENTANO

A LONG ACCEPTED assumption in the area of government and business relations is that the "classic" monopoly cases of antitrust history clearly demonstrate the need for, and justify the existence of, the antitrust laws. The impression created by almost all the textbooks on this subject is that the business monopolies or "trusts" indicted in the past were — as the textbook theory suggests — actually raising prices, lowering outputs, exploiting suppliers, driving competitors from the market through predatory practices, and, generally, lowering consumer welfare. Ironically, few if any of these same texts provide the student of antitrust with the neces-

sary empirical information that might allow an independent judgment as to the relative conduct and performance of these "monopolies." For the most part, the student is asked to accept the judgment of the author, without being permitted to scrutinize the "brief for the defendant." Such one-sidedness is the kind of poor economic history that leads, inevitably, to poor public policy.

The following is a brief history of the American tobacco industry, and particularly of the American Tobacco Company, prior to the famous antitrust decision of 1911.¹ Unlike many previous accounts, this one will attempt to explain and evaluate the conduct and performance of the American Tobac-

Dr. Armentano is Assistant Professor of Economics at the University of Hartford in Connecticut. This article is a chapter from his forthcoming book, *The Myth of Antitrust*.

¹ *United States v. American Tobacco Company*, 221 U.S. 105.

co Company in the full context of the tobacco industry between 1890 and 1907. While this history might be interesting for its own sake, the ultimate purpose is to demonstrate that the court decisions against the American Tobacco Company prior to 1911 did *not* turn on any sophisticated economic analysis of that firm's market conduct or performance. The firm was eventually found guilty of violating the Sherman Act, but the decision was *not* a consequence of any serious evaluation of the economic costs and benefits of the firm's activities in the market place.

Cigarettes in America

Although cigarettes appeared in America in the early 1850's, and were unpopular enough with the government to rate their own special penalty tax of up to \$5 per thousand by 1868, there was hardly what could be termed a cigarette manufacturing industry before the 1880 period.² Up to that

point, the cigarette business had been concentrated in the New York City area where many small firms employed cheap immigrant labor to "hand roll" mostly Turkish blends of tobacco. But the raw material was relatively expensive, and the hand rolling operation was relatively inefficient and costly. Besides, there appeared to be great popular reluctance to accept the small cigarettes. Consequently, the outputs and markets were severely limited. Total output of all "manufactured" cigarettes was never more than 500 million in any one year prior to 1880.

But the rather rapid shift in public taste to Virginia blends of tobacco, the slow adoption of machinery for manufacturing cigarettes, and the extensive use of advertising to popularize particular brands or "blends" of tobacco, changed the industry radically beginning in the 1880's.

The use of rapidly improving machines that manufactured cigarettes quickly drove down the costs of manufacture and placed a profit premium on mechanization. Labor costs alone were reduced from 85 cents per thousand without machines to 2 cents per thousand with machines.³ While an expert "hand roller" could make approximately 2,000 smokes a day, a

³ Tennant, *The American Cigarette Industry*, pp. 17-18.

² For information concerning the cigarette industry prior to 1911, see Meyer Jacobstein, "The Tobacco Industry in the United States," *Columbia University Studies*, Vol. 26 (1907); Richard B. Tennant, *The American Cigarette Industry*, (New Haven: Yale University Press, 1950); William H. Nicholls, *Price Policies in the Cigarette Industry*, (Nashville: The Vanderbilt University Press, 1951); John W. Jenkins, *James B. Duke: Master Builder*, (New York: George H. Doren Company, 1927).

properly operating cigarette machine could make 100,000.⁴ A few leased cigarette machines — particularly the "Bonsack" machine — could, in a matter of days, generate the entire yearly output of cigarettes. Thus, almost overnight, the optimum size of an efficient cigarette firm increased manyfold, and almost the entire industry emphasis shifted to creating or expanding demand for particular blends of "manufactured" cigarettes. Advertising and marketing expenditures began in earnest in the late 1880's, and it was not at all surprising to find only five large firms doing most of the trade in manufactured cigarettes by 1889. Though there were hundreds of small cigarette producers (mostly hand-rolled varieties) in that period, the firms of Goodwin and Company, William S. Kimball, Kinney Tobacco, Allen and Binter, and the W. Duke & Sons Company came to dominate the young industry and did an estimated 90 per cent of total domestic cigarette sales.⁵

The name of James B. Duke is almost synonymous with cigarettes and the rapid rise of the tobacco industry in this country. Though a relative newcomer to

⁴ Jenkins, *James B. Duke: Master Builder*, p. 66.

⁵ Tennant, *The American Cigarette Industry*, pp. 19-25.

the cigarette industry (he entered in 1882), Duke quickly pushed his firm into industry leadership by rapid mechanization of all his operations and, accordingly, huge advertising schemes to increase demand for his increased outputs.⁶ He took huge newspaper ads and rented billboard display space to push "Duke of Durham" and "Cameo" brands; he placed redeemable coupons inside his new and improved cigarette boxes to popularize "Cross Cut" and "Duke's Best"; and he enticed jobbers and retailers with special bonus plans and gimmicks if they would handle and stress his products. This unusual marketing approach was extremely successful, and by 1889 Duke's cigarette firm had over 30 per cent of industry output and was netting almost \$400,000 a year on gross sales of \$4.5 million. Duke's firm was the largest and most profitable firm in the manufactured cigarette industry, and appeared to be growing much more quickly than its rivals could or would.

Consolidation in 1890

In January of 1890, the five leading cigarette firms came together to form the American Tobacco Company and installed J. B. Duke as President. Although com-

⁶ Jenkins, *James B. Duke: Master Builder*, pp. 73-84.

petition between the leading firms had been severe in the late 1880's, there is little evidence that the combination was the direct consequence of a "destructive trade war" as some accounts relate.⁷ Rather, it was an almost inevitable consequence of the economics of the cigarette industry in 1890.

Potentially, the cigarette industry appeared immensely profitable. The price of leaf tobacco, the raw material, was historically very low (about 4 cents per pound); the cost of manufacture — even with less than optimal utilization of equipment — was extremely low; and the existing market prices for cigarettes were already high enough to allow adequate profits. Two things alone remained to cloud the potential profits picture of the industry: maximum utilization of the largest, most efficient machinery to drive the costs per unit down to an absolute minimum; and an elimination or se-

vere reduction in total advertising expenditures as a per cent of total output or sales.

Merger provided both of the last-mentioned economies. Consolidation would allow concentration on those blends of tobacco that could be produced most efficiently. Consolidation would also allow great economies of scale to be realized in advertising expenditures. Thus, production and selling expenditures could be lowered per unit of output, and profits could grow accordingly. A combination or "trust" of small cigarette firms was, thus, a natural and predictable economic arrangement since it was clearly more efficient than a decentralized market structure.

Diversification

Between 1890 and 1907, American Tobacco or the "Tobacco Trust" diversified into a number of related industries. Diversification was to be expected since cigarettes, although extremely profitable, represented only 3 to 5 per cent of the entire tobacco industry in 1890.⁸ In addition, the public's changing tastes obsoleted particu-

⁸ Even in the 1900-1904 period, cigarettes, by weight, represented only 2 per cent of all tobacco products consumed. See Nicholls, *Price Policies in the Cigarette Industry*, p. 7. Cigarettes did not achieve any sort of national popularity until after World War I.

⁷ Nicholls, *Price Policies in the Cigarette Industry*, states flatly that The American Tobacco Company was formed in 1890 following an expensive business war begun by James B. Duke (p. 26). But neither the *Report of U.S. Commissioner of Corporations*, Vol. I (Feb., 1909), which Nicholls indicates was his source, nor the lower court decision against American Tobacco in 1909, appeared to bear this out. See William Z. Ripley, *Trusts, Pools and Corporations*, revised edition (Boston: Ginn & Company, 1916), pp. 269-270; and, see 164 Fed. Reporter 722.

lar brand names and even whole products rapidly and, thus, made any specialization extremely dangerous.⁹ Furthermore, there was a distinct prejudice against machine-made cigarettes and sales simply did not expand as rapidly as anticipated. While American Tobacco had produced slightly more than 3 billion cigarettes in 1893, they produced only 3.4 billion in 1899 and less than 3 billion annually between 1900 and 1905; American's production of cigarettes in 1907 was only 3.9 billion. Even more importantly, American's share of domestic cigarette sales declined from over 90 per cent when the firm was formed in 1890 to 74 per cent in 1907.¹⁰

For the most part, American Tobacco's diversification and growth in the tobacco industry was accomplished through the direct purchase of existing firms with cash or stock. It is estimated that American may have bought as many as 250 firms between 1890 and 1907.¹¹ A very few of these

⁹ Jenkins, *James B. Duke: Master Builder*, pp. 91-92.

¹⁰ U.S. *Research and Brief*, 221 U.S. 106, Appendix "F", p. 318. Also see Jones, *The Trust Problem in the United States*, p. 140. Higher percentage figures in some accounts (83 per cent is a common figure for 1907; see Nicholls, *Price Policies in the Cigarette Industry*) measure American's share of total output rather than output for domestic consumption.

¹¹ Tennant, *The American Cigarette Industry*, p. 27.

purchases were competitive cigarette manufacturers — *though the bulk of them were not*. Most of these cigarette purchases were made, apparently, to acquire a successful brand-name, since brand-name loyalty was the greatest asset of any tobacco firm.¹² The bulk of American Tobacco's purchases, however, were firms producing noncigarette tobacco products. For example, diversification into firms that made smoking tobacco, snuff, plug chewing tobacco, and cheroots was begun as early as 1891. These tobacco products were noncompetitive with cigarettes and with each other, and had their own particular markets and used their own particular kind of leaf tobacco.¹³

In 1898, after many years of competitive low-price rivalry,¹⁴ American purchased the leading plug manufacturers, including, at a later date, the large and important Liggett & Myers Company. They were subsequently organized into the Continental Tobacco Company, partially owned and completely controlled by Duke and American Tobacco interests.

¹² Jenkins, *James B. Duke: Master Builder*, p. 149.

¹³ *Transcript of Record*, 221 U.S. 106, Volume I, p. 254.

¹⁴ It was not established at court that American Tobacco started this price war; see 164 Fed. Reporter 723, and 221 U.S. 160.

Shortly after, in March, 1899, the Union Tobacco Company — manufacturer of the famous Bull Durham smoking tobacco — was purchased. The American Snuff Company was then organized in March, 1901, with a paid in capital of 23 millions, and the stock was paid out to the three leading, formerly independent, snuff manufacturers. The American Cigar Company was also formed in 1901, and became the largest firm in that sector of the tobacco market. In addition, American purchased licorice firms, bag firms, box firms, firms that made cigarette machinery, tin foil, and processed scrap tobacco.

By 1902, American Tobacco was manufacturing and selling a complete line of tobacco and tobacco-related products — including over 100 brands of cigarettes — and over 60 per cent of the nation's smoking and chewing tobacco, about 80 per cent of the nation's snuff, and 14 per cent of its cigars. And when the newly organized Consolidated Tobacco Company, Continental Tobacco Company, and the American Tobacco Company all merged in October, 1904, to form the *new* American Tobacco Company, the last phase of the diversification and consolidation of tobacco properties was complete. The American Tobacco Company was now a major factor in all

phases of the tobacco industry domestically and internationally (although relatively weak in cigars), and its position would be maintained (and even increased in plug chewing tobacco) until dissolution by the courts in 1911.

The 1890-1910 Period: Acquisitions

Though American Tobacco did acquire many firms in all phases of the tobacco business between 1890 and 1911, the total number of their acquisitions must be put in perspective. While over 200 acquisitions appears high — and creates the impression that only a few independent tobacco firms remained — the tobacco industry contained thousands of independent firms in the period under consideration. While American Tobacco did the great bulk of much of the tobacco industry in a few large manufacturing plants, *thousands* of smaller independent firms sold their products at a profit in the open market in competition with the "Trust."

For example, as many as 300 independent cigarette manufacturers may have existed in 1910;¹⁵ similarly, while the Trust produced a great percentage of the nation's output of smoking tobacco

¹⁵ See Nicholls, *Price Policies in the Cigarette Industry*, p. 17. Jones mentions 528 independent plants in 1906; see Jones, *The Trust Problem in the United States*, p. 146.

co in fewer than 25 plants, there were as many as 3,000 plants manufacturing smoking tobacco in 1910.¹⁶ In addition, the Trust accounted for only about seven of the nation's estimated 70 snuff manufacturing plants.¹⁷ And finally, the American Cigar Company operated just 29 manufacturing operations in 1906, while the cigar industry contained upwards of 20,000 independent firms.¹⁸ Thus, the tobacco industry contained thousands of firms *in spite of* the acquisition activities of the "Trust."

Entry and Economies of Scale

The major reason for the numbers of rival sellers is not difficult to discover. With or without the "Trust," entry into tobacco manufacture was relatively easy. The raw material was available to all at the going market rates and the Trust itself owned *no* tobacco land whatsoever. Anyone who wanted to compete could purchase the available raw materials and attempt to sell his product in the open market. In addition, the Trust possessed neither discriminatory transportation rates or rebates¹⁹ nor any superior produc-

tion method protected by patent.²⁰ Thus, it was not surprising to find many independent firms in an industry where neither the raw material nor the efficient means of production were, or could have been, "monopolized."

The major reason for the American Tobacco's policy of acquisitions is not difficult to discover either: it made economic sense. For example, much emotional nonsense has been made of the fact that American acquired firms and, subsequently, shut them down.²¹ The crucial point, of course, is that American concentrated tobacco production — and particularly cigarette production with only two large plants in New York and Richmond — to achieve quite obvious and substantial scale economies.²² Most of the acquired facilities were mechanically inefficient, and had been acquired only to secure the immensely more valuable competitive brand name. Once acquired the product itself could be produced more efficiently in American's own modern and efficient facilities. Thus, it made

²⁰ Jacobstein, "The Tobacco Industry in the United States," p. 101.

²¹ Wilcox, *Public Policies Towards Business* (Homewood, Illinois: Richard D. Irwin, 1966), says that one of the American's "unfair" methods of competition was buying plants to *shut them down* (p. 139).

²² *Transcript of Record*, 221 U.S. 106, Volume I, pp. 208-211.

¹⁶ Nicholls, *Price Policies in the Cigarette Industry*, p. 15.

¹⁷ *Ibid.*

¹⁸ *Ibid.* p. 13. Also, see Ripley, *Trusts, Pools, and Corporations*, p. 295.

¹⁹ 221 U.S. 129.

good sense and good economics to close down marginal manufacturing operations, and no tears need be shed for the "dismantled factories." There is no evidence that any of the former owners shed such tears since American Tobacco's terms (stock in the Trust or cash) were admitted to be generous to all concerned. Thus, the plants were not acquired *just* to shut them down.

Other Economies Achieved

Other economies of the acquisition policy were achieved in important though not so obvious ways. For example, American's huge production made the ownership of its own foil, box, and bag firms almost mandatory, and the advantages and savings to be realized by accurate and continuous deliveries of these products made economic sense. Its acquisition of MacAndrews & Forbes and Mell & Rittenhouse, the two leading manufacturers of licorice paste, was predicated on possible economies and on the very real fact that the Japanese-Russian War threatened Near East licorice supplies and, consequently, American Tobacco's expansion of plug tobacco.²³ Independent foil, box, and bag firms still remained in the market place, and at least 4 other manufacturers sold licorice paste

²³ *Ibid.*, pp. 227-231.

independent of the American Tobacco firms. There is also no evidence that American's paste firms refused to sell to anyone who wanted licorice at the going market prices. Thus, this aspect of the vertical integration of American Tobacco was economically logical and certainly cannot be condemned as *necessarily* restraining trade.

American's integration into distribution also realized economies. With the virtual elimination of the middleman, the jobbers not unhealthy margin could be realized by the tobacco manufacturer.²⁴ Wholly owned retail establishments could also push particular brands more effectively and become an important advertising and marketing innovation. American Tobacco's United Cigar Stores, the most famous and effective tobacco product's retail chain — with over 1,000 stores by 1910 and at least 300 in New York City alone — were certainly important in this respect.

There were still other more subtle economies. A certain amount of inefficient cross-hauling or cross-freighting was automatically eliminated since American Tobacco could fill orders for finished tobacco products from a number of different manufacturing loca-

²⁴ Tennant, *The American Cigarette Industry*, pp. 51-52.

tions.²⁵ In those modernly equipped factories labored nonunion help, and this saved American from 10 to 20 per cent on its wage expenses *vis-a-vis* most of its competitors which employed Tobacco Workers Union labor.²⁶ The Tobacco Trust could demand prompt settlement of all outstanding accounts (30 days), while it was quite common for smaller manufacturers to wait two to four months for payment.²⁷ It could employ fewer salesmen per product since many of its brands were long established; orders could even be filled by mail without agents of any sort.²⁸ And, lastly, it could employ, and did employ, some of the keenest managerial talent in the industry,²⁹ and they proceeded to implement and extend the potential economies already discussed above.

Consumers and Competitors

But while the "Tobacco Trust" enjoyed "economies," what became of the tobacco consumer and of the "Trust's" competitors? Did American Tobacco simply act like a "classical" monopolist by restricting output and raising price? Or did American act like a "preda-

tory" monopolist and use its market power to lower prices, and, consequently, drive its competition from the market? Actually, there is little evidence that American Tobacco followed either monopolistic-like conduct: they neither restricted outputs nor raised prices, nor engaged — as a general rule — in predatory pricing practices designed to eliminate their competition.³⁰ For example, American Tobacco's cigarettes (per thousand, less tax) sold for \$2.77 in 1895, \$2.29 in 1902, and \$2.20 in 1907; fine cut (per pound, less tax) sold for 27 cents in 1895, 33 cents in 1902, and 30 cents in 1907; smoking tobacco sold for 25 cents (per pound, less tax) in 1895, 26.7 cents in 1902, and 30.1 cents in 1907; plug sold for 15.5 cents (per pound, less tax) in 1895, 27.7 cents in 1902, and 30.4 cents in 1907; and little cigars sold for \$4.60 (per thousand, less tax) in 1895, \$4.37 in 1902, and \$3.60 in 1907.³¹ In the same period (1895-1907), the price of leaf tobacco per pound rose from 6 to 10.5 cents.³² Thus, the pricing record indicated above on tobacco products was accomplished during a period when the price of the es-

²⁵ Jacobstein, "The Tobacco Industry in the United States," p. 126.

²⁶ *Ibid.*, pp. 125-126.

²⁷ *Ibid.*, p. 127.

²⁸ *Ibid.*, p. 128.

²⁹ *Ibid.*, p. 123.

³⁰ Tennant, *The American Cigarette Industry*, pp. 49-57.

³¹ *U.S. Research and Brief*, 221 U.S. 106, Appendix "P," p. 329.

³² Tennant, *The American Cigarette Industry*, p. 53.

sential raw material had increased about 40 per cent.

Predatory practices are expensive, and it is not usually profitable to attempt to eliminate competition through this technique. This would be especially true in an industry where entry was relatively easy, where nonprice competitive factors were crucial, and where there were hundreds — even thousands — of competitive sellers already in existence. Such a *general* policy on the part of American Tobacco would have been foolish and foolhardy, and no such *general* policy was attempted. Although there may have been some isolated instances where price-cutting played an important part in merger or consolidation,³³ such practices were not the rule.

³³ The "plug war" (1894-1898) is probably the most famous example. During this "war," American sold plug at a loss until the large independent plug manufacturers defaulted. The "independents" came together to form the Continental Tobacco Company whose president was James B. Duke.

But some additional facts complicate an easy interpretation of this "war." In the first place, it was not established that American started the "plug war." Secondly, the price reductions were limited to only a few "fighting brands"; while American Tobacco lost money on plug, all the large independent plug manufacturers continued to earn a profit. Lastly, plug sales increased from 9 million pounds in 1894 to 38 million pounds in 1897. See Tennant, *The American Cigarette Industry*, p. 29.

The Lower Court Decision

The comments concerning American Tobacco's efficiency and price policy related above are certainly not original. Amazingly, the same sort of comments can be discovered in a reading of the Circuit Court decision (*U.S. v. American Tobacco*, 164 Federal Reporter, 1908) that first determined that American Tobacco had violated the Sherman Act. Although Circuit Judge Lacombe found American guilty of violating the Sherman Act, he stated, with respect to the *economic* issues involved that:

"The record in this case does *not* indicate that there has been any increase in the price of tobacco products to the consumer. There is an *absence* of persuasive evidence that by unfair competition or improper practices independent dealers have been dragged into giving up their individual enterprises and selling out to the principal defendant. . . . During the existence of the American Tobacco Company new enterprises have been started, some with small capital, in competition with it, and have thrived. The price of leaf tobacco — the raw material — except for one brief period of abnormal conditions, has steadily increased, until it has nearly doubled, while at the same time 150,000 additional acres have been devoted to tobacco crops and the consumption of leaf has greatly increased. Through the enterprise of defendant and at a large expense, new markets for Amer-

ican tobacco have been opened or developed in India, China, and elsewhere." (Italics added.)³⁴

Circuit Court Judge Noyes, while concurring with Judge Lacombe in American Tobacco's guilt, also appeared to concur in the *economic* issues involved.

"Insofar as combinations result from the operation of economic principles, it may be doubtful whether they should be stayed at all by legislation. . . . It may be that the present anti-trust statute should be amended and made applicable only to those combinations which unreasonably restrain trade — that it should draw a line between those combinations which work for good and those which work for evil. But these are all legislative, and not judicial, questions."³⁵

It was Judge Ward (dissenting), however, who crystallized the economic issues in the case.

"So far as the volume of trade in tobacco is concerned, the proofs show that it has *enormously increased* from the raw material to the manufactured product since the combinations, and, so far as the price of the product is concerned, that it has *not been increased* to the consumer and has varied *only* as the price of the raw material of leaf tobacco has varied.

The purpose of the combination was not to restrain trade or present competition . . . but, by intelligent economies, to increase the volume and

the profits of the business in which the parties engaged." (Italics added.)³⁶

"A perusal of the record satisfied me that their [American Tobacco] purpose and conduct were not illegal or oppressive, but that they strove, as every businessman strives, to increase their business, and that their great success is a natural growth resulting from industry, intelligence, and economy, doubtless largely helped by the volume of business done and the great capital at command."³⁷

Yet, although three of the four Circuit Court judges admitted that there *was* evidence to indicate that American Tobacco *was* efficient, had *not* raised prices, had expanded outputs, had *not* depressed leaf prices, and had *not* "dragooned" competitors, Judge Coxe joined Judges Lacombe and Noyes in concurring that American Tobacco violated the Sherman Act! Clearly the conduct and economic performance of the defendant had nothing to do with the decision. American Tobacco was convicted *in spite of* its economic record because its mergers and acquisitions inherently restrained trade between the now merged or acquired firms, and *that* violated the Sherman Act as interpreted in 1908. Judge Lacombe made the majority's position explicit:

³⁴ 164, Fed. Reporter, pp. 702-703.

³⁵ *Ibid.*, p. 712.

³⁶ *Ibid.*, p. 726.

³⁷ *Ibid.*, p. 728.

"... every aggregation of individuals or corporations, formerly independent, *immediately upon its formation terminated an existing competition*, whether or not some other competition may subsequently arise. The act as above construed Sherman Act prohibits *every* contract or combination in restraint of competition. Size is not made the test: two individuals who have been driving rival express wagons between villages in two contiguous states, who enter into a combination to join forces and operate a single line, restrain an existing competition....

"Accepting *this* construction of the statute, as it would seem this Court must accept it, there can be little doubt that it has been violated in this case... the present American Tobacco Company was formed by subsequent merger of the original company with the Continental Tobacco Company and the Consolidated Tobacco Company, and when *that merger* became complete two of its existing competitors in the tobacco business were eliminated."³⁸ (Italics added.)

It was irrelevant to inquire into the benefits of the combination, argued Judge Lacombe. It was "not material" to consider subsequent business methods or the effect of the combination on production or prices. The fact that American Tobacco had not abused competitors, tobacco growers, or consumers was "immaterial." The

³⁸ *Ibid.*, p. 702.

only issue that was material was that:

"Each one of these purchases of existing concerns complained of in the petition was a contract and combination in restraint of competition existing *when it was entered into and that* is sufficient to bring it within the ban of this drastic statute."³⁹ (Italics added.)

And, thus, the three judges (with Judge Ward dissenting) ruled that the American Tobacco Company must be divested.

The Supreme Court Decision of 1911⁴⁰

The Supreme Court decision handed down in the American Tobacco case by Justice White in 1911 is a virtual replay of the *Standard Oil* decision of the same year. Again, White suggests that a "rule of reason" be applied to the undisputed facts concerning the activities of the American Tobacco Company.⁴¹ But, again, that "rule of reason" does *not* include a careful economic analysis of the Tobacco Trust's conduct-performance in the period under consideration. All the Supreme Court did (again) was to detail the history of the tobacco industry between 1890 and 1907,⁴² and infer

³⁹ *Ibid.*, p. 703.

⁴⁰ *United States v. American Tobacco Company* 221 U.S. 105.

⁴¹ *Ibid.*, pp. 155, 178-179.

⁴² *Ibid.*, pp. 155-175.

from these undisputed facts that the intent and "wrongful purpose" of American Tobacco must have been to acquire a monopolistic position in the tobacco industry.⁴³ This conclusion was "inevitable," said White,⁴⁴ and could be "overwhelmingly established" by reference to the following facts: (a) the original combination of cigarette firms in 1890 was "impelled" by a trade war; (b) an "intention existed to use the power of the combination as a vantage ground to further monopolize the trade in tobacco," and the power *was* used, i.e., the "plug and snuff wars"; (c) the Trust attempted to conceal the extent of its "control" with secret agreements and bogus independents; (d) American Tobacco's policy of vertical integration served as a "barrier to the entry of others into the tobacco trade"; (e) American Tobacco expended millions of dollars to purchase plants, "not for the purpose of utilizing them, but in order to close them up and render them useless for the purposes of trade"; (f) there were some agreements not to compete between American and some formerly independent tobacco manufacturers.⁴⁵ With these "facts" in mind, the conclusion was inevitable:

⁴³ *Ibid.*, pp. 181-184.

⁴⁴ *Ibid.*, p. 182.

⁴⁵ *Ibid.*, pp. 182-183.

"Indeed, when the results of the undisputed proof which we have stated are fully apprehended, and the wrongful acts which they exhibit are considered, there comes *inevitably to the mind the conviction that it was the danger which it was deemed would arise to individual liberty and the public well-being from acts like those which this record exhibits*, which led the legislative mind to conceive and enact the anti-trust act...." (Italics added.)⁴⁶

But, as has been demonstrated in our review of the American Tobacco Company, whether such "acts" are a danger to "individual liberty" and the "public well-being" is a matter of dispute. To *inevitably* infer, for example, that purchasing plants and closing them down endangers liberty or the public well-being, *without an economic analysis of the costs and benefits of such an action*, is an unwarranted and faulty inference. If the agreements to secure these "plants" were voluntarily arrived at, then "individual liberty" was *not* endangered; if the plants closed down by American Tobacco were inefficient, and if the products continued to be produced at larger, more efficient factories, then the danger to the public well-being is *not* obvious. The same kind of questions can be raised about the rest of the "undisputed

⁴⁶ *Ibid.*, p. 183.

facts" and "inevitable inferences" in this case.

Conclusion


Unfortunately, the Supreme Court in the *American Tobacco* case did not choose to analyze the economic issues involved, nor choose to use the rule of reason as an *economic standard* to see whether the public well-being had been harmed. Such an analysis, if performed, would have involved a discussion of prices, outputs, economies associated with merger, growth of competitors (especially in cigarette manufacture), and a host of related issues; no such discussion is discovered in this case. American Tobacco was convicted of violating the Sherman Act because its acts, contracts, agreements, and combinations were of such "an *unusual* and *wrongful* character as to bring them within the prohibitions of the law."⁴⁷ The Circuit Court was directed to devise a plan of dis-

solving the illegal combination, and "recreating" a new market structure that would not violate the antitrust law.

The fundamental purpose of this study has been to demonstrate that the famous *American Tobacco* decision of 1911 did not turn on any sort of sophisticated economic analysis of actual market conduct or performance. An even wider purpose, however, has been to suggest by example that structural changes *a priori* prove precious little about consumer welfare and that it is not always safe to assume that "bad" structure leads inevitably to "bad" conduct or "bad" performance. Since the present trend in antitrust thinking appears to be moving toward an almost complete reliance on structural factors,⁴⁸ the implicit danger of such an approach should be obvious. ⊕

⁴⁸ Samuel A. Smith, "Antitrust and the Monopoly Problem: Towards a more Relevant Legal Analysis," *Antitrust Law & Economics Review*, Volume 2, No. 4 (Summer, 1969), pp. 19-58.

Obstacle to Progress

IDEAS ON

LIBERTY

THERE IS A NATURAL OBSTACLE to progress in abstract thought, which has often delayed rational inquiry; an erroneous concept or theory may be expressed in terms which embody the error, so that thinking is blocked until the misleading words are discarded from the given context.

ISABEL PATTERSON, *The God of the Machine*

So Who Are You, Young Man?

Rebellious Youth with anger burdened,
Cease awhile from protestations.
Halt dissents and demonstrations.
Stop and think.

Ponder on the fact that you,
Like all your mentors, first to last,
Are but an echo of the past
And little more.

A heritage from Fate, you are
A complex of regeneration,
The old made new through reclamation.
The fruit of salvage.

Your growing bones, and flesh, and brain
Were all controlled by DNA
With guiding genes that got away
From predecessors.

All you've learned was known before you.
All you know is what was taught you
By your elders who have brought you
Where you are.

To the stern world of Experience
Where convictions are diluted
And raw knowledge is transmuted
Into wisdom.

Where absolutes are stuff for dreams
And almost never are attained
While worthy ends are quickest gained
Through compromise.

All you've angrily condemned
All the grievances bewailed
Have persistently prevailed
Throughout the ages.

The System or Establishment,
To you, a faceless monster who
Forever stalls long over-due
Utopia.

Assaying the Establishment,
The seeker for the truth will find
A fair cross-section of Mankind
Like you and me.

Just Man with all his weaknesses,
His greed, his fears, his self-concern,
His strivings, with good deeds, to earn
Some commendation.

So, Rebel Youth, when you commence
Your crusade for the right and good,
It seems the reformation should
Begin with Man.

So may it be.

JULIAN CHASE

Mr. Chase, in his 93rd year, was for many years vice-president of the Chilton Company and directing editor of its automotive division.



The Silent Revolution in England

THE MAIN POINT of John W. Osborne's *The Silent Revolution: The Industrial Revolution in England as a Source of Social Change* (Scribner's, \$7.95) is that if there hadn't been capitalism, there wouldn't be any funds for modern welfare. In many ways Professor Osborne's useful little book supplements and amplifies the papers read at the Mont Pelerin Society meeting held at Beauvallon in France in 1951, and subsequently published in a volume edited by Professor F. A. Hayek, *Capitalism and the Historians*. With the same attention to detail that was supplied by T. S. Ashton and W. H. Hutt, two of Hayek's contrib-

utors, Professor Osborne makes a convincing case that the lot of man in England was considerably improved by the industrial revolution. Unfortunately, the Osborne book doesn't go on to the next question: just how far can the welfare state be pushed without milking the capitalist cow, the source of high modern productivity, to death? After a brave beginning, *The Silent Revolution* trails off; it is not governed by any rigorous economic thinking.

But before Professor Osborne comes to what amounts to a non-conclusion, there is much to support the Mises-Hayek-Ashton contention that our standard his-

torians of the industrial revolution failed to do their homework. It was Marx's collaborator, Friedrich Engels, who established the stereotype about the idyllic England of pre-capitalist times. Relying on government reports of a highly selective nature, Engels, along with J. L. and Barbara Hammond of *The Town Labourer* fame, contrasted the world of the early factories with the "merry England" of supposed tradition. The only trouble with the contrast is that pre-industrial England supported a small population of eight to ten million mostly at a poor subsistence level. Industrialism enabled the population to quadruple, and it was a more humane and better fed population than the pre-industrial age had ever known.

"Bucolic" England

It was a coarse and brutal England that existed in eighteenth century times. The roads were impassable for much of the year; people were bound by the village horizon. The criminal code was harsh; pickpockets could be punished by execution, and the crowds regarded a hanging as a sporting event. The ordinary Englishman, says Osborne, "was illiterate and uncouth . . . his conduct swayed between extremes of boisterous good nature or sullen vio-

lence. . . . Devoid of letters, with his body warped by hunger and illness and his spirit clouded by worry and personal tragedy, this ordinary Englishman was not worse off than his counterparts either in Europe at the time or in Africa or Asia today." The ordinary Englishman was fatalistic about his politics, which gave a conservative tone to public life. In short, the picture of Merry England of the Greenwood was something that existed in Friedrich Engels' imagination; the reality of bucolic England was often the reality of scratching for a dole under the old poor laws. Children starved out of sight in rural hovels; and the pre-industrial towns, lacking gas lighting and a decent water supply, were at least as bad as anything that came with the factory system.

Like T. S. Ashton before him, Professor Osborne blames the crowded conditions of Manchester not on "capitalist greed" but on the Napoleonic wars. For a full generation very little housing was built: wartime interest rates were too high, window space and bricks and tiles were heavily taxed, iron had to be used for cannon instead of pipe, and the war inflation had made the purchase of oak and fir prohibitive. Yet even the crowded warrens of Manchester were preferable to life in the countryside;

if they hadn't been, people wouldn't have moved to take advantage of factory wages.

Enter: Industrial Capitalism

The great textile manufacturing inventions of Arkwright, Crompton, Cartwright, Kay, and Hargreaves, supporting each other as spinning caught up with weaving, combined with the Watt steam engine to give Britain a jump on the outer world. With affluence a possibility, people got the idea that their troubles could be ameliorated. This, says Professor Osborne, gave the reformers their cue. The new Factory Acts, the child labor laws, the extension of the franchise, the growth of schools, the establishment of hospitals, and the very rise of Fabian socialism itself, were all possible because the wealth was there to pay the bills.

Professor Osborne's idea is that the moral climate changed from the coarseness and drunkenness of eighteenth century society to the regularity and prudery of Victorianism largely because industrialism and its superstructure of modern business demanded responsibility. The old spasmodic rhythm of working with the seasons gave way to a regularly spaced rhythm of working with the clock. Disciplined work was followed by disciplined sport. The


new capitalistic toll roads broke down the parochial England of the village, and the railroads, after the coaching age of Charles Dickens, completed the job.

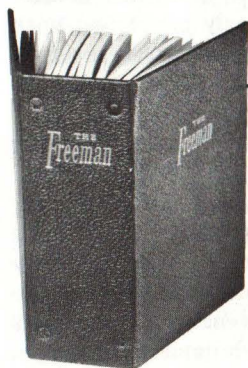
Robert Owen — Capitalist Turned Reformer

If industrial capitalism was needed to support a new humanitarian England, one would think that Professor Osborne would be at pains to warn the socialists against putting too heavy a charge on it. After all, there must be profits and a continued spirit of innovation to sustain the taxation that pays for welfare. Professor Osborne, however, doesn't seem particularly concerned with this problem. He misses the true significance of Robert Owen, the early nineteenth century capitalist of the New Lanark mills. Long before Henry Ford, Owen decided that a healthy, educated, and reasonably well-paid working force would improve both productivity and profits in his factory. And so it proved: Owen, by treating his workers well, became a rich man. Then, in one of the great social non sequiturs of his age, he turned collectivist reformer. His attempt to found a socialist community in America came to grief, and his pompous politicking in Britain got him nowhere. If he had spent his energies on converting other

manufacturers to a Henry Ford view of economics, he would have done much more for England.

One wishes that Professor Osborne had made something of the regression in modern Britain that has accompanied the rejection of nineteenth century capitalist values. He says that "between 1700 and 1825, no less than one hundred and fifty-four hospitals and dispensaries were founded in the British Isles." Un-

der the modern British socialized medical schemes, the rate of hospital building has fallen to a whisper. Doesn't this convey something? Industrialism got its start in England, as Professor Osborne points out, because of the prior existence of English freedoms. The state hadn't become absolute as it had in France. But now the state grows. I wish Professor Osborne had drawn the proper conclusion. 



HANDSOME BLUE LEATHERLEX

FREEMAN BINDERS

\$2.50 each

Order from:

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK 10533

the **Freeman** 1970

12 Issues in One Bound Volume

Attractively sewn in a single volume with hard cover, the twelve issues from January through December — 768 pages, fully indexed for handy reference to the latest literature on freedom.

Only \$5.00

Also available, the bound volumes for 1965 through 1969, each year \$5.00. (\$4.00 each on orders for five or more.) These bound volumes of *The Freeman* match in appearance and otherwise continue the twelve volumes of *Essays on Liberty* containing selections from Foundation releases prior to 1965.

ORDER FROM: THE FOUNDATION FOR ECONOMIC EDUCATION
IRVINGTON-ON-HUDSON, NEW YORK 10533

the
Freeman
Ideas on Liberty

THE FREEMAN may be forwarded
anywhere in the U. S. A. No
wrapper required.

Place 8-cent postage here ►

FROM

TO:

STREET

CITY

STATE

ZIP CODE

MARCH 1971

The Kingdom on Earth	Leonard E. Read	131
The Poor Laws of England	Henry Hazlitt	137
Radical Economics, Old and New	Hans F. Sennholz	147
Subsidizing a Crisis: The Teacher Glut, 1971	Gary North	154
Thomas Cooper: Early Libertarian . . .	Oscar W. Cooley	168
Antitrust History: The American Tobacco Case of 1911 .	D. T. Armentano	173
So Who Are You, Young Man?	Julian Chase	187
Books:		
The Silent Revolution in England . . .	John Chamberlain	189

440

EARL DUNCKEL

530 East 72 Street
New York, N.Y. 10021
February 9, 1971

Dear Ron:

It has been interesting and instructive to watch the persistency of education and of welfare as major state problems. Here are a few thoughts on both subjects that may be interesting and perhaps useful.

First, the huge increase in welfare costs in New York City (and, by extension, the state) has not been accidental, and a similar situation may exist in California.

The increase here resulted directly from a strategy to achieve social revolution for purposes of political power by bankrupting governmental units via the welfare system. The strategy was first announced in the May 1966 issue of The Nation in an article authored by Professor Richard A. Cloward and Dr. Frances Fox Piven of the Columbia University School of Social Work. Both are members of the Conference of Socialist Scholars, an academic group constituting a kind of Marxist brain trust in this country.

Their modus operandi was/is to recruit people onto welfare rolls and to exploit laxly written welfare laws to increase expenditures for everything from hotel suites to fur coats in an effort to create "a profound financial and political crisis."

Under Cloward's tutelage, lawyers and law students at the Columbia Center on Social Welfare Policy and Law are teaching welfare clients how to take advantage of every loosely worded sentence in welfare legislation and are acting as defense counsel for welfare rights militants arrested during illegal demonstrations.

"The growing national movement of welfare recipients is already revealing the fiscal punch of tactics which upset the long-standing practices by which local welfare systems withhold lawful benefits from the poor. In New York City, for example, organizing drives to claim benefits have forced the welfare rolls up by 50 per cent in less than two years and doubled costs," boasted Cloward and Piven.

132

The public, of course, has no idea that zooming welfare costs are the result of programed action. And the press certainly is going to great lengths to assure that they will not hear of it.

Something very like this may well be going on in your state. If so, some public exposure could go a long way toward better understanding of the problem.

The problem of education is even more pernicious, particularly at the college/university level. It may be time to look at this problem from a slightly different angle.

From this slightly different view, it is clear that many of the failings of educational institutions derive from their preoccupation with non-educational matters. An unbelievably small proportion of the funds spent by a university go toward education.

They continue to operate as inn keepers, mass caterers, laundry firms, warehouses, real estate companies, etc. All of these functions once were necessary when colleges were mostly rural and there were no alternatives. Not so now, of course.

You may have noted the efforts of governmental units everywhere (yours included?) to find a way to get these properties on the tax rolls. It would not be difficult if the non-educational aspects of universities were to be taken over by private, operated-for-profit organizations.

That's a very bitter pill, of course, and will not happen overnight. It will take a great deal of thought too as to how best to accomplish this inevitable end.

Universities must do a great deal more, of course, in research and development -- particularly into the technology of teaching. Educational institutions spend less for R & D than any other industry in the world.

Sooner or later, they must turn over their administration (as distinguished from educational operations) to people trained in management or to firms hired for the purpose. It also is inevitable, I think, that firms of certified educational auditors will come into being for the express purpose of evaluating the scope and quality of an institution's services.

2.9.71.....3

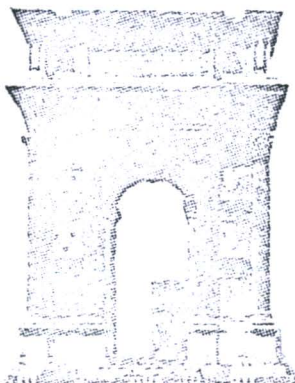
A program to this end worked out by your qualified people could put an entirely new perspective on your running battle with the academes in California.

None of this is original, of course. And you've probably heard it more, better and sooner for others more qualified. But I'll always risk a coal or two to Newcastle.

Much luck in everything and my best to Nancy.

Earl

15 MAR 1971
RECEIVED
COMMUNICATIONS
SECTION



Poor Relief in Ancient Rome

HENRY HAZLITT

INSTANCES of government relief to the poor can be found from the earliest times. Though the records are vague in important particulars, we do know a good deal about what happened in ancient Rome. A study of that case may enable us to draw a few lessons for our own day.

Roman "social reform" appears to have begun in the period of the Republic, under the rule of the Gracchi. Tiberius Gracchus (c. 163-133 B.C.) brought forward an agrarian law providing that no person should own more than 500 jugera of land (about 300 acres), except the father of two sons, who might hold an additional 250 jugera for each. At about the same

time that this bill was passed, Attalus III of Pergamum bequeathed his kingdom and all his property to the Roman people. On the proposal of Gracchus, part of this legacy was divided among the poor, to help them buy farm implements and the like. The new agrarian law was popular, and even survived Tiberius's public assassination.

He was succeeded by his younger brother Gaius Gracchus (158-122 B.C.). In the ancient world transport difficulties were responsible for famines and for wild fluctuations in wheat prices. Among the reforms that Gaius proposed was that the government procure an adequate supply of wheat to be sold at a low and fixed price to everyone who was willing to stand in line for his allotment once a month at one of the public

Henry Hazlitt is well-known to FREEMAN readers as author, columnist, editor, lecturer, and practitioner of freedom. This article will appear as a chapter in a forthcoming book, *The Conquest of Poverty*, to be published by Arlington House.

granaries that Gaius had ordered to be built. The wheat was sold below the normal price — historians have rather generally guessed at about half-price.

The record is not clear concerning precisely who paid for this generosity, but the burden was apparently shifted as time went on. Part of the cost seems to have been borne by Rome's richer citizens, more of it seems to have been raised by taxes levied in kind on the provinces, or by forced sales to the state at the lower prices, or eventually by outright seizures.

Though Gaius Gracchus met a fate similar to his brother's — he was slain in a riot with 3,000 of his followers — "the custom of feeding the Roman mob at the cost of the provinces," as the historian Rostovtzeff sums it up, "survived not only Gracchus but the Republic itself, though," as he adds ironically, "perhaps Gracchus himself looked upon the law as a temporary weapon in the strife, which would secure him the support of the lower classes, his main source of strength."¹

Bread and Circuses:

The New Deal in Old Rome

An excellent account of the subsequent history of the grain dole can be found in H. J. Haskell's

¹ *History of the Ancient World*, Vol. 2, p. 112.

book, *The New Deal in Old Rome*.² I summarize this history here:

There was no means test. Anyone willing to stand in the bread line could take advantage of the low prices. Perhaps 50,000 applied at first, but the number kept increasing. The senate, although it had been responsible for the death of Gaius Gracchus, did not dare abolish the sale of cheap wheat. A conservative government under Sulla did withdraw the cheap wheat, but shortly afterward, in a period of great unrest, restored it, and 200,000 persons appeared as purchasers. Then a politician named Claudius ran for tribune on a free-wheat platform, and won.

A decade later, when Julius Caesar came to power, he found 320,000 persons on grain relief. He succeeded in having the relief rolls cut to 150,000 by applying a means test. After his death the rolls climbed once again to 320,000. Augustus once more introduced a means test and reduced the number to 200,000.

Thereafter during the Imperial prosperity the numbers on relief continued at about this figure. Nearly 300 years later, under the Emperor Aurelian, the dole was extended and made hereditary. Two pounds of bread were issued daily to all registered citizens who applied. In addition, pork, olive

² New York: Knopf, 1939.

PRESERVATION COPY

1 of 3

oil, and salt were distributed free at regular intervals. When Constantinople was founded, the right to relief was attached to new houses in order to encourage building.

The Right to a Handout

The political lesson was plain. Mass relief, once granted, created a political pressure group that nobody dared to oppose. The long-run tendency of relief was to grow and grow. The historian Rostovtzeff explains how the process worked:

"The administration of the city of Rome was a heavy burden on the Roman state. Besides the necessity of making Rome a beautiful city, worthy of its position as the capital of the world . . . there was the enormous expense of feeding and amusing the population of Rome. The hundreds of thousands of Roman citizens who lived in Rome cared little for political rights. They readily acquiesced in the gradual reduction of the popular assembly under Augustus to a pure formality, they offered no protest when Tiberius suppressed even this formality, but they insisted on their right, acquired during the civil war, to be fed and amused by the government.

"None of the emperors, not even Caesar or Augustus, dared to encroach on this sacred right of the

Roman proletariat. They limited themselves to reducing and fixing the numbers of the participants in the distribution of corn and to organizing an efficient system of distribution. They fixed also the number of days on which the population of Rome was entitled to a good spectacle in the theaters, circuses, and amphitheaters. But they never attacked the institution itself. Not that they were afraid of the Roman rabble; they had at hand their praetorian guard to quell any rebellion that might arise. But they preferred to keep the population of Rome in good humour. By having among the Roman citizens a large group of privileged pensioners of the state numbering about 200,000 men, members of the ancient Roman tribes, the emperors secured for themselves an enthusiastic reception on the days when they appeared among the crowd celebrating a triumph, performing sacrifices, presiding over the circus races or over the gladiatorial games. From time to time, however, it was necessary to have a specially enthusiastic reception, and for this purpose they organized extraordinary shows, supplementary largesses of corn and money, banquets for hundreds of thousands, and distributions of various articles. By such devices the population was kept in good

temper and the 'public opinion' of the city of Rome was 'organized.'"³

The Dole, Among Other Causes of the Fall of the Empire

The decline and fall of the Roman Empire has been attributed by historians to a bewildering variety of causes, from the rise of Christianity to luxurious living. We must avoid any temptation to attribute all of it to the dole. There were too many other factors at work — among them, most notably, the institution of slavery. The Roman armies freely made slaves of the peoples they conquered. The economy was at length based on slave labor. Estimates of the slave population in Rome itself range all the way from one in five to three to one in the period between the conquest of Greece (146 B.C.) and the reign of Alexander Severus (A.D. 222-235).

The abundance of slaves created great and continuing unemployment. It checked the demand for free labor and for labor-saving devices. Independent farmers could not compete with the big slave-operated estates. In practically all productive lines, slave competition kept wages close to the subsistence level.

³ M. Rostovtzeff, *The Social and Economic History of the Roman Empire* (Oxford: Clarendon Press, second edition, 1957), pp. 81-2.

Yet the dole became an integral part of the whole complex of economic causes that brought the eventual collapse of Roman civilization. It undermined the old Roman virtues of self-reliance. It schooled people to expect something for nothing. "The creation of new cities," writes Rostovtzeff, "meant the creation of new hives of drones." The necessity of feeding the soldiers and the idlers in the cities led to strangling and destructive taxation. Because of the lethargy of slaves and undernourished free workmen, industrial progress ceased.

There were periodic exactions from the rich and frequent confiscations of property. The better-off inhabitants of the towns were forced to provide food, lodging, and transport for the troops. Soldiers were allowed to loot the districts through which they passed. Production was everywhere discouraged and in some places brought to a halt.

Ruinous taxation eventually destroyed the sources of revenue. It could no longer cover the state's huge expenditures, and a raging inflation set in. There are no consumer-price indexes by which we can measure this, but we can get some rough notion from the price of wheat in Egypt. This was surprisingly steady, Rostovtzeff tells us, in the first and second cen-

turies, especially in the second: it amounted to 7 or 8 drachmae for one *artaba* (about a bushel). In the difficult times at the end of the second century it was 17 or 18 drachmae, almost a famine price, and in the first half of the third it varied between 12 and 20 drachmae. The depreciation of money and the rise in prices continued, with the result that in the time of the Emperor Diocletian one *artaba* cost 120,000 drachmae. This means that the price was about 15,000 times as high as in the second century.

In 301 Diocletian compounded the evil by his price-fixing edict, which punished evasion with death. Out of fear, nothing was offered for sale and the scarcity grew much worse. After a dozen

years and many executions, the law was repealed.

The growing burden of the dole was obviously responsible for a great part of this chain of evils, and at least two lessons can be drawn. The first, which we meet again and again in history, is that once the dole or similar relief programs are introduced, they seem almost inevitably — unless surrounded by the most rigid restrictions — to get out of hand. The second lesson is that once this happens, the poor become more numerous and worse off than they were before, not only because they have lost self-reliance, but because the sources of wealth and production on which they depended for either doles or jobs are diminished or destroyed. ⊕

Calvin Coolidge

IDEAS ON



LIBERTY

A REVOLUTION is taking place which will leave the people dependent upon the government and place the government where it must decide questions that are far better left to the people to decide for themselves. Finding markets will develop into fixing prices, and finding employment will develop into fixing wages. The next step will be to furnish markets and employment, or in default pay a bounty and dole. Those who look with apprehension on these tendencies do not lack humanity, but are influenced by the belief that the result of such measures will be to deprive the people of character and liberty.

Reported in *The New York Tribune*,
June 20, 1931.

PRESERVATION COPY

Santa Cruz Sentinel

Friday, April 30, 1971

Page 9

Wally Trabing's Mostly about People



Compliments of
FRANK MORAN, JR.
Assemblyman, San Diego District

Out Of A Job - What One Man Did

Ed Thompson's case is almost stereotype.

Mechanical design engineer, 44, wife and two young children, buying a house, years of working in the aircraft and scientific field — unemployed.

Last August, Thompson, a modest, practical man with thinning hair and glasses, found himself caught in the surge of economic cutbacks that swept a sea of educated, technical men into the roll of the jobless.

How he gutted his way back from Christmas dinner with the Salvation Army to solvency, keeping the family intact, is a satisfying story.

An 11-year resident of Santa Cruz, buying his home at 1111 Morrissey Blvd., he had worked for three years at Lockheed Test Base, three years at the Davenport cement plant developing anti-pollutant equipment, and was employed in August at UCSC with the Lick Observatory group, helping to design instruments associated with research in astronomy.

★ ★ ★

A graduate of San Diego State's industrial arts department "with distinction," in 1956, he had always found work in the aero-space industry in design development, even though his restless nature saw him often changing firms.

Leaving Lick, he joined the engineer's route for re-employment and sent out 261 resumes, often receiving the discouraging word that he was one of the top considerations among 400 other resumes, but never quite making it.

Savings dwindled. Thompson, in the meantime seeking mechanical type work, experienced the curious phenomenon of being told time and again that he was "over qualified."

"I'll admit that on a couple of these frustrating occasions it brought tears to my eyes."

By November the Thompsons' budget had reached a critical level. Some friends who had won a turkey provided their Thanksgiving dinner.

Depression and fear hung in the pit of his stomach. For a few months they used the surplus food program and over Christmas they received help from the Salvation Army and took a holiday meal at the Seabright Area Service Center.

Something had to be done.

"I realized that I had to keep my spirits up and that work was a good therapy. I was one of eight children and had worked at many jobs. For awhile I tried salesmanship, but I failed at that.

"So I applied at the employment office for anything.

"In the meantime I started going door to door with a stencil offering to paint house numbers on curbs for \$1.50, and soon I was making \$20 to \$25 a day. It put food on the table."

★ ★ ★

Through the unemployment office, Thompson was sent to a mobile home to install an outdoor light. Where others felt this might be beneath their dignity, Thompson went willingly. He did such a good job, the man sent him across the way to another party who needed work done. When it was done in a couple of days, he acquired \$70. It helped pay rent, for food, for bills.

He mowed lawns, fixed roof gutters, built shelves.

Thompson made out cards by hand, penned "The Handyman Craftsman," and his address and stuck them on bulletin boards in laundromats, at supermarkets, health food stores and got results.

With spare cash he put an ad in the classified section of The Sentinel and his phone began to jangle.

Since then he has been able to stabilize his finances. His wife, a former school teacher and graduate from Utah State, helps out by working as a school yard monitor a few hours a week.

★ ★ ★

As Thompson went from job to job, cleaning a sink trap here, installing light fixtures there, he began to realize that he liked his work.

"The work is varied, the hours my own, and people thank me for my work. Working for large corporations I was part of the machinery, and the bosses never bother to thank you for your efforts.

"It's like being really appreciated for the first time. I've become humanized. I often chat with the people as I work and they sometimes pour out their troubles and I try to give help and advice where I can.

"I guess the upshot of all this is that I feel freer. I find myself working 10 to 12 hours a day and liking it. It's sort of put me back into a proper perspective again," he said.

"We've had to cut corners, sure, but last month I made \$700 and I have enough work to keep four men busy. The status of doing menial work doesn't bother me because I take pride in my work and really feel that I am doing something for people.

"We can take time off in the middle of the week to go camping if we want and I'm not tied down to the eight-hour shift," he said.

Will he return to the halter?

"I don't know. Maybe, but I am working on some marketable craft items I've had time to develop and we are doing all right, and I'm happy.

"Two weeks ago I received a call offering a chance to return to Lockheed.

"Do you know what I did? I passed it up."

You requested for your speech file.

San Diego, Calif.
May 16, 1971

for Gov's info

Ronald Reagan, Governor
State of California
Sacramento, California

Dear Honorable Gov. Reagan:

You offer the only hope for relief from the impossible burden and the serious inequities and moral irresponsibility of our Welfare Bureaucracy. With very few exceptions all of my friends and acquaintances agree with my belief that the enclosed clippings reflect a sincere desire on your part to bring about some sensible and effective reform. Unfortunately the political maneuvering of your opponents have seriously hampered progress. It seems that the only way to overcome such opposition is to generate a wave of public clamor for change, a wave so strong that no politician would dare to oppose. This communication is a suggestion and a plea for action which could generate such a wave of resentment and demand for reform.

For many years I taught a course involving discussions of how to improve leadership ability. Generalizations were quite ineffective but specific case histories generated real interest and vigorous discussion. The personal nature of a case history stirs personal feelings and arouses desire for meaningful decisions and action.

Submitted herewith is a case history, a fairly typical one I regret to say. Please take the time to read it. Briefly it is the story of Mary Jane, a young mother who, for no other reasons than laziness and selfishness has become a welfare moocher. All of her cash income from Welfare, plus everything she can gain by selling free food, and gifts from any source, is spent on her own clothes and travel. Within the past year she has spent 6 weeks in Guadalajara, a month in New York area and eastern seaboard towns, and 2 weeks in Hawaii. She also plans to travel the eastern U.S. most of this coming summer.. Meanwhile her 4 and 6 year old daughters, quite unnecessarily, suffer from malnutrition and a variety of illnesses, live in filth and are growing up in a psychological and moral atmosphere which is about as low as it can get. This situation can be remedied but unless something is done the daughters will ape the mother and social damage will increase exponentially in succeeding generations.

I doubt that you realize how violently many people have reacted on learning the details of this case history. Indignation against the unfairness and ineffectiveness of our welfare system is immediate and loudly vocal. Usually this is following by, "What can I do to help?"

This leads to the suggestion that you give wide publicity to a series of such case histories. The amount and variety of material is almost infinite. A good writer could present them in a manner sufficiently interesting and exciting to upstage much of what we hear and see from the media. Presented as true stories in frequent newspaper columns, broadcasts and/or news conferences these would surely result in reactions as violent and sincere as the reactions to Mary Jane's story have been. I am confident that there would follow a wave of public protest strong enough to overwhelm your legislative opponents

You realize I am sure that I have a personal interest in Mary Jane's story. My wife and I have a deep affection for her two daughters (our granddaughters). We hate to see them miss a chance for a decent and meaningful life. We resent the dissipation of tax resources on elaborate vacations and expensive clothes for the mother when nothing is done to help the children. We deeply resent the lethargy selfish interests of officials which have so far prevented an impartial investigation which we believe could easily solve the childrens' problems. We hope that someone in authority will be interested enough to investigate honestly.

However by far the most important driving force for writing this communication is a deep desire to do something, no matter how small the contribution, which may be helpful in gaining beneficial reform of a welfare system which is so wasteful of human and financial resources and so ineffective in attaining its stated goals.

Please let me know if there is any other way in which I can help.

Sincerely yours,

Dudley H. Robinson

Dudley H. Robinson, (Grandad A)
Professor of Chemistry,
San Diego State College

Enclosures: _____

SACRAMENTO SCENE

Reagan war on welfare abuse widens

By JOE BROOKS

Special to EVENING TRIBUNE

SACRAMENTO — Gov. Reagan has made welfare reform his No. 1 priority for 1971.

He has proposed a sweeping welfare reform program with the purpose, he has repeatedly said, of helping the "truly needy" while eliminating the "greedy." Welfare, Reagan said, has become "a Leviathan of unsupported dimensions."

With the proposed welfare reforms, the governor said the 1971-72 budget can be balanced without the necessity of



forms, the governor said the 1971-72 budget can be balanced without the necessity of any tax increases. His welfare budget would total \$677 million, \$220 million less than without the reform proposals.



BROOKS

Sincerely yours,

Dudley H. Robinson

Dudley H. Robinson, (Grand
Professor of Chemistry,
San Diego State College

Enclosures:

Some of the program can be accomplished administratively. Other aspects require waivers from the federal Health, Education and Welfare Department since the proposed changes would not conform with HEW regulations concerning the use of federal welfare grants. Some of the proposals will require legislation.

Major elements of his program:

Employable welfare recipients would be required to seek employment, train for a job or perform "public assistance" work as a condition of receiving welfare.

The state would assume all of the costs of the aged, blind and permanently disabled programs, placing them on an automated pension system such as old-age security.

Standardized eligibility procedures and a "flat grant" system of payments.

The county's share of nonfederal payments in the aid to families with dependent children category (AFDC) — the largest in welfare — would rise from 32.5 per cent to 50 per cent.

Confidentiality statutes would be relaxed.

A ceiling would be placed on the amount of spendable income a family could have and remain on welfare rolls. A ceiling of \$100 would be imposed for work-related expenses and child care.

Welfare fraud penalties would be the same as for other types of theft.

A crackdown on absent fathers.

The welfare appropriation in the budget would be a "closed end" appropriation. If expenditures ran higher than budget, payments would be reduced or even stopped altogether.

Democratic leaders say that the program would simply shift the welfare burden from the state to the counties.

County officials, welfare rights organizations and social workers also have protested the reform proposals.

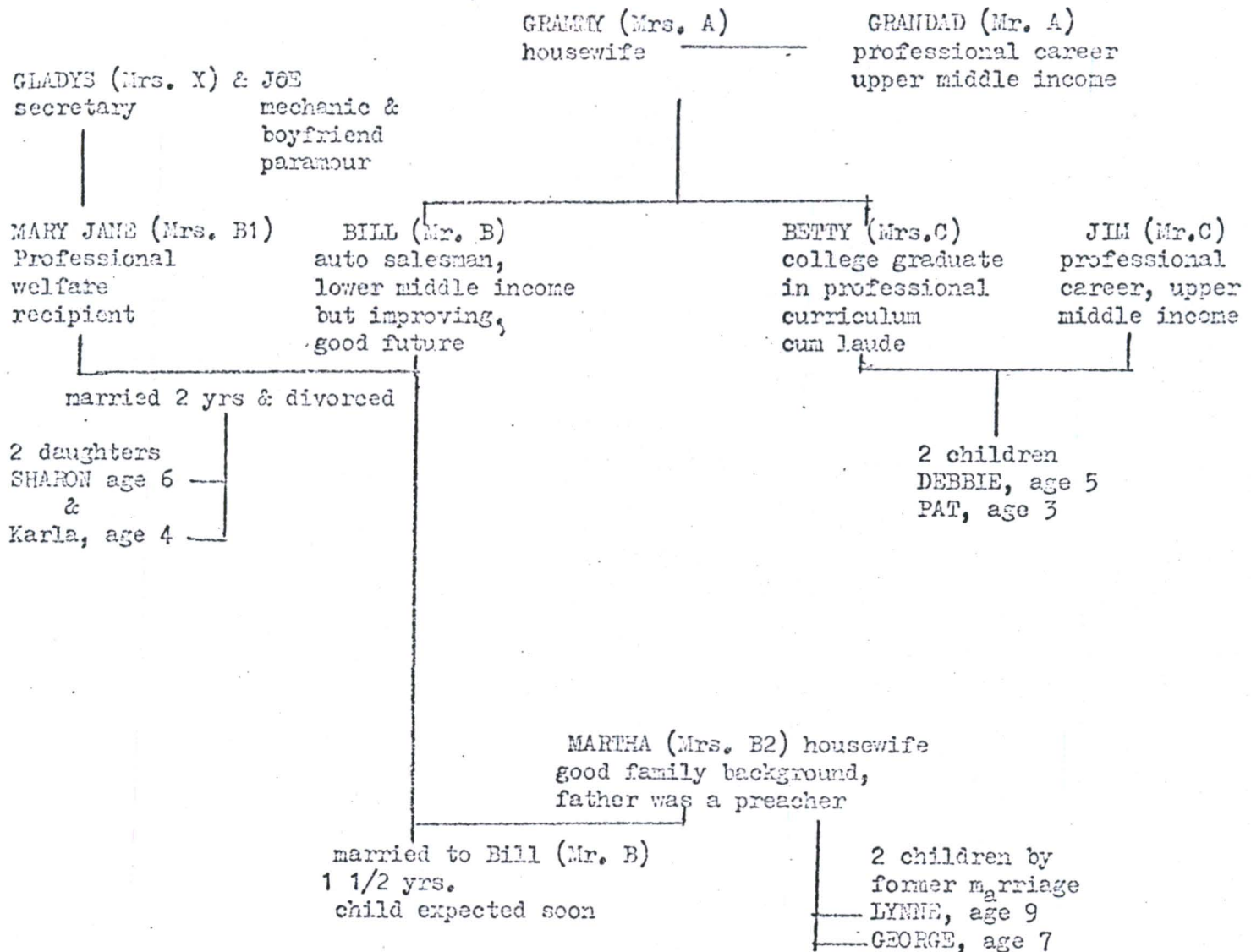
"The counties do not wish to trade the governor the slow growing adult programs for upward racing children's programs," commented President Ralph P. Thiel of the County Supervisors Association.

The association has presented its own package which it believes should receive bipartisan support in the Legislature. This remains to be seen. And could it get across the governor's desk?

WATER ON THE CORNFLAKES

A CASE HISTORY

CHARACTERS



The story is true but the names are fictitious. However the name May Jane was chosen deliberately because of its Spanish translation.

GRAMMY A was keeping her granddaughters, Sharon and Karla (ages 6 & 4) for a weekend - - a fairly regular practice averaging about once a month until recently. Cornflakes were being served for breakfast but milk had not yet been added. Sharon in a peevish voice said, "When are you going to pour the water on the cornflakes?" Sharon and Karla are intelligent and able to express themselves well. Both expected water, not milk, on cornflakes and later it was established that they really meant plain water, not even water plus milk powder.

In this affluent age what would cause kids to expect water on cornflakes? The answer is found in the behavior and habits of their mother Mary Jane (Mrs. Bl).

Mary Jane has frequently bragged that when both were teenagers she deliberately trapped Bill (Mr. B) into a shotgun marriage. After Sharon arrived the marriage was unhappy and there was a separation. Then a reunion resulted in another pregnancy, the birth of Karla, more unhappiness and finally, a divorce.

Now Mary Jane has become an old pro at milking the welfare funds. Bill pays the county approx. \$140 a month for child support. From Welfare, Mary Jane gets more than \$140 in cash, plus free medical care, free dental care, free food (see attached list), free tuition and books to attend college, payment of baby-setting fees, and frequent visits from her case-worker (male) whom she describes as a ("real Dear"). This is ridiculous but might be palatable if she were preparing for a profession or vocation and if the kids had a reasonable home and home-life. But she isn't and they don't. Here are some abbreviated details.

Mary Jane has attended school sporadically. She is often late, frequently misses a few days or a week. She has dropped out before the end of the semester several times and has changed goals every few months. Tests and records indicate that she could succeed in college if she were more industrious and consistent. She maintains a fairly attractive appearance and can converse intelligently. If she were really interested in making a living and a home she could easily find employment. But she says that she is the intellectual type and consequently, even without a definite objective, she must continue college - - indefinitely. Her caseworker agrees and tells her that with her fine mind she must not demean herself by working for a living when Welfare is willing and anxious to support her.

Despite her cash income, free goodies and fine mind she is completely incapable or unwilling to take care of her children. They were beautiful babies; healthy, intelligent, well formed and cheerful. Now they are sick most of the time, show signs of malnutrition and have frequent spells when they are withdrawn and beligerent. Sharon has a kidney infection which has been neglected for almost two years; now she cannot control urination. Both girls recently had their ears pierced and because of neglect both developed infections. In Karla's case this resulted in a serious infection in one eye and ear.

Sharon and Karla sleep in dirty bunk-beds which smell of urine, in a basement room which has no ventilation. When Mary Jane is entertaining, the kids are locked in this room - all night and late into the morning.

On week days the kids are taken to a school which is also operated by Welfare as a child-care center. They usually arrive an hour or two late and are left there until 5:30 or 6 p.m. Karla is too young for formal classes and Sharon is so often late or absent that they learn little more than how to take naps and play with the other Welfare kids.

Their dingy basement home does not have a bath tub and Mary Jane rarely gives the kids a shower. Every time they visit Grammy A, or Daddy Bill and his wife, they must be bathed and have their clothes washed to make them look and smell more like humans and less like animals. Their clothes have always been so ragged and dirty that on every overnight visit Grammy A or Daddy Bill's new wife Martha, or both, have felt impelled to buy or make them a new outfit and send them home clean and well dressed. None of the new clothes ever came back on subsequent visits and Mary Jane finally admitted that she returned the clothes to the stores for cash or sold them to other mothers.

With her disreputable children, how does Mary Jane look? Very fine, thank you!! Grammy A and Martha report that they have never seen her in the same outfit twice. Every time it is a new dress, or pair of slacks, or boots, or poncho, or hot-pants. Usually these clothes are of good quality and reasonably expensive. The kids may go without food and decent clothes, but not Mary Jane.

Does Mary Jane sit at home alone, tied down with two kids, faced with soul searching drudgery and monotony? Not at all!! She entertains and/or dates two or three nights a week and every weekend. She told Martha that she has tried both giving "it" away and selling "it" but has decided that giving it away is best. On week ends she leaves the girls with an old crone who always has her house filled with from 6 to 10 other Welfare Weekenders. So children are no hindrance to Mary Jane.

Mary Jane's activities are not restricted to her home town. Within the last eleven months, she has spent 6 weeks in Guadalajara, about a month touring the east coast, two weeks in Honolulu and has made several trips to Los Angeles and the San Francisco area. The east coast trip was at Christmas time and she didn't even leave or bring back a present for either girl. They spent several days including Christmas Day with Martha. The Honolulu trip was at Easter time and again no bunnies or easter eggs were left for the girls. Martha had them for an Easter Egg hunt and Easter dinner but while Mamma was in Hawaii both kids had the flu and ear infections which made it necessary to keep them in bed and take them to a doctor for treatments.

Sharon and Karla repeated several times the story that when mamma and her friend were in Hawaii they surely would not be hungry because they had taken with them sacks and sacks of peanuts. This seemed very strange until Grammy and Martha learned that peanuts is the slang term for drugs.

In the past Mary Jane has received help in many ways. Grammy A nursed her back to health after the two pregnancies, taking over the cooking and housekeeping as well as nursing duties. Grammy and Grandad A bought some of her clothes, a washing machine and about \$900.00

worth of furniture. (As soon as the furniture was paid for she sold it.) There have been many, many instances of purchase of food and of clothing for the girls, but none of these have ever helped Sharon and Karla. Their sufferings from malnutrition, filth and neglect seem to get worse rather than better.

The source of funds for Mary Jane's trips, clothes and automobile is something of a mystery. She tells Welfare officials that her mother paid for airplane tickets and the car but this is not in keeping with the circumstances.

Mary Jane's mother, Gladys (Mrs. X), has been divorced 3 times and now lives with Joe without benefit of marriage. Gladys and Joe are both alcoholics and both are frequently absent from work. Their combined incomes support their drinking and living expenses but would be badly strained if the costs of Mary Jane's high living were added. Also, Gladys is not the generous type. She consistently refuses to help with the children in any way. She doesn't believe in babysitting since Welfare is happy to pay the charges for professional baby sitters. On rare occasions she may buy a stuffed animal or some candy for the kids but not the food and clothing they need.

Sharon and Karla have two cousins; Debbie (age 5) and Pat (age 3). Debbie and Pat have a fine home and the loving care which kids deserve and need. Sharon and Debbie worship one another and are never so happy as when they are together. But this happens only when Sharon and Karla are visiting Daddy Bill.

Martha, Daddy Bill's present wife, is a good mother and homemaker. Lynne (age 9) and George (age 7), Martha's two children by a previous marriage, are well kept and get the attention and understanding which children need. Martha feels very sorry for Sharon and Karla. Even more important, she likes them. Also she wants Daddy Bill to be happy and knows that he will be unhappy unless he has Sharon and Karla with him at reasonably close intervals. For these reasons, and in spite of the discomforts of pregnancy, she has offered to keep Sharon and Karla every weekend. In fact she once suggested that Mary Jane would be relieved of babysitting problems and would be more free to date and pursue her education if the girls could stay permanently with her and Bill. Martha and Bill have a large playroom for the kids and their location on the outskirts of town provides almost unlimited space for the outdoor activities kids like. The four children enjoy one another and there are no problems of favoritism.

In spite of all the advantages to Sharon and Karla, Mary Jane refuses to consider any such arrangement, even on an informal basis. She says quite frankly that the two girls bring her a good cash income from Welfare and she intends to insure this income by holding onto them as tightly and as long as possible regardless of what happens to them or to anyone else. In fact she became so fearful of losing part or all of the cash that she refused to let the girls spend any more weekends with Martha and Bill. This problem has been solved, temporarily at least, by having Bill's lawyer take the necessary steps to regain Bill's reasonable visiting rights which were included in the divorce agreement.

Many friends have learned of these sad circumstances. In every case the reaction has been, "Why doesn't someone report this to the Welfare authorities? Why doesn't someone in Welfare force Mary Jane to use at least some of the child support money, free food, etc., to feed, clothe and care for the girls?"

This story has been told to Welfare authorities, not once but several times - by members of the family, by neighbors and by a minister who knows the family circumstances. The Welfare boss-man who really is in a position to make some changes is too busy to discuss individual cases. The next in command understands the problem and is mildly sympathetic but says he cannot override the recommendations of the case worker. The case worker phones Mary Jane that he is coming at a certain time to visit her. By the time he arrives everyone has changed to the cleanest clothes available, hair has been combed, dirty clothes and trash have been pushed into the back room and the door locked. He and Mary Jane have a nice visit and he repeats his opinion that her fine mind needs more training and repeats his admonition for her to maintain and guard her Welfare status so she can continue college and he can maintain his workload with the required number of cases.

All family attempts to help Mary Jane have failed and probably will continue to fail in the future. Apparently she must be given up as a potentially useful citizen. The real pity is that Sharon and Karla who still have the potential of finding a healthy, happy and useful life are losing their chance. It appears that the only ones, who could help are the civil authorities and they cannot or will not do anything to alter the status quo.

If nothing is done the future looks bleak. Martha's pregnancy is quite visible and this led to a revealing question. On her last visit with Martha and Bill, Sharon asked, "Now that you have a little baby in your tummy are you and Daddy Bill going to get married?" Unconsciously she was revealing what has been routine practice in Mary Jane's family, and in Joe's family. In several instances this has led to more serious problems with alcohol, with other drugs and with the law.

Sharon and Karla, and any children they may have, deserve a better future.

N.Y. Commissioner Sets Welfare Example

By ALICE WIDENER

Social Services Commissioner Carrol Smythe of Broome County, New York, is a soft-spoken, experienced and practical man who believes in following the law and using it well and compassionately.

Under the New York State Social Security Act, Title 18, there is a "Work Relief" provision (Section 385.14) empowering the Social Service Departments to require that able-bodied welfare recipients accept work as a condition of eligibility for welfare payments. The provision has been part of the law for more than 25 years.

"It's been on the state book to use" explained Commissioner Smythe, "but to use it I had to get authorization from local legislators." This year, after the commissioner had driven around Broome County and seen badly littered highways, roads and streets, he got in touch with the highway superintendent to inquire if he could use any welfare recipients as workers. There were 50 able-bodied males, all married men, on the local rolls.

After Mr. Smythe got legislative approval and had formed a plan with the highway officials, the commissioner sent out letters of notification to the 50 able-bodied men instructing them to report for work to the highway department.

8
5
9
22
Immediately, eight of the men (or their wives) telephoned to say, "Thanks for the help, but you can close our case." Five other men refused to report and their cases were automatically closed. Nine others announced, "We won't be reporting" and were taken off the rolls. Two of these hurriedly left town. One went to California; the other departed for parts unknown.

Nine of the male welfare recipients reported as instructed to the highway office. Seven of these are doing good work and are being credited with enough paid work hours (at \$1.85 minimum wage) to pay for the relief they receive.

The two others were such excellent workers that they have been hired by the highway department and are now permanently employed.

Commissioner Smythe's plan has been so effective that an AP reporter wrote an article about it. Today the commissioner is being besieged with calls from Rhode Island, Pennsylvania and New York, all saying, "How do you do it?"

"I feel that programs similar to ours could be used throughout the country," Commissioner Smythe told me. "Last night while I watched TV and saw the massive clean-up process going on in Washington, D.C., after the recent demonstrations, I wondered whether able-bodied welfare recipients there were being employed side-by-side with the city workers, and if not, why not?"

Commissioner Smythe said the same goes for New York City and other of our American cities. There is a huge amount of clean-up work of all kinds to be done in them, work that would be very helpful in solving several ecology problems.

I asked him about the attitude of the two former welfare recipients who found steady employment with the highway department in Broome County. "They're happy," he said quietly, with a tone of heartfelt satisfaction bespeaking a fine human being.

In response to my question about the attitude of the seven men who are earning the equivalent of their welfare checks, he said, "They're glad of the situation and glad to get the training. They feel better, much better."

My own hunch is that Commissioner Carrol Smythe of Broome County, New York, will soon become a nationally known figure and will move up on the American scene, despite the fact that he's been in his present job for almost 24 years. In any bad situation—and the

welfare situation is bad everywhere—always takes one person to lead the way and set a first-rate example.

U.S.A. Syndicate

PREPARED BY COPY

Almena Lomax
3320 Brunell Place
Oakland, California 94602

June 22, 1971

Senator Anthony C. Beilenson
Sacramento, California

Dear Senator Beilenson:

As a member of the Governor's Citizens' Committee on Welfare Reform, I want to protest your statement, as reported in the press, that the committee is misleading the public in its drive to drum up support for the Governor's welfare reform program. I do not see how the alleged swamping of your mail boxes with printed mailer cards from the committee, should this be so, deludes the public. The State Legislature seems to see itself as the public, but it is not. Seldom of late has it even represented the public.

Governor Reagan asked me to become a member of the committee he was forming because I pointed out to him that welfare is a dead end for any employable person, particularly Negroes, of which I am one.

I made specific suggestions as to areas of public service, ranging from child care aides through street maintenance to para-professional nursing services which able-bodied persons on welfare might work in. The effect of this would be to give them the feeling of satisfaction they are now denied by receiving money for which they have not worked. It would circulate them, increase their motivation, let them start again, perhaps lead to further preparation for better paying careers.

As a Los Angeles Negro weekly news paper editor and publisher for 19 years, I know, Mr. Beilenson, that you represent a district which has contributed greatly to the welfare syndrome. Where were you when we were fighting with Los Angeles' transit system to install direct transportation from Watts and South Central Los Angeles to your precious Beverly Hills so that women did not have to spend four hours per day walking to the "S" carline at Rochester and Central, then detouring around Central Avenue to 7th Street, to catch a bus to go to Beverly Hills to do day work?

I understand the situation has been slightly improved, but the damage has already been done. Although I do not agree with the inferences of your colleague, Sen. Albert S. Rodda, that work, any work, even "where people pick up trash and rake leaves" is disgraceful -- just so long as they do not draw public funds for partisan fun and games -- as the legislature does, I can understand the disillusionment

PRESERVATION COPY

Almena Lomax
3320 Brunell Place
Oakland, California 94602

Beilenson, 2

of women with public officials and public services which exhibit only a callous disregard for their fellow men when it comes to providing such necessities as convenient transportation, fair wages and hours, unemployment compensation for certain classes of employment such as domestic service and farm labor.

There is nothing wrong with Governor Reagan's welfare reform program, except that it was not authored by a Democrat. As a former Democratic convention delegate, one who has rendered yeoman service to the party to see it fractured by showboaters and dominated by bosses like Jess Unruh, I suggest that you cooperate with the Governor in reforming welfare, giving the unemployed a leg up, and introduce legislation to give the women and men who fetch and carry for their Beverly Hills employers, whom you represent, the protection of a 40-hour week, time and a half for overtime, unemployment compensation, and adequate transportation.

Welfare reform is so crucial, both to the people on it and to the tax payers, that it ought to be regarded as a crime for you Democrats in the legislature, from the prince of asses, Willie Brown, on, to fiddle while the public burns.

I charge you Democrats ^{with} wanting to maintain Herbert Hoover's well-pool of 4 million unemployed so that you will have an election issue.

well-sprung grapple

If there is nothing in Governor Reagan's plan about a work program, I suggest you work one out. And start with the legislature. It is long past time you freeloaders did something besides hassle the incumbent to perpetuate yourselves in office.

Sincerely yours,

Almena Lomax
(Mrs.) Almena Lomax

PRESERVATION COPY

FAP Cannot Possibly Bring Real Welfare Reform

BY REP. BEN BLACKBURN (R.-Ga.)

Now is the time for all good Republicans to come to the aid of their country. Trite? Yes, but nevertheless true. Indeed, it is a time for all good men—Republicans or not—to do so.

Why? I could point to any number of reasons, but the one which really concerns me, the one which I feel holds such great danger for the future of our country that I must comment on it, is the recent passage of the bill HR 1 containing the so-called Family Assistance Plan for reforming welfare.

Given the bill's complexity, the short time members had after it was reported to study it in any depth before it was considered on the floor, and the array of top-level bipartisan support it had—or appeared to have—the crucial 234-to-187 vote by which the welfare reform proposals survived in the House [see HUMAN EVENTS, page 1, July 3] was a relatively narrow margin. It indicates extensive dissatisfaction with HR 1's approach.

An even narrower escape occurred on the 200-to-172 vote on the effort of opponents of FAP to open the rule to amendment. As Sen. Carl Curtis (R.-Neb.) recently pointed out, in his analysis of the House action, half of the Republican members deserted the Administration on that procedural vote.

I have carefully reviewed President Nixon's speeches and remarks outlining



Rep. Blackburn notes that the relatively close margin by which the welfare reform bill passed the House indicated "extensive dissatisfaction" with it.

what he desires in the way of welfare reform. I find myself in virtually complete agreement with my President on this issue, except at the point where he identifies HR 1 as carrying out his desires:

I have carefully reviewed the bill, the report, and the debate which occurred prior to the passage of HR 1 by the House, and try as I will I am unable to see how this measure can possibly be counted upon to accomplish the things the President has said he wants in the way of welfare reform.

I am convinced that there is a rational, though admittedly very discouraging, explanation for this. I am satisfied that people around the President—both in the White House and in the executive agencies—are deliberately misleading him as to the actual content of this measure and shielding him from the true nature and extent of the opposition to this ill-conceived and potentially catastrophic piece of legislation.

I realize this is a serious charge. And I find it very disheartening to have arrived at such a conclusion. It is indeed distressing to think that there are those in powerful advisory positions who

12 / Human Events / JULY 17, 1971

PRESERVATION COPY

FAP Cannot Possibly Bring Real Welfare Reform

By REP. BEN BLACKBURN (R.-Ga.)

would encourage the President to put his stamp of approval on a measure which is not only contrary to the best interests of the people it purports to help, but is destructive of the philosophy and hence of the success of the Republican party, which the President heads and, more importantly, destructive of the very foundations and cornerstones of the American federal system.

But legislation which seeks to aid the poor and improve the welfare system by putting twice as many people on the dole and "welfareizing" the working poor, who heretofore have taken pride in the fact that they are caring for themselves, can hardly be conceived of as being in their best interests.

The upward mobility which exists in our still relatively free economy and society has enabled us to move from a level of 22.4 per cent of our people living at or below the poverty level in 1959 to only 12.8 per cent in 1968. This indicates that we ought to be aiming at improving the economy and opening up new job markets rather than burdening the taxpayers of America with a \$5-billion

additional welfare burden. This cannot be in the best interest of the American taxpayer or the American economy.

Legislation which turns over to the federal government entire responsibility for administering a program whose present faults it is largely responsible for and which destroys the concept of federalism by forcing uniformity on a program which by its very nature must permit recognition of local and regional geographic, economic and social differences, cannot be in the best interest of our country.

And a bill which is destructive of all these things cannot be in the best interest of the President or his party, in either the long or short range. One need only read the debate on the bill, including many of the remarks of its advocates to find an abundance of additional objections to it. I have highlighted only the most obvious and powerful ones.

Why, then, do we find Administration endorsement of such legislation? I can only conclude that it is because there

are people around the President who are either incompetent to determine the economic, social, or political meaning and impact of a measure which admittedly has been largely refashioned by the Democratic chairman of the House Committee on Ways and Means, or else they are deliberately leading the President down the primrose path.

It is my sincere hope that the Senate Finance Committee will take a long, hard look at the very useful and viable alternative to welfare reform which has been introduced in the form of the Curtis-Duncan bill [see HUMAN EVENTS, June 26, page 1].

This alternative adapts the concept of revenue sharing as a solution to the current welfare problems. It is a measure which is not only sensible and practicable, but one which carries out the expressed desires of the President on both welfare reform and revenue sharing and, thus, should be one which the Administration could easily support, if and when it recognizes or admits the truth about HR 1 and will open its mind to an alternative that is even more reflective of the goals it has consistently espoused.

PRESERVATION COPY

POINTS OF OPPOSITION
TO HR-1

Guaranteed Income.

It has been said that there is already a guaranteed income for everyone in the United States (food stamps, county relief, indigent medical care, etc.). It has also been said that HR-1 is not a guaranteed income because it requires recipients to work, and does not cover young, able-bodied single persons or childless couples.

The fact is, much of the present "guarantee" is locally controlled and locally funded by local taxpayers and voters. It is not a blanket, nation-wide federal guarantee such as is proposed by HR-1. Also, contrary to the claim, it does not "require" recipients to work. It simply "requires" certain members of a recipient family to register for work or training, and to take work if offered and if not covered by a whole series of exceptions.

Worst of all, HR-1 specifically forbids setting up public assistance work forces in which recipients could be required to work or lose their eligibility. Thus, it is in fact a guaranteed income -- at least for everyone except young able-bodied adults and childless couples.

Federal Administration.

HR-1 provides a heavy financial penalty for states which opt for their own program administration. It should be the opposite. The states, through local jurisdictions, are infinitely more qualified and capable of administering programs involving their individual citizens. The prospect of a vast number of federal employees, responsible only to Washington, making the individual decisions on eligibility, employability and benefit levels for each applicant would be a strong incentive for some states to run their own programs, thus following precisely the President's philosophy of New Federalism, instead of vice versa.

Secretarial Discretion.

HR-1 provides many areas for virtually unlimited exercise of discretion by the Secretaries of Labor and HEW. Such unspecified power guarantees that state and local interests, grounded in experience and intimate knowledge of local social and economic conditions will be overridden. For example, HR-1 properly recognizes that there should be a maximum gross family income, beyond which no

one would be eligible for benefits. However, the bill leaves the actual establishment of such a limit entirely to the discretion of the Secretary of HEW.

Demonstration and Research.

"HR-1 appears to recognize the need for research and demonstration programs, but eliminates much of the possibility of widespread solutions to the problems because the language prohibits such programs from being applied to large numbers of people (presumably precluding statewide or countrywide experiments). Such limited attempts at solutions can only present solutions of limited applicability.

Fiscal Impact.

According to the chart in the Committee Report, California presently receives 18% of the federal share of the cost of welfare. Under HR-1, our share goes down to 12%. This is not commensurate with our share of the national welfare caseload.

Family Planning.

The bill provides for family planning assistance and is thus completely self-contradicting in that the whole program of generous benefits is denied a large sector of the needy public (childless couples) because they have no children.

The Truly Needy.

While the bill does give some promise of less payment to the high income "poor", it does nothing for those truly needy who cannot survive on the payment levels presently being paid in the 20 or 30 states now paying more than \$2400. In other words, it may curb some abuse, but it won't be of any help at all to the truly needy, unless the states pay more themselves. But in that case, the claimed fiscal relief to states will largely disappear.

Fiscal Relief.

Without submitting to federal administration, there would still be some "hold harmless" fiscal relief to California state taxpayers, unless that were used up to increase the payment levels of the truly needy, which we have repeatedly said are presently inadequate. But Californians paying federal taxes would still be socked with \$500 million dollars in additional federal costs.

ROUTE SLIP
STATE OF CALIFORNIA
STD. FORM 118 (REV. 11-69)
OSP

DATE

8/9/71

TO:

Governor Reagan

FROM:

Ed Thomas

PHONE

FOR ACTION AS INDICATED

- | | | |
|--|--------------------------------------|---|
| <input type="checkbox"/> REPLY—MY SIGNATURE | <input type="checkbox"/> SIGNATURE | <input type="checkbox"/> NOTE AND FORWARD |
| <input type="checkbox"/> REPLY—COPY TO ME | <input type="checkbox"/> APPROVAL | <input type="checkbox"/> NOTE AND FILE |
| <input type="checkbox"/> PLEASE SUMMARIZE | <input type="checkbox"/> ACTION | <input type="checkbox"/> NOTE AND RETURN |
| <input type="checkbox"/> PLEASE INVESTIGATE | <input type="checkbox"/> COMMENTS | <input type="checkbox"/> PLEASE PHONE ME |
| <input type="checkbox"/> FORWARDED PER REQUEST | <input type="checkbox"/> INFORMATION | <input type="checkbox"/> PLEASE SEE ME |

REMARKS:

The Bureaucrats think this is ok.



COUNTY OF LOS ANGELES
DEPARTMENT OF PUBLIC SOCIAL SERVICES

4900 TRIGGS STREET, P. O. BOX 22229, CITY OF COMMERCE, CALIFORNIA 90022 / TELEPHONE: (213) 268-8281

ELLIS P. MURPHY
DIRECTOR

LEONARD PANISH
Assistant Director

BUREAU DIRECTORS
MARVIN FREEDMAN, ACSW
Family and Children's Services
HOWARD L. HOLTZENDORFF
Administrative & Special Services
JOHN M. MAY
Adult Services
ROBERT CHAFFEE
Chief Liaison Services

July 29, 1971

Mrs. Sarah Cory, Chief
Communications Office
State Department of Social Welfare
744 P Street
Sacramento, California 95814

Attention: Alvin Christopherson
Social Service Consultant

Dear Mrs. Cory:

This is in reply to Mr. Stanley P. Piser's recent letter to Governor Ronald Reagan regarding his daughter's application for Medi-Cal.

Our records show that Miss Shelli Piser, an unwed minor living with her parents, applied for Medi-Cal on June 8, 1971 in order to obtain a therapeutic abortion. Her application was approved effective the date of application after all necessary information was obtained and terminated effective June 30, 1971. The worker did follow prescribed procedures in processing Miss Piser's application for Medi-Cal and in refusing to release Confidential Information to her father.

Please let us know if we can be of further help.

Very truly yours,

ELLIS P. MURPHY, DIRECTOR
DEPARTMENT OF PUBLIC SOCIAL SERVICES

By David E. Fulbright
David E. Fulbright, Program Deputy
Public Inquiry and Appeal Section

DEF:RT:chr

COMPLAINT/INQUIRY TRANSMITTAL

DATE OF NOTICE: July 27, 1971

NAME: PISER, Shelli
(PISER, Stanley P.)

ADDRESS REPLY TO:

☒ 744 P STREET
SACRAMENTO, CALIFORNIA 95814☐ 107 S. BROADWAY
LOS ANGELES, CALIFORNIA 90012☐ 1407 MARKET STREET
SAN FRANCISCO, CALIFORNIA 94103

COUNTY & AID: LA - AFDC - MN

Los Angeles CWD

The attached correspondence is

☒ a complaint

submitted to you for:

☐ an inquiry

1. ☐ REVIEW AND APPROPRIATE ACTION. Please evaluate and try to resolve this problem at a level other than that at which the decision in question was made. If the issue cannot be adjusted, please explain fully to the complainant the policy under which your action was taken.
2. ☐ REPORT TO THIS OFFICE. In addition to responding to the complaint as in "1." above, within ten (10) working days from the date of this transmittal; a report on your action, or a copy of your reply, should be sent to this office. If the complainant is living in another county, we suggest that you send a copy to that county.
3. ☒ REVIEW AND REPORT TO THIS OFFICE. Information about this situation, including the results of your review at a level other than that at which the decision in question was made, is needed within five (5) working days for reply to an inquiry by another government official.
4. ☐ FOR WHATEVER ACTION YOU DEEM NECESSARY.
5. ☐ INFORMATION ONLY.

REMARKS: To confirm telephone request for written report from Los Angeles county of this date.

Alvin Christopherson
Social Service Consultantcc: Governor's Office
Attn: Jan

Letter of

STANLEY P. PISER

14328 VICTORY BOULEVARD
VAN NUYS, CALIFORNIA 91401
STATE 6-9786 • TRIANGLE 3-1858

July 6, 1971

The Honorable Ronald Reagan
Governor of California
Sacramento, California

Dear Sir:

Even the Democrats are concerned about excessive taxes. While I do not agree with all of your proposed programs, I certainly feel that we are in need of a great deal of welfare reform.

Recently I have become acquainted with a welfare abuse, which I understand is quite prevalent. Unfortunately, I feel the abuse is perpetrated by the employees who decide on the eligibility of the applicant.

Apparently, many minors whose parents are in the above-average financial bracket have applied and have received various forms of welfare. Needless to say, this certainly does not assist in developing a child's character. While I have no doubt that the parents in many cases would be happy to be relieved of the responsibility, it now appears that in most cases the parents are not even advised of the situation.


The latest episode to come to my attention is the case of a seventeen year old child who applied for and received Medi-Cal benefits. The father learned of the child's application inadvertently when he received the notice of action for "medically needy". He contacted the eligibility worker and advised her that the child was presently on a tour of Europe, paid for by the father, and that the father would and could well afford any medical attention that would be needed by his daughter. The only answer that the father received was that the file was "confidential".

As one who earns a substantial income, I feel that some corrective measures should be taken. Either the regulations for eligibility should be changed or those who process the applications should be compelled to investigate the matters more thoroughly.

This matter is of particular interest to me since the application was made by my daughter, Shelli Piser, without my knowledge and so far as I am concerned, financially unnecessary and unjustified.

As a father, I would like to know how one's daughter can receive this aid without the parents' knowledge and as a taxpayer, I would appreciate some investigation as to the facts behind this application. The state number is 1937-2168058, Los Angeles County; District - LAWVF 82.

Very truly yours,



STANLEY P. PISER

SPP:dl

July 21, 1971

Mr. Stanley P. Piser
14328 Victory Boulevard
Van Nuys, California 91401

Dear Mr. Piser:

Thank you for your letter of July 6 concerning welfare reform and eligibility requirements involving minors. As a father, believe me, I can understand your outrage at the situation you described. I have been outraged by what I consider to be abuse of this ridiculous confidentiality rule for some time. I've sent a copy of your letter to Los Angeles requesting an investigation of the facts concerning this case, and have asked that they report back to me on their findings.

I tried a year ago, administratively, to correct the situation, whereby welfare, or the government, actually goes into collusion with minor children to provide medical attention while keeping the information from the parents. My attempt was overruled by a judge's decision. This will be corrected in the welfare reforms I am trying to get if the Democratic opposition in the Legislature will allow us to have these reforms. One of the worst aspects of this is the vast increase we have had in abortions provided by Medi-Cal, where again the state has been in the position of actually conspiring with the child without parental permission or knowledge.

Thank you again for writing, and I promise you I will pursue this matter.

Sincerely,

RONALD REAGAN
Governor

RR:nlh

cc: Ed Thomas, ASU

w/ incoming

*Ed
pls. follow this
for RR*

July 21, 1971

Mr. Stanley P. Piser
14328 Victory Boulevard
Van Nuys, California 91401

Dear Mr. Piser:

Thank you for your letter of July 6 concerning welfare reform and eligibility requirements involving minors. As a father, believe me, I can understand your outrage at the situation you described. I have been outraged by what I consider to be abuse of this ridiculous confidentiality rule for some time. I've sent a copy of your letter to Los Angeles requesting an investigation of the facts concerning this case, and have asked that they report back to me on their findings.

I tried a year ago, administratively, to correct the situation, whereby welfare, or the government, actually goes into collusion with minor children to provide medical attention while keeping the information from the parents. My attempt was overruled by a judge's decision. This will be corrected in the welfare reforms I am trying to get if the Democratic opposition in the Legislature will allow us to have these reforms. One of the worst aspects of this is the vast increase we have had in abortions provided by Medi-Cal, where again the state has been in the position of actually conspiring with the child without parental permission or knowledge.

Thank you again for writing, and I promise you I will pursue this matter.

Sincerely,

RONALD REAGAN
Governor

RR:nlh

cc: Ed Thomas, ASU

w/ incoming

Law offices of

STANLEY P. PISER

14328 VICTORY BOULEVARD
VAN NUYS, CALIFORNIA 91401
STATE 6-9786 • TRIANGLE 3-1858

July 6, 1971

The Honorable Ronald Reagan
Governor of California
Sacramento, California

Dear Sir:

Even the Democrats are concerned about excessive taxes. While I do not agree with all of your proposed programs, I certainly feel that we are in need of a great deal of welfare reform.

Recently I have become acquainted with a welfare abuse, which I understand is quite prevalent. Unfortunately, I feel the abuse is perpetrated by the employees who decide on the eligibility of the applicant.

Apparently, many minors whose parents are in the above-average financial bracket have applied and have received various forms of welfare. Needless to say, this certainly does not assist in developing a child's character. While I have no doubt that the parents in many cases would be happy to be relieved of the responsibility, it now appears that in most cases the parents are not even advised of the situation.

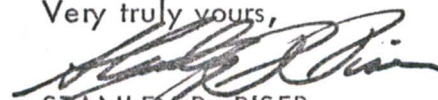
The latest episode to come to my attention is the case of a seventeen year old child who applied for and received Medi-Cal benefits. The father learned of the child's application inadvertently when he received the notice of action for "medically needy". He contacted the eligibility worker and advised her that the child was presently on a tour of Europe, paid for by the father, and that the father would and could well afford any medical attention that would be needed by his daughter. The only answer that the father received was that the file was "confidential".

As one who earns a substantial income, I feel that some corrective measures should be taken. Either the regulations for eligibility should be changed or those who process the applications should be compelled to investigate the matters more thoroughly.

This matter is of particular interest to me since the application was made by my daughter, Shelli Piser, without my knowledge and so far as I am concerned, financially unnecessary and unjustified.

As a father, I would like to know how one's daughter can receive this aid without the parents' knowledge and as a taxpayer, I would appreciate some investigation as to the facts behind this application. The state number is 1937-2168058, Los Angeles County; District - LAWVF 82.

Very truly yours,


STANLEY P. PISER

SPP:dl

allowance for pharmacists serving welfare recipients and a limit on what can be paid out of public-assistance funds to physicians who attend people on relief rolls. Medical fees are held to a maximum of 75 per cent of what the highest-priced doctors in the area charge. A move is afoot to reduce this to 50 per cent.

ALABAMA. A new method of determining eligibility and the amount of payment was put into effect in May. Welfare Commissioner Ruben K. King explained:

"This procedure does not affect families with no outside income, but it has reduced payments to persons with other income, and has caused some to be ineligible.

"The first month this plan was in effect, about 9,000 cases were closed, including about 6,900 cases of aid to families with dependent children, and 2,100 cases of aid to the permanently and totally disabled.

"It is estimated further that, during the same month, more than 17,400 payments were reduced—4,400 in aid to the disabled and 13,000 in aid to families with dependent children."

Mr. King said he was not yet in a position to estimate dollar savings.

TEXAS. An attempt to liberalize public assistance by raising the State's constitutional ceiling on welfare funds was rejected by the voters last May.

Texas welfare officials—pointing out that relief rolls have been increasing at a rate of 12,000 monthly since last September—say they fear they will have to reduce the amount of the average relief check by next year. Under the payment rate now in effect, a mother with three dependent children draws \$118.14 a month.

One thing pointing to a reduction in the size of individual payments, officials said, is a recent U. S. Supreme Court ruling that aliens who entered the country legally cannot be denied welfare solely on the basis of noncitizenship. This is expected to add up to 22,000 Latin-American aliens to the aid lists, with no additional funds available. So some others must be cut.

Texas welfare rolls—now totaling about 640,000—have increased by more than 100,000 in the last year.

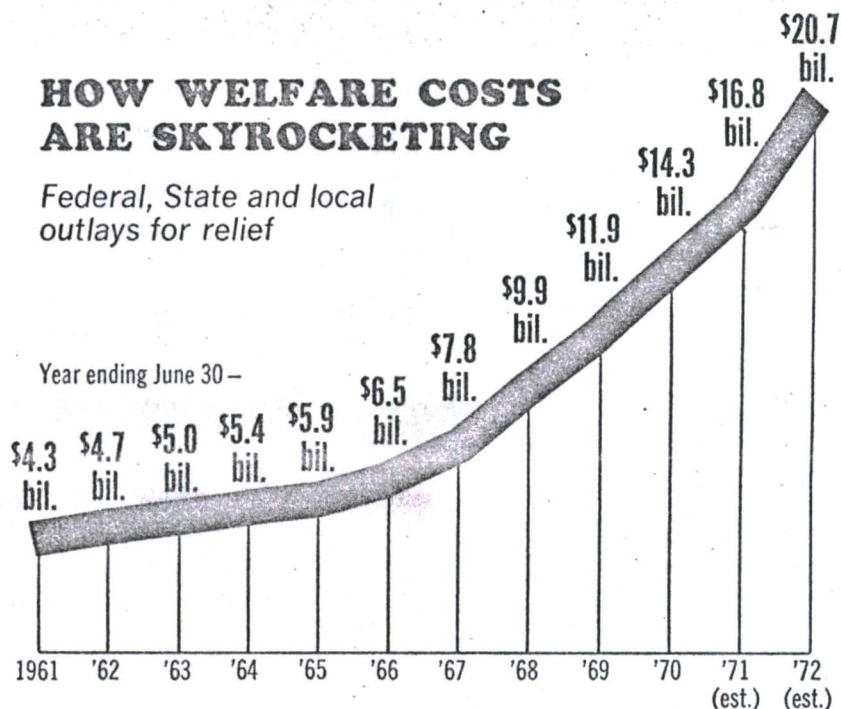
PENNSYLVANIA. Cutbacks in the welfare budget are being considered by the State legislature, while administrators are working to root out inefficiency and to reduce theft or fraudulent use of welfare checks.

Investigations of possible fraud in counties where checks are repeatedly reported lost are being stepped up.

In Philadelphia, for instance, when
(continued on next page)

HOW WELFARE COSTS ARE SKYROCKETING

Federal, State and local outlays for relief



THE RECORD, STATE BY STATE

Yearly cost of benefit payments

1961 Latest Per Cent Increase			1961 Latest Per Cent Increase		
(millions of dollars)			(millions of dollars)		
Alabama	\$ 79.4	\$ 277.1 Up 249%	Montana	\$ 13.2	\$ 34.2 Up 159%
Alaska	\$ 3.6	\$ 19.6 Up 444%	Nebraska	\$ 21.6	\$ 71.0 Up 229%
Arizona	\$ 24.7	\$ 48.2 Up 95%	Nevada	\$ 5.9	\$ 16.2 Up 175%
Arkansas	\$ 45.8	\$ 118.3 Up 158%	New Hampshire ..	\$ 8.6	\$ 33.0 Up 284%
California	\$495.8	\$2,822.5 Up 469%	New Jersey ...	\$ 73.8	\$ 573.4 Up 677%
Colorado	\$ 81.4	\$ 174.5 Up 114%	New Mexico ...	\$ 24.0	\$ 60.7 Up 153%
Connecticut ...	\$ 46.9	\$ 228.3 Up 387%	New York	\$353.8	\$3,547.2 Up 903%
Delaware	\$ 4.4	\$ 27.1 Up 516%	North Carolina	\$ 70.1	\$ 216.9 Up 209%
D. C.	\$ 15.8	\$ 99.3 Up 528%	North Dakota ..	\$ 13.2	\$ 29.8 Up 126%
Florida	\$ 78.8	\$ 231.0 Up 193%	Ohio	\$191.4	\$ 517.6 Up 170%
Georgia	\$ 87.3	\$ 309.9 Up 255%	Oklahoma	\$128.8	\$ 231.6 Up 80%
Hawaii	\$ 7.1	\$ 47.4 Up 568%	Oregon	\$ 39.3	\$ 122.2 Up 211%
Idaho	\$ 11.9	\$ 28.0 Up 135%	Pennsylvania ..	\$189.8	\$1,045.5 Up 451%
Illinois	\$236.5	\$ 996.3 Up 321%	Puerto Rico ...	\$ 16.7	\$ 90.9 Up 444%
Indiana	\$ 47.1	\$ 211.9 Up 350%	Rhode Island ..	\$ 20.9	\$ 97.6 Up 367%
Iowa	\$ 57.2	\$ 122.7 Up 115%	South Carolina	\$ 27.8	\$ 72.2 Up 160%
Kansas	\$ 46.2	\$ 144.0 Up 212%	South Dakota ..	\$ 13.3	\$ 32.2 Up 142%
Kentucky	\$ 62.4	\$ 194.5 Up 212%	Tennessee	\$ 53.9	\$ 175.2 Up 225%
Louisiana	\$150.2	\$ 258.3 Up 72%	Texas	\$169.4	\$ 613.8 Up 262%
Maine	\$ 20.9	\$ 73.6 Up 252%	Utah	\$ 17.2	\$ 48.1 Up 180%
Maryland	\$ 29.2	\$ 249.2 Up 753%	Vermont	\$ 7.5	\$ 38.4 Up 412%
Massachusetts	\$155.7	\$ 827.7 Up 432%	Virginia	\$ 26.6	\$ 182.0 Up 584%
Michigan	\$169.9	\$ 792.4 Up 366%	Washington	\$106.5	\$ 281.4 Up 164%
Minnesota	\$ 86.9	\$ 304.9 Up 251%	West Virginia ..	\$ 38.6	\$ 80.8 Up 109%
Mississippi ...	\$ 50.2	\$ 128.3 Up 156%	Wisconsin	\$ 70.6	\$ 292.9 Up 315%
Missouri	\$133.7	\$ 257.1 Up 92%	Wyoming	\$ 5.6	\$ 9.7 Up 73%

Note: State figures do not include administrative costs. Latest State totals are for March, 1971, at an annual rate.

Source: U. S. Dept. of Health, Education and Welfare

Indiana 'Lousy,' Welfare Couple Leaving In \$10,000 Land Cruiser

By CAROLYN PICKERING
Star Staff Reporter

Spencer, Ind. — Melvin, 39, and Lorraine Stewart, 49, fed up with Indiana because it's a "lousy" state for welfare benefits, are packing up their \$10,000, air-conditioned, mobile land cruiser to return to California where "they really take care of folks on welfare."

The Stewart couple, both unemployed, now live with her two children in a four-room house at New Hope, a tiny rural community 12 miles south of Spencer.

THE STEWARTS call Indiana a "disaster state" and their village "No Hope."

They'll rent a trailer and hook that and their 1966 Pontiac Bonneville onto the rear of the land cruiser for the trip west.

Into the land cruiser, purchased in California, and on which they make \$118.91-a-month payments, will go the two children, aged 12 and 9, and the family's handsomely clipped poodle, Sassy, whose tonsorial treatment costs \$10 a snip.

ALTHOUGH the Stewarts say they're in too poor health to work, among the personal belongings they'll load into the trailer are four television sets, an upright deep freeze, a king-size, six-position vibrating recliner and a pair of elegant parlor chairs reupholstered in red velvet at a cost of \$248.

All, of these, except the vibrating chair, were bought in Indiana since January at taxpayers' expense.

They hope to take a coppertone refrigerator-stove combination, complete with hood and circulating fan, but they may have to leave them behind. They have not finished paying for them.

MRS. STEWART, who says she's been living off welfare, Social Security and trustee aid since 1959, is more than a little miffed at the Owen County Welfare Department.

She says:

"Mr. Chambers (Barry Chambers, eligibility case worker) told us when we came here last January we'd get \$70 a month from them. We didn't.

"A month or so ago he told me how to change my budget around so we'd get a \$28-a-month increase in our benefits. I did what he told me, but the board turned us down.



(Star Photo by Wm. A. Oates)

MELVIN AND LORRAINE STEWART WITH POODLE, \$10,000 LANDCRUISER
Will Leave Indiana For Greener Welfare Pastures In California

"He also told us he'd try and get welfare money to pay for the stove, but he didn't."

THE PLUMP mother also charged that Chambers promised he'd obtain welfare funds to pay for exterminators to rid the Stewart home of termites if the Stewarts could obtain a loan from a bank.

Mrs. Stewart said they were unable to obtain the loan, which was to have been paid off with the extra welfare money.



Chambers

Chambers, a 24-year-old conscientious objector from New Castle, who said he has a degree in anthropology from Ball State University, said he couldn't discuss individual cases.

However, Mrs. Ann Rein, Owen County welfare director, said:

"There is a certain element of

truth in what Mrs. Stewart told you. Their case is unique."

MRS. REIN said regulations prohibit discussing details but she confirmed that Chambers "did talk with Mrs. Stewart about the condition of her home."

"The Stewarts," according to Mrs. Rein, "couldn't obtain a loan for termite extermination so it was a moot issue."

She conceded, however, that had the loan been secured "we would have made a division of the payments."

Mrs. Rein said she wasn't going to be "put on the spot" by discussing other matters allegedly discussed by Chambers with the Stewarts.

Mrs. Rein said she feels the situation in Owen County is "typical of all counties in the state."

AS A WELFARE recipient, Mrs. Stewart has served on the county's Citizens Advisory Council to the welfare department, but she resigned last week, saying the group is useless.

"People have complaints but they're afraid to talk for fear of getting kicked off the rolls," she said.

PRESERVATION COPY

"Why, if a welfare person has to go to the doctor they're (welfare department) supposed to send a cab and pay the fare, but they won't. We're entitled to it, but they don't treat you right down here," she lamented.

IN CALIFORNIA, where she lived previously, Mrs. Stewart said she was on the "aid for the totally disabled" rolls—a category that doesn't exist in Indiana.

"I got \$146 a month for that, plus \$50 a month for a lady to clean the house and unlimited medical expenses," she said.

Mrs. Stewart said her principal health problems were caused by being overweight, high blood pressure and an enlarged heart.

WELFARE benefits, \$141 a month in Social Security for a daughter by a previous husband, Stewart's Social Security of \$136 a month, surplus commodities and ADC of \$232 gave them income of well over \$500 in California, she said.

"We bought the mobile cruiser out there—brand new—two years ago, and had a ball," she said.

"We joined a camper club and traveled all over California—it was really fun," she reported.

But, in Indiana, the Stewarts say, combined ADC, Social Security for Stewart and the daughter, plus surplus commodities which "we don't like" gives them an income of only about \$325 a month.

YET THEY'VE kept up the \$181 mobile cruiser payments and, two weeks ago, took a little vacation to Mammoth Cave in Kentucky.

And they don't intend to give up the cruiser "because we have too much invested."

Stewart, who claims a back injury prevents him from working, looks over the acre of ground around their New Hope home and says he hasn't put in a vegetable garden because "the weeds would get ahead of us."

HE AND HIS family say the surplus commodity program which gives them foodstuffs, including four pounds of butter a month, is inadequate.

Mrs. Stewart says she needs to be on a high-protein diet.

"I keep telling them I need things like lean beef, chicken, eggs and cottage cheese, but they don't pay any attention," Mrs. Stewart charges.

"Instead," she laments, "we're green-beaned to death and my kids don't like oatmeal for breakfast."

CHAMBERS, speaking cautiously, blames the alarming rise in aid to dependent children welfare cases in Owen County on "part of a national trend."

Two years ago only 13 families with a total of 46 children were receiving such benefits and the cost to the taxpayer was \$3,256 for 1969.

Currently, there are 77 families involving 195 children receiving a total of \$9,984 in Owen County—a dilemma that has forced the welfare department to obtain an additional \$37,000 appropriation, bringing their total 1971 budget to \$284,895 for all types of assistance.

CHAMBERS says there are a great many more folks in Owen County who probably qualify for benefits, but "they just don't know about it."

With 3 per cent of the 9,000 Owen County population now on welfare rolls, Chambers says this figure is low compared to the national average of 7 per cent of the population.

One of the more vocal citizens on the subject is Owen Circuit Court Judge William T. Sharp, who says the entire welfare concept is "destroying any incentive for self-sufficiency."

"People are being told they're suckers to be self-sufficient—that it's easier to get a free ride. We're on the wrong track, subsidizing laziness and dependency by making it easy," he declares.

JUDGE SHARP, utilizing the authority of his office, already has clamped down in cases where he has legal jurisdiction.

Last week, on a petition filed by the welfare department, the four children of Mrs. Margaret Corns of Spencer were made wards of the court and placed in foster homes. Mrs. Corns has left Spencer.

Judge Sharp said Mrs. Corns has been receiving \$205 a month for the children, who were "neglected and getting poor training."

The father of the last child, Judge Sharp said is an 18-year-old serving a term in the Indiana State Youth Center on his conviction for assault and battery with intent to kill on Mrs. Corn's father.

IN ANOTHER case, \$50-a-week support payments being made by the father of five of the 13 children mothered by Mrs. Phyllis Owens of rural Poland were ordered placed in the general fund rather than being given to Mrs. Owens.

The woman, with nine of the children living with her in a trash-littered farmhouse, receives \$355 a month in welfare benefits. She has received at least \$8,000 from the Owen County department since she moved from Marion County several years ago, according to the judge.

Judge Sharp said evidence in court indicated Mrs. Owens was living rent-free in the house although she had told welfare workers she paid \$50 a month rent to the father of the five children, who owned the house.

SPENCER druggist Jack Money said welfare recipients "are being counseled by someone to load up on prescriptions if they're about to go off the welfare rolls."

He said a surge of recipients, in recent months, also had become irate when he wouldn't permit them to put things such as toothpaste and shaving cream on their Medicaid cards.

"Medicaid pays for only medicinal items, but someone has been telling them the government would pay for most any drug store item," he said.

Money said that after Mrs. Rein was informed, the situation was corrected.

NEW OWEN County Welfare Board member Frank Stewart (no relation to the recipient Stewarts) calls the entire welfare program a "form of blackmail by the Federal government."

He adds:

"I think there are responsible citizens at both the state and local level, but Federal regulations make it impossible for us to use our own judgment and I, personally, resent being rubber-stamped. It's sheer frustration."



UNUSED GOVERNMENT GIFT
Grows Rancid In Owens' Yard

INDIANAPOLIS STAR
September 24, 1971

PRESERVATION COPY