do not own the tools which they use in producing a product or service for sale. From the proceeds of sale, managers and other employees derive both their own wages and the necessary reward to the stockholders or owners of the tools.

In a truly liberal society each individual has the right to the product of his own labor. He also has the right to turn to the occupation of his choice. A delicate mechanism known as the free market guides him automatically toward the most useful occupation for his talents. The sole function of the free market is to guide production and consumption among men who exchange goods and services with one another. A free market does not guarantee a "living wage" or even a job to any worker, or a profit to any investor. It is a non-coercive and impersonal guide primarily concerned with results. Each individual is free, if he chooses, to produce the maximum amount of which he is capable. It forces no one to produce, nor does it afford anyone a direct reward for having failed to produce anything. It allows him to give of his product to other individuals, but does not force him to do so. American enterprise has never enjoyed complete freedom of exchange, but the degree of individual liberty has been sufficient to yield the highest level of real security the world has known.

The Agricultural Ladder

Under a system which protects the right of the individual to property and to the product of his own labor, the individual may give away, or set aside part of his production for more tools and for future consumption, to whatever extent his current consumption is less than what he produces. But he must do more than produce the surplus; he must arrange for its safe-keeping if he is to enjoy its use in the future.

In the United States there used to be a mechanism known as the "agricultural ladder" by which a farm boy might come into possession of a farm of his own. In those days, a farm youth gained experience on his father's farm, then worked for a time as a hired man for a neighboring farmer. Eventually he might expect to save enough from his wages to acquire a team of horses and sufficient tools of farming so that he could rent a farm. As a tenant, he might begin to build up a dairy herd or the foundation stock for some other livestock enterprise. As his ownership of tools and livestock and his other savings increased, he could look forward to the down payment on his own farm land and buildings, the former owner holding a mortgage on the property until the young farmer could work himself out of debt. And that led to the top of the ladder — ownership of all the capital needed in one's own business.

Under this system, a man could arrange for security in his old age. He could rent his farm to someone else. Or he could sell it to a younger man, taking a down-payment and a mortgage. The income from this combination loan-and-sale would provide the living for the retired farmer. It was immaterial whether the new farmer was the son of the one who retired, or someone outside the family. The security of the older man was assured by the fact that he had saved something of value — capital — which could be used productively by someone else.

Industrialization

This principle of saving, this method of providing one's own security against old age, was not outmoded by industrialization. There was no magic in the "agricultural ladder" unless