

FIVE ECONOMIC FALLACIES have been particularly seductive to modern man. Every Pied Piper who has led his people to ruin in the last century has played a tune on one or more of them. They are:

1. The fallacy of the ostrich
2. The fallacy of the stork
3. The fallacy of the grizzly bear
4. The fallacy of the rat
5. The fallacy of the evil heart

The fallacy of the ostrich amounts simply to this: "Ignore the problem and it will go away." It is particularly appealing after a prolonged period of prosperity when the viewers with alarm have been thoroughly discredited.

The fallacy of the stork is that a high birth rate guarantees a high level of business activity and profits. Enough babies will solve everything. Why regret that we have but one life to give for our country, when by applying ourselves we can give five or six? The fact, of course, is that unless our economic productivity increases faster than our population, our standard of living must go down, leaving us as a nation weaker, not stronger, than before.

It may help you to understand the fallacy of the grizzly bear if I

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tell you of one which put his left front paw in a huge trap. The trap was attached by a heavy steel chain to a big tree. Try as he would, the bear could neither pull his paw free nor break the chain. At last, exhausted by his struggles, the bear lay down to catch his breath and study the problem. A great idea dawned in his little brain. With his free paw he scraped dirt and leaves over the chain until it was entirely covered.

Then he turned and ran, only to learn as he cracked the whip that you don't eliminate a chain of facts by hiding them.

In the world situation facing us, we resort to the fallacy of the grizzly bear when we use subsidies instead of cost cutting to move our goods, when we use tariffs and quotas instead of superior values to restrict foreign competition in our home markets. Every tariff, every subsidy, every quota adds to the cost of every other domestic producer, aggravating the basic problem of keeping our nation competitive.

When I was a boy, there was a legend that rats could suck eggs under a setting hen, leaving her to dream of chicks that were never to come from the empty shells. Inflation is the fallacy of the rat. As we sit on our money, the value is sucked out of it, leaving us to dream of things it will never buy. Money is a system of counters by which human beings keep track of what they have done for each other. Just as no problem in corporate management ever was solved by falsifying the books, so no national problems of directing investment and production to the best advantage of everyone concerned ever were or ever can be solved by coin clipping or its more sophisticated present-day infla-

tionary descendants — printing press money and debt monetization. Something for nothing is the common denominator of all manifestations of the fallacy of the rat, whether they are called featherbedding, soil banks, or deficit financing.

The fallacy of the evil heart is the standby of those who are goat hunting. It usually has its greatest vogue after one or another of the other fallacies, or all of them in combination, have done their dirty work. It's the fallacy that we got into the mess because bad people wanted to hurt us and that all we need to do to get out of trouble is to turn everything over to good people. Politics being what it is, the baddies, as they are called, are usually private enterprisers of one kind or another — stockbrokers, bankers, munitions makers, or big business. The goodies, of course, are in government. If the goodies just had more power to control the baddies, happy days would be here again and never, never end.

The danger in all these fallacies is that, instead of helping us to compete, they serve as painkillers for our failures. Thus, they lead backward toward economic isolationism and the substitution of political tyranny for freedom of choice. ◆



ARE WE CHANGING OUR CONCEPT OF GOVERNMENT?

KENNETH W. SOLLITT

THE WRITINGS and speeches of the Founders of our republic make crystal clear the fact that, to them, the primal, if not the only, function of government was to protect men in the exercise of their legitimate liberties. Probably nowhere is this better stated than in the Declaration of Independence:

We hold these truths to be self-evident; that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness. *That to secure these rights governments are instituted among men*, deriving their just powers from the consent of the governed . . . (emphasis added)

The Declaration goes on to say that “whenever any form of government becomes destructive of

these ends, it is the right of the people to alter or abolish it.” There was full recognition of the fact that not all liberties are legitimate, that men are sure to take unfair advantage of other men, if given a chance, and that even governments instituted to “secure these rights” sometimes become “destructive of these ends.”

Therefore, in the writing of the Constitution, everything possible was done to protect the honest, industrious, freedom-loving American citizen from being deprived of his rights either by other citizens or by the government itself.

A limited government of checks and balances was set up, and almost before the ink was dry on the Constitution proper, a Bill of Rights was added to it as a resounding exclamation point to emphasize the fact that our Found-

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