

petitive markets because it is a less recognized but nevertheless a happy and gratifying feature. In every human being, I am convinced, there is somewhere some bit of genius or special talent. In totalitarian states it can never be fully released. But through our competitive markets every one can and is both searching for and encouraging it in others and is allowed freely to develop it in himself. Thus we have a precious device for finding, releasing, and rewarding *all* the genius of *all* the people, and so long as we preserve it I have no fear of limited evil genius rampant elsewhere in this world.

Here then is the secret of the extraordinary rise of the American civilization, and please note that it has all rested on the system of maximum and universal incentives and opportunities inherent in a society that really believes in and actually practices individual freedom.

Undermining Our System

But what have we done to that system of incentives?

Today's relevant fact — which I doubt anyone seriously disputes — is that we have gone a long way towards undermining it. In terms of "carrot and stick" folklore we have been shrinking the carrot in front and even supplanting it with

the stick from behind. Thus the income tax rates on superior individual performance have been lifted to 90 per cent — and might as well be 100 per cent as far as incentive is concerned. The pathetic thing is that the nation gains little if any revenue from steep progressive taxation but it can lose the effective services and leadership of the very ones who have competitively proven their superior productive effectiveness. Also, it actually can lose revenue because such people cannot possibly generate income for themselves without generating much additional income for others in the process, thus enlarging the over-all tax base. Corporate compensation of employees, for example, is a dozen times the dividends paid to owners.

At the other end of the incentive scale we have greatly removed individual and family incentive to be self-reliantly industrious and thrifty against old age, unemployment, or emergency. Some of you may be startled to realize that in any necessary cut back of the work force some wage contracts with labor unions already provide that, instead of working hours being reduced to less than four days a week, employees must be laid off entirely to enjoy unemployment compensation leisure.

In short, through progressively

bitter tax punishment of the more productive and an ever-widening rewarding of the nonproductive, we are steadily adopting the Marxian dictum: "From each according to his ability, to each according to his need." This is something that communists warmly advocate we adopt, but which they themselves would not think of practicing because they know, having tried it out, that there is no more certain way to divert people from being productive to being indolent than to tell them that no one will be allowed to benefit very much from working harder, better, or longer than his neighbors, and that no one needs to suffer very much from not working diligently.

Burdensome Taxation

If we view the broad trend of corporate taxation, we see much of the same philosophy at work. Federal taxation now taxes over half of corporate taxable income; and the income remaining is taxed again when transferred to stockholders. And, when, in addition, the tax code unrealistically counts part of what is really depreciation cost as taxable income, then we have what in effect is "confiscation of capital."

Perhaps you have no sense of shock at a 52 per cent corporate income tax. But bear in mind that

this tax rides on the broadest incentive of the competitive system, because corporate America provides three-fourths of all non-governmental wages. The tax is a big factor and usually a deterring one in virtually all major business decisions. It is a penalty on efficiency, and the greater the efficiency the greater the tax per unit of output. On the other hand, inefficiency, by being spared a similar tax burden, is sheltered. We punish the efficient, coddle the inefficient, and thereby clog the self-cleansing and efficiency-guaranteeing features of the competitive system.

No one doubts that the power to tax involves the power to destroy, and that a 100 per cent corporate tax would destroy private capitalism, thus ushering in some sort of sterile socialism. In terms of this arithmetic we are already over half way to socialism with respect to three-quarters of the nation's production. How this has all come to pass in the land of the free and the home of the brave can only be explained, I suppose, in terms of the famous lines of Alexander Pope:

Vice is a monster of so frightful mien,
As to be hated needs but to be seen;
If seen too oft, familiar with her face,
We first endure, then pity, then embrace.