

SOVEREIGN OR SLAVE?

What is your destiny and that of your children, and their children? Are you and each of them to be sovereign or slave?

Does this seem a silly question in this modern age? Chattel slavery was abolished in most of the world more than a century ago. However, rather than ignore this question as no longer relevant, let us decide what we are talking about.

The idea of sovereignty is reasonably well understood. We say that a person is sovereign when he is free from external control, when he can choose his objectives and retain what he produces as a means to attain those objectives.

No one can be free from *all* external control, not only because natural forces and conditions always control us in some degree but also because social order involves some control over our actions. At best, we can hope to be sovereign only insofar as our freedom from control does not lessen the corresponding freedom of others.

The Constitution of the United States was intended to make citizens sovereign, the ultimate possessors of supreme power. This was a relatively new idea, and the device for keeping sovereign power in the hands of the citizens, individually and collectively, subsequently was improved upon by Switzerland.

In that nation, the citizens have reserved to themselves the initiative and the referendum. Whenever they choose, they enact new legislation that may supersede laws already in existence. Frequently, by means of the referendum, the Swiss discard legislation that the Government has attempted to enact. By this means, a Swiss citizen is more nearly sovereign than is the inhabitant of any other country.

What Is Slavery?

Perhaps you believe that you know what anyone is talking about when he refers to slavery. Slaves were chained to the rowing benches of medieval galleys; or, slaves were the property of individual masters who owned them as dogs, horses, and cattle were owned, so-called chattel slavery.

However, one should not overlook the fundamental aspect or purpose of slavery. The basic economic purpose for the master-slave relationship is that the master thereby acquires control over whatever the slave produces in excess of that portion of the slave's product required to feed,

clothe, and shelter him as well as maintain his health so that he will reproduce his kind.

As a practical matter, what portion of a slave's product can the master expect to divert to his purposes? No doubt, the proportion has varied greatly in the past, depending in part on the productivity of individual slaves. Some who were lazy and avoided learning skills useful in the master-slave society probably never produced the equivalent of their own necessities.

However, in the flourishing slave economy of the American South, the average slave must have produced a surplus over the necessities provided to him that enabled the master to profit by his control of the surplus product.

A study by two economic historians* provides the only comprehensive and well documented information on the economic aspects of negro slavery in the American South that seems to be available. The authors concluded that the slaves received the benefit of about 90 percent of the wealth they produced. In effect, the owner of 1,000 slaves could use for whatever purposes he desired the product representing the full-time efforts of 100.

Other Forms of Slavery

For centuries, the maharajas of India were the masters in a slave society organized differently from the system of chattel slavery. By long established social custom, the maharajas were both the owners of vast estates and the princes who controlled government in their domains. Anyone who wished to cultivate land owned by the maharaja had to compete with others for the privilege of paying rent to the maharaja as well as taxes to a government controlled by him.

For by far the most of hundreds of millions there was no free land. Consequently, their only alternative to starvation was to rent land. Each ryot, as the Indian peasant was called, was free to starve or to rent land as he might choose, but the maharajas could and did obtain as rent or as taxes all or practically all of the surplus any man produced in excess of that needed to maintain existence.

This form of slavery was more advantageous than chattel slavery from the viewpoint of the master. Competition for the means of existing assured him the largest practicable share of surplus product in the form of rent. The masters in the American South had to plan working schedules, find competent overseers, provide adequate health care, and otherwise inconvenience themselves in order to maintain a profitable slave society. However, the maharajas were re-

Note: This is the text of a speech by Colonel Edward C. Harwood, Director Emeritus of the Institute, delivered at the June 1977 monetary conference in Bermuda sponsored by the National Committee for Monetary Reform.

* Robert William Fogel and Stanley L. Engerman, *Time on the Cross, The Economics of American Negro Slavery*. Little Brown, Boston and Toronto, 1974.

lieved of all such drudgery in the system from which they benefited. So little of the ryot's product was left in his possession by the tax "farmers" and rent collectors that even a minor crop failure left him destitute. Almost every year in India millions starved, but so great was the reproduction rate that millions survived to maintain the competitive pressure for land at rentals that usually gave the maharaja one-third of the crop, sometimes more.

On the vast estates of medieval Europe, the serfs became like the Indian ryots, in effect slaves. So widespread was this form of slavery that, as great estates were enlarged in Rome, a nation formerly of almost free and independent husbandmen became a nation of slaves among whom no longer could be found the stalwart men to fill Caesar's legions. Pliny pointed out that great estates ruined Italy.

In a similar manner, the people of Ireland gradually were reduced to slavery when the land was given by the Norman conquerors to King's favorites. When the potato blight lessened crops in the mid-1800's, thousands died of starvation along the roads where farm carts were taking produce to the ports as rent for English absentee landlords.

However, in Western Europe, the great plagues during the 1200's and 1300's killed off so many families of great landlords that land became available free for the taking. Serfs who then had access to free land no longer remained serfs. In spite of maximum (not minimum) wage laws and other desperate efforts of the landlords to maintain their long-treasured right to the surplus product, the social system known as serfdom disintegrated, except in some nations such as Russia where the power of the nobility who were the landlords was maintained.

In England, aided by the circumstances of the times, Magna Charta, the evolution of Common Law rights (including those now embodied in the U.S. Constitution as the first ten amendments) and the final termination of Star Chamber proceedings helped freedom and justice to flourish.

The developing ideas were transported to the New World, where land was free for the taking. Neither European serfdom nor India's slave society could flourish under such circumstances. The chattel slavery form of social organization was found to be the principal means in part of the New World whereby masters could obtain fruits of a slave society.

However, the relatively free social order established in much of the United States, which was reaffirmed and strengthened by the abolition of chattel slavery, proved to be the most flourishing social organization ever known in the history of mankind. There is no need to recount in detail the seemingly miraculous economic and social advances that followed. In only two centuries a relatively small nation, by comparison with the giants of Europe, increased in stature to become the greatest producer by far of all the material things that men desired.

In Russia, however, the peasants continued to be slaves, for all practical purposes, of the Emperor and the nobility. This social organization was continued in Russia until the Communists obtained control and initiated a new form of slavery. Karl Marx denounced what he called "wage slavery" of the proletariat under capitalism only to create the intellectual rationale for the genuine wage slavery that exists in Russia.

The masters no longer are the Emperor and the aristocracy. A new aristocracy of Communist Party members has been created with the most ruthless and clever among them rising to the upper levels of power. The great mass of the citizens are their abject slaves, employed as and where the masters decree at wages determined by the masters with no

right to strike, no alternative to the job than starvation, no right to organize and protest, and no right to accumulate surplus product for ventures of their own. Thus the new social order in Russia has become simply another version of the slave society that so many human beings have lived in for perhaps millions of years.

The New Order

Also in the present century, primarily in the last few decades, we witness a new permutation in the evolutionary development of the slave society. This new social order seems destined to be relatively short lived, however, because it embodies a self-destruct mechanism so effective that its duration almost surely will be measured in decades rather than the uncounted centuries for which other slave societies have survived in times past.

The new procedure may be described as the inflating-embezzling-enslaving syndrome. Most readers presumably have seen the results of research published by American Institute for Economic Research. Since the great depression ended almost 40 years ago, inflating has embezzled nearly \$2 trillion from the savings and investments of American citizens. A major portion of their surplus product has been converted to uses desired by the new masters, an unholy alliance of politicians and central bankers. Moreover, inflating continues subtly to remove from the incomes of most workers their surplus product as well as steal surreptitiously from the more affluent among the producers whose surplus product is invested in customary ways.

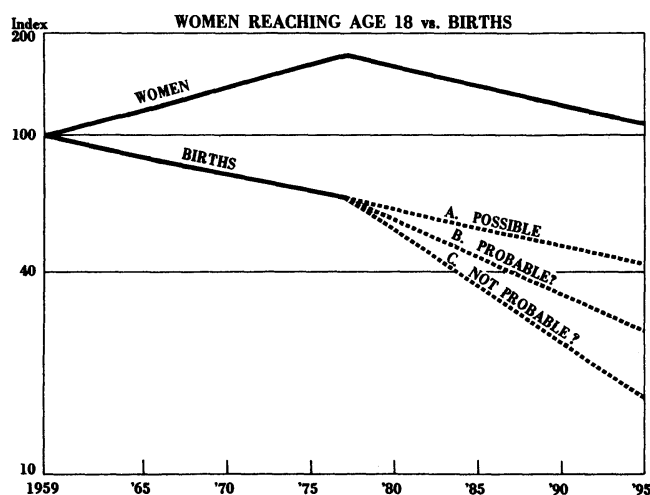
How is it possible for you and your family to avoid the worst consequences of a disintegrating social order that is rapidly being converted into the new slave society?

For you and your family the first step is to face facts already apparent that prove a self-destruct mechanism is damaging the economies of the Western World, especially that of the United States. The evidence is striking and conclusive.

From 1959 to 1977, the number of women reaching child-bearing age in the United States increased nearly 70 percent. Nevertheless, during the same years the number of births decreased one-third. These diverging trends are shown in the accompanying chart.

As the diminishing number born in recent years mature, the number of women reaching child-bearing age will begin to decrease each year. Because those numbers are known, this is shown as a continuing solid line on the chart for the next 18 years.

What will the number of births be when the number of potential mothers instead of increasing as shown up to



1977 is decreasing at the rate shown? No one knows, but three possibilities are indicated on the chart as dotted lines lettered A, B, and C. Line A parallels the solid line above. Line B diverges from the solid line about to the same extent that births diverged in a downward direction during 1959 to 1976. Line C shows a possible even greater decrease in births as economic conditions worsen for the average family.

Even now, in the event of the most optimistic possibility shown in Line A, the burden of Social Security payments in less than a normal lifetime will become impossible to carry. Long before then, the burden will become a major cause of internal political dissension.

Elsewhere, the crushing burden of rapidly increasing public and private debt has been described. The Nation's politicians will be under steadily increasing pressures to find solutions for seemingly insoluble problems. Like a malignant cancer, the self-destruct mechanism fostered by continual inflating seems destined to destroy social order.

Unanswered Questions

How long can "paying the piper" be postponed? Is it politically possible to restore respect for simple arithmetic before the proliferating problems become insoluble by a republican form of government? Will dictatorship of the right or the left prove to be inevitable?

No one knows the answers to these questions, but we can foresee some developments:

1. Government entities at all levels, municipal, state, and Federal will desperately grasp at income to meet unwisely incurred obligations.

2. In effect, a mortgage already has been placed on every man-created asset in the United States equal to nearly three times its current value. Only a small portion of businesses can be profitable in the long run when carrying this burden. Practically all ordinary forms of investment may as well be forgotten.

3. There is almost no chance that the trust department of any bank will be able to safeguard the purchasing power of funds for your descendants. The records of such agencies handling trust and pension funds already are dismal. Traditional procedures for passing property to heirs no longer are useful.

In short, your economic security and that of your children and grandchildren, even your and their freedom from absolute dependence on the state as a slave depends on his master, will depend on whether or not you and they have gold or other assuredly valuable assets.

Is there not some way of remedying the situation, of averting the slow suicide of a nation, of avoiding economic disaster? Consider what would have to be done:

1. Apparently, there will not be enough births to maintain the population unless the deductions from earned

income before taxes are increased markedly. Perhaps increasing the individual deduction per adult to \$3,000 and tripling the deduction for each child from \$600 to \$1,800 would be sufficient. A family of four then could have an income of \$9,600 before taxes. However, at present living costs that might not be enough to encourage widespread hope that family responsibilities could be met. Probably at least such an amount would be necessary, but whatever amount were needed, it would not be sufficient for more than a year or two unless that amount were automatically increased with the cost of living and families generally were confident that future cost-of-living increases would be granted.

2. Whatever minimum tax-free income is found to be necessary in order to lessen fears of the future, so that families would average at least two children, also would have to be exempt from Social Security taxes. For many families such taxes exceed the Federal income tax. One should remember that the equal amount theoretically paid by employers actually comes out of funds that otherwise could and in most instances would be added to wages.

3. Anyone willing to face the facts can see that the Social Security system is insolvent as are most other public and private pension plans. Optimists might argue that general revenues of the U.S. Treasury can be used to perpetuate the Social Security system; but how can other revenues be increased if families are to have adequate incomes to lessen their economic "pinch" and incline them to have children, without which there will be insufficient future population to carry the burdens? Clearly, a drastic revision of the Social Security system and of most other pension plans is essential. The longer it is delayed the more drastic the revision will have to be.

The probability that remedial changes soon will be implemented seems small. Politicians characteristically act on the assumption that a problem postponed is a problem solved. Not until the situation becomes much more critical than it is today, perhaps a decade or two from now, will the Nation's political leaders even admit the full seriousness of the problems, to say nothing of adopting adequate solutions.

For individuals and families there is only one means of assuring economic survival in the decades ahead. Gold, gold-related assets, and comparable forms of wealth that can be kept out of the grasp of increasingly desperate tax collectors appear to be the only answer and the only hope for preserving some degree of freedom in a world where most will be the slaves of governments seeking to stay in office by placating the recipients of government checks.

Can Something Be Done?

This apparently pessimistic viewpoint may upset you, but I suggest that there may be a glimmer of light at the end of the tunnel. Developments such as those now evident

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and increasingly difficult problems ahead will incline many, including perhaps yourself and your children, to seek answers to important questions.

Why did not the type of slavery that prevailed in India and medieval Europe develop in the United States as the pressure of increasing population augmented the takings of special privilege and tended to create an aristocracy of great wealth somewhat similar to that in India, in China, and in Europe?

Perhaps two aspects of the developing conditions account for the postponement, at least, of conditions forecast by several social philosophers, of whom the one most widely read in the last century was Henry George.

Liberty and an approximation of equality of opportunity for most of the inhabitants of the United States, i.e., substantial freedom and justice, fostered great technological advance. It was no accident that a Henry Ford could create the beginnings of a great industry in the United States, that an Edison could initiate another, and that many others could similarly influence economic developments, whereas there seemed to be no such persons in India or China where far greater populations might be expected to include a like proportion of such geniuses.

And as it happened in the present civilization as distinguished from any others we know about, the many great inventions included those that provided energy and promoted its use on a scale never before dreamed of. Energy perhaps is the great distinguishing feature of modern civilization.

No longer were men dependent on their muscle, on draft animals, and on the relatively minor use of the wind. The increasingly widespread use of energy greatly increased the productivity of all who worked for a living. For the ameliorative influence of free land in the west as that era ended, there was substituted a great increase in the effectiveness of human effort when supplemented by energy.

Until the takings of monopoly privileges, similar to those of the maharaja and other privileges less obvious, catch up with the explosive increase in productivity, the takings of those entitled by the social order to taxes and to the equivalent of rack rent will lag behind. More of nearly every man's surplus product has been left in his hands than had been the situation before the application of energy on an increasing scale greatly augmented the productivity of human effort.

Also contributing to this development was the process of inflating during its early stages. Many, perhaps most, contracts such as long-term leases and other arrangements whereby owners had expected to obtain their intended

shares of production were partially modified by a depreciating dollar until superseded by new contracts "indexed" to price changes.

Even if productivity could continue increasing and in addition the dollar continues to depreciate, these temporary alleviating effects no longer can be relied upon. Almost surely, the self-destruct mechanism already described will be augmented by those influences that contributed to the existence of an earlier form of slavery.

But we now know from experience of the past 200 years that slavery is not the inevitable lot of human beings. Admittedly, if one scans all of human history, insofar as we know it, slavery seems to have been the destiny of mankind. A good argument could be made that history proves human beings are fitted only to be slaves by some ineradicable trait of their all-too-human nature. Nevertheless, of all the millions who have toiled on this earth in the past, we know that slavery need not be the destiny of mankind.

There is a light at the end of the tunnel. To those who see only darkness ahead, I suggest a question: What is worth doing with one's life? In also suggesting the answer I do not intend to disparage the teachings of any of the great religions and their attempts to prepare human beings for a better life here or in the hereafter.

But I suggest that there is one line of advance on which all reasonable persons of good intent can agree. For ourselves we must remember the lessons of the last two centuries, and for our children and their children we must encourage comprehensive understanding of those great principles evolved through Magna Charta and the Common Law that are embodied in the U.S. Constitution. Those principles include strict limitation of power and function at the highest level of government, and by departing from them we have drifted away from individual freedom into the hands of interventionist bureaucrats. Further evolution of the basic principles embodied in the Constitution and application of them can redirect our line of advance away from the road to serfdom toward freedom and justice. Liberty is the guiding star, an essential ingredient of a just and lasting social order.

Many years ago, I took an oath "to preserve and defend the Constitution of the United States against all its enemies, foreign and domestic." I confess that then the significance of that oath in my mind was concerned primarily with World War I. However, through a fortunate series of accidents and intellectual curiosity I have found in that oath far more significance. It has become my guiding star and I hope my children and grandchildren will make it theirs. It is the light of that star that gleams at the end of the tunnel.

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